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THE SECOND WORLD WAR

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FOOD

VOLUME III

STUDIES IN ADMINISTRATION AND CONTROL

BY

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EDITOR'S NOTE

It was originally intended to complete the history of food policy and administration in two volumes, but it was later decided to publish three. In making this decision the editor met the wishes of the Ministry of Food, which pleaded the educational benefit that members of the food trades, students of administration and other interested persons would gain by examining in their detailed context the historical lessons of food control.

Certainly, *Studies in Administration and Control*, Vols. II and III, contain considerably more detail than has appeared in any other volume of the Civil Histories. The difference, however, belongs chiefly to the tactics of publication. Every volume of the series, including these two volumes, is in varying degree the distillation of drafts that have been written at very much greater length. In meeting the request of the Ministry of Food, the editor was able at the same time to serve a professional purpose of his own: namely to exemplify the close attention to detail that is required if war-economic history is to rest on firm foundations.

The detail in this book, moreover, should prove of interest not only to persons who have a close professional concern with food but to others.

W. K. H.

PREFACE

THE five studies in this volume carry to fulfilment the author's intention of presenting war-time food control 'in the round'. If the aim had been a different, and, having regard to limitations of time and space, an impossible one, namely to provide a comprehensive coverage of all aspects of the subject, the reader would be entitled to complain of grave omissions. The absence of any study of butter, cheese, and other milk products; of tea in its international aspects; and of a host of minor commodities like onions, carrots, tomatoes, and green vegetables, must bear witness to the inexhaustible possibilities of a 'Copernican'[1] administration. That of other topics, such as enforcement, for which a friendly reviewer of the first volume pleaded, reflects source material at once so voluminous and so amorphous as to defy the effort to extract a coherent story from it. An official historian, surrounded as he is by his own *dramatis personae* as critics, is ill-advised to attempt the making of bricks without straw. It seems fair to claim that the filling of these gaps would not alter the general picture, for all that they might be of interest to specialists.

Without the accounts here presented, on the other hand, the earlier volumes would be manifestly incomplete, so different is the emphasis. For commodities like fish and eggs, which were never in Ministry ownership, the problem of control is largely that of devising suitable machinery; the administrator becomes involved in the complexities and loopholes of delegated legislation. For the foods studied here, Ministry ownership makes much of their subsequent manipulation comparatively plain sailing—a matter of giving instructions which, for a highly organised trade like sugar-refining, hardly need to be written down. Hence much of the main interest lies elsewhere; in the strategy and tactics of procurement, and in the often extremely complex financial arrangements. These were matters in which the expert comes into his own, the territory of the commodity dealer and the accountant; and their professional skill—if sometimes also their limitations when confronted with a novel problem—is evident throughout this volume. Comparisons are perhaps odious having regard to the varying difficulty of the questions facing the Ministry; but if the author were asked to name a consummate example of mastery in commodity control, he would unhesitatingly point to that of sugar as a standard by which all others should be judged. In general however, this volume presents food control at its most successful; a

[1] The happy term used by F. H. Coller of the earlier period of control.

justification, if justification were needed at this date, for the policy of choosing controllers from their own trades.

Nevertheless, the preparation of these studies—much of which went on, in any case, *pari passu* with that of the earlier volumes—has not entailed any substantial revision of views earlier expressed, whether in the first two volumes or in the author's 'unofficial' essay, *Food and Agriculture in Britain*[1]. The attentive reader may detect one exception, namely the treatment of the Ministry's stock policy in the later years of the war, which may seem more lenient than that in Volume I. Even this, however, is largely a matter of emphasis. The author still feels that the arguments used in defence of the policy were not well based; but closer study of the proceedings of the Combined Food Board and its Committees has led him to the view that the Ministry's Commodity Division had, humanly speaking, little choice but to protect their stocks by any arguments on which they could lay hands. It is of course open to anyone to argue about the tactics used on any particular occasion; but to say, with some critics of the Ministry, that it should have told the truth, the whole truth and nothing but the truth, seems no more than academic.

Research has extended over so many years, during which the author's views of what might properly be included have undergone changes—changes that it was not always practicable to embody in earlier work—, that some inconsistencies of treatment have been inescapable. An effort has however been made to preserve a comparable scale in the treatment of all five commodities. The comparative brevity of the study of Oils and Fats—which was the first to be completed in draft—reflects mainly the absence of significant home-grown supplies and, in consequence, of the complications attendant on grafting a system of war-time control on to a pre-war marketing scheme. The study of Cereals, and to a certain extent that of Meat and Livestock also, would have had to be considerably longer but for the fact that some important aspects—bread 'dilution' and 'slaughter policy', for example—had been dealt with in Volume I. So too the appearance of Mr. Eric Roll's study of the Combined Food Board[2] has made it possible to shorten the international portions of this volume. The gain in brevity will, it is hoped, offset the loss in self-sufficiency; care has been taken to provide the maximum of cross-references. In general the story has been rapidly 'tapered off' after 1945, but an exception was made for bread rationing, as to have omitted this would have stultified the practical purpose the volume was intended to serve.

Grateful acknowledgement is made to those officials of the former

[1] R. J. Hammond, *Food and Agriculture in Britain; Aspects of War-time Control.* Stanford, California: Stanford University Press, 1954.

[2] Eric Roll, *The Combined Food Board.* ibid. 1956.

Ministry of Food, too numerous to mention, who helped the author and his assistants to find their way amid the jungle of papers; to Miss G. E. Todd, Miss S. G. Bach, Mrs. E. B. Given, Mrs. M. H. Meyrick Browne and Miss M. Wretts-Smith, whose assistance in research and /or drafting for Parts I to V respectively alone made his burden tolerable; to Miss Wretts-Smith additionally, for help in preparing the completed volume for the press. Responsibility for what is said and unsaid nevertheless rests with the author himself.

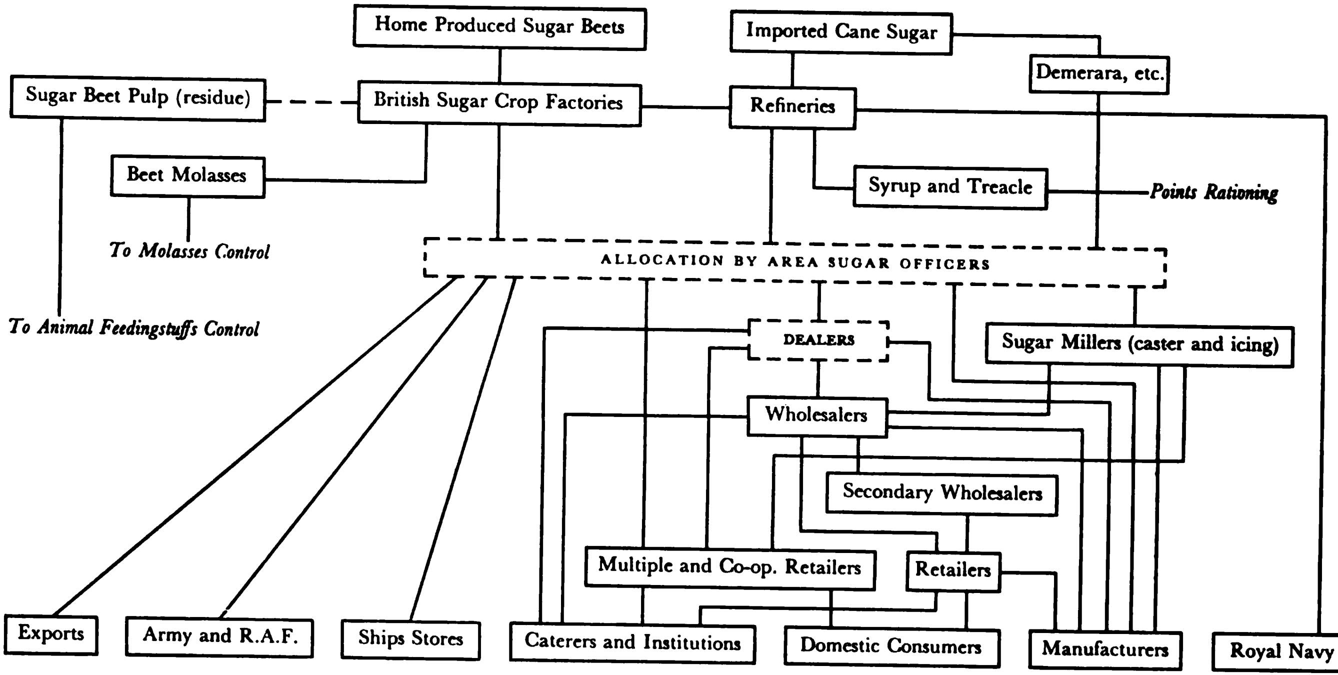
Food Research Institute,
Stanford University, California

R. J. Hammond

Part I: Sugar

FIGURE I

Sugar under Control



Note: Sugar did not physically pass through the channels indicated in small capitals, which were for accounting purposes only: however, some dealers handled sugar in their capacity as wholesalers.

CHAPTER I

Before the War

I

FOR many years before the war, the sugar trade had been the prisoner of politics. The habit of government interference with it had been formed in the days when sugar ranked as an imported luxury, and was never completely broken even in the hey-day of international free trade. Under the Old Colonial System, differential tariffs served to encourage the import of cane sugar in the raw state, so as to promote the refining industries of the metropolitan country. In the nineteenth century, the rise of economic nationalism went hand in hand with the fostering of bounty-fed beet sugar industries. The Brussels Convention of 1902, negotiated at the instance of the United Kingdom, represented the high-water mark of liberal reaction against such nationalistic devices. It abolished direct export bounties, through which Germany and Austria-Hungary had built up a large trade, and set a limit of 2s. 6d. a hundredweight on other state assistance. In effect the United Kingdom, which was not a producer of sugar, apportioned its domestic market between cane and beet, between raw and refined. Even so, so great had the development of the European beet-sugar industry been that in 1914 it was supplying more than half United Kingdom requirements.

The First World War destroyed overnight the equilibrium of the international sugar market. The United Kingdom was especially affected, for it was forced to bring all its supplies from tropical countries. As early as 20th August 1914 a Royal Commission was appointed, with power to purchase, sell, and regulate sugar supplies on behalf of the Government. Thus control of sugar anticipated general food control by more than two years; even the Wheat Commission was not set up till October 1916, the Ministry of Food not till December. One of the reasons for the creation of the Ministry was public unrest at the shortage and maldistribution of sugar. For the first two years of war, shipping had been comparatively easy, and the Sugar Commission able to maintain supplies at about the pre-war level; from about mid-1916 this was no longer possible, and by November the Commission's releases to the trade had fallen to 65 per cent of the 1915 figure that served as datum. Out of this situation, eventually, came sugar rationing, on 31st December 1917.

Although total imports of sugar declined, from upwards of 1,800,000 tons in 1913 and 1914, to less than 1,400,000 tons in 1917 and 1918, those of raw sugar actually increased in the latter years, so that home-refined sugar came for the first time in recent history to occupy a dominating position in the trade. The Sugar Commission had at first replaced the lost imports from Central Europe by importing from Java, and above all, from Mauritius; but the shortage of shipping compelled the United Kingdom to concentrate on the shorter haul from the Caribbean, and chiefly from Cuba. This sugar, however, was raw; and the Sugar Commission was constrained to supplement the capacity of the home refiners by arranging for Cuban sugar to be refined 'on toll' in the United States. Competition between the Allies and the United States for Cuban sugar had been avoided by the establishment of an International Sugar Committee, representing the Commission which bought on behalf of the European Allies and Mr. Herbert Hoover's War Food Administration. This Committee handled the 1917–18 crop; that for the following year was handled by an all-American Sugar Equalization Board, which resold one-third of it to the Commission.[1]

Had the United States Administration been prepared to continue the policy of co-ordinated sugar purchase into the following crop year, 1919–20, the speculative boom on the world sugar market, and the crash that followed it, might have been avoided. An offer by the Cuban producers to negotiate, made in July 1919, was withdrawn in September for want of a response. Meanwhile, the Javan surplus, some 900,000 tons at the time of the Armistice, had been disposed of within six months; the world cane sugar crop of 1919 was some 600,000 tons below, and United States demand some 400,000 tons above, expectations. Prices of sugar rose vertiginously; by May 1920 raw sugar was fetching 10d. a lb. f.o.b. Cuba. The Sugar Commission held off the market as long as possible; the War Cabinet even agreed that the sugar ration should be reduced to a record low level—6 oz. a head a week—during February and March 1920. Later that year the Cuban market broke, after the Commission had contracted to buy the whole of the crop from Mauritius. The effect of this purchase was underestimated at the time; it was merely expected to keep prices at or near their existing levels. But the very extent of its success meant that the Commission had to incur a heavy loss in disposing of its stocks. The lessons of this episode were not to be lost on the Commission's successors in the Second World War, who strove to avoid dependence upon a single source of supply or upon American policy.

The Cuban crash—from 10d. a lb. to about 2d.—did not provoke a fall in output there. On the contrary; production, which at four million tons in 1918 was already about twice the pre-war figure, rose to over

[1] Beveridge, *op. cit.* pp. 120–126: W. C. Mullendore, *History of the United States Food Administration* (1921; first published by Stanford University Press, 1941), pp. 167—194 *passim*.

five millions by 1925. Although world consumption of sugar had also been rising since the war, an increase in world stocks of nearly two million tons at the end of that season gave Cuba, as the largest world producer, cause for alarm. In May 1926 the Cuban government began a statutory policy of crop restriction. Elsewhere, however, production continued to increase. In Java, a new type of seedling cane (POJ 2878) provoked an immediate rise in output of 50 per cent., and as producers there could still make a profit at current world prices, the monopolistic selling agency refused to co-operate with Cuba and the European beet-sugar producers in a restriction scheme (1928). Production had also increased in the British Empire, in the United States dependencies—Philippines, Hawaii, and Puerto Rico—and (of beet) in the United States itself, all these being fostered by tariffs. In 1929 the Cuban restriction scheme was abandoned, in time for an exceptionally favourable world season—production reached 27 million tons, or 1½ times the pre-war level—and the collapse of the Wall Street stock market.

II

It was, of course, to have been expected that the beet-sugar industry of Continental Europe would be re-established after the war, despite the increased supplies of cane sugar that were available. Had the restrictions on state-aid embodied in the Brussels Convention still applied, this rehabilitation might have been difficult; but the Convention was now a dead letter, and one of its principal signatories, Austria-Hungary, had ceased to exist. Still less would it have been possible for the United Kingdom, before the war, to have reversed its traditional policy and begun deliberately to foster a home-grown beet-sugar industry. During the war, however, the import duty on sugar, which had previously been almost nominal (1s. 10d. cwt.) was raised for revenue purposes to 25s. 8d. a hundredweight; a level that permitted of substantial discrimination in favour of home-grown or colonial supplies. The shortage of imported food, and especially of sugar, during the war was used as an argument for encouraging agricultural, and particularly sugar-beet, production. One of the projects that emerged from the 'reconstruction' activities of the Coalition Government was a grant-aided beet-sugar factory at Kelham in Nottinghamshire, which opened towards the end of 1921. It was not the first of its kind; an Anglo-Dutch enterprise had established a factory at Cantley, in Norfolk, shortly before the war, and though this closed in 1916, it had re-opened in 1920. Both factories made a loss on their 1921 operations, the difference of just over six shillings between the customs duty on foreign sugar and the excise duty on the home-produced article falling far short of what the latter required by way of protection. In March 1922, however, in response to an appeal from them, the Government abolished the excise duty, thus giving to home-produced sugar assistance equal to more than ten times the maximum that would have been permitted under the Brussels Convention.[1] That season's campaign was the first in which the Cantley factory made a profit; and next year work was begun on a new factory at Colwick.

The degree of protection afforded the infant industry, however, was still dependent on the maintenance of the import duty at an abnormal war-time level. When, in 1924, the duty was reduced to 11s. 8d. cwt. (full rate), the industry asked for some other form of assistance, and in July of that year the Chancellor of the Exchequer announced that a subsidy would be granted, at a diminishing rate over the next ten years. This promise was embodied, with effect from the 1924-25 'campaign', in the British Sugar (Subsidy) Act of March 1925; immediately afterwards the excise duty was reimposed, but at the preferential rate (7s. 4⅔d.). The Act provided for an initial subsidy of 19s. 6d. cwt., falling to 13s. od. after four years, and to 6s. 6d. after seven years; at the expiry of the Act, it was hoped that the subsidy might be extinguished. Sixteen more factories, of which two were in Scotland, were established between 1924 and 1928.

The introduction of the subsidy brought protests from the refining industry, which was now dominated by an amalgamation of the two leading firms that had taken place soon after the war. The refiners had flourished under the Sugar Commission régime and in the interim period when imports of refined sugar were well below pre-war proportions, but they now felt themselves threatened, not only by refined imports, which they declared to be 'dumped' at prices below the real cost, but from the subsidised beet-sugar factories that were also equipped to produce refined, or quasi-refined, sugar. In 1928 the Government made a bargain with the refiners by which a reduction in the rate of duty, equal to 2s. 4d. a hundredweight of refined sugar, was applied to imports of raw as against refined sugar; the *quid pro quo* was to be a reduction in the price of home-refined sugar equivalent to the relief in duty. The refiners were thus enabled to reduce their costs, and increase their profits, by spreading refining overheads over a larger production.[2] But though foreign refined sugar was shut out of the British market (indeed a substantial export trade developed) the refiners had still to face the competition of the beet-sugar factories, some of which persisted in producing white sugar, and even imported

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[1] The customs duty at this time was 25s. 8d. on foreign sugars, 21s. 4⅔d. on Empire; the excise duty was 19s. 5½d.

[2] A full account of these transactions will be found in the 'Orange Book' on the sugar-beet industry (Ministry of Agriculture and Fisheries, *Economic Series*, No. 27, 1931).

raw sugar for refining in the off-season. (The excise duty on raws had been reduced to correspond with the new rate of import duty; that on white sugar by only two-thirds of this amount, so that an incentive was provided for the factories to produce raw sugar and pass it to the refiners.) A lively rivalry sprang up between the refiners and the factories, in which the former, thanks to their increased profits, had the advantage. It was ended for the time being by an Industrial Agreement, negotiated in 1933 through the good offices of the Ministry of Agriculture. This gave the beet factories a quota of five-nineteenths of the total refined sugar consumption per annum; no limit was set to the production of raw beet-sugar, but any excess over quotas was not to be at the refiners' expense.[1]

A limited home industry had thus been established; but world prices had, by 1933–4, slumped to a level (4s. 9d. a cwt.) at which there was no prospect of the industry ever paying its way. In April 1934 the Government appointed a committee of three, with Mr. Wilfrid Greene, K.C. (later Lord Greene and Master of the Rolls) as Chairman, to inquire into the whole sugar industry. Meanwhile the subsidy was continued for another year and proposals for a statutory sugar-beet marketing scheme shelved.

The Committee reported in March 1935.[2] Though it produced an acute and searching analysis, it was divided two to one upon the main issue, namely whether assistance to the industry should be continued. The majority (the Chairman and Sir Kenneth Lee) thought it should not:

> '. . . we are unable to find positive justification for the expenditure of a sum of several millions per annum on an industry which has no reasonable prospects of ever becoming self-supporting, and on the production of a crop which, without that assistance, would at present sugar prices be practically valueless . . .'

That is to say, while they acknowledged that the industry had provided some relief to a depressed agriculture, given some (mainly casual) employment in factories and on farms, and had some limited value by way of insurance in time of war or against abnormally high import prices, they did not think any of these results warranted the cost. As relief, it was 'haphazard and inequitable'; there was no evidence that the money spent on it was especially efficacious in providing employment; the agricultural industry in the beet-growing areas might become unhealthily dependent on large-scale assistance; in time of war it might be more advantageous to import all the

[1] The consumption figure that was taken as a basis for the agreement was 1,900,000 tons, giving the beet factories a quota of 500,000 tons. Refining capacity, mainly owing to the establishment of the factories, was approximately double the total consumption.

[2] Cmd. 4871.

country's sugar requirements and concentrate the home agricultural effort on other crops; finally, the degree of supervision and control over the whole sugar industry that continued assistance would, in their view, entail was itself a powerful argument against it.

The remaining member of the Committee (Mr. Cyril Lloyd) contested all these points; in particular, he set a much higher value on the agricultural benefits to be gained from including beet in the rotation. The cost of future assistance, he thought, had been exaggerated by the belief that the abnormally low world price of sugar would continue. The home industry could not, it was generally conceded, be denied the preference that had long been given to colonial sugar; in the long term, it should be possible, through rising world prices and increased efficiency in the industry, to narrow the gap to this extent, comparable with the old 2s. 6d. maximum laid down in the Brussels Convention. Another argument he used, however, is noteworthy as exemplifying the criteria by which economic policies were apt to be judged in the nineteen-thirties, with their abundance of under-employed economic resources. The beet-sugar industry was commended because it caused the transport of many million tons of raw materials (beet, limestone, coal, and coke), the railways' gain from which was far greater than the shipping industry's loss of freight on raw sugar, much of which came in foreign ships anyway. Thus the very economic inefficiency of the whole process of obtaining sugar from beets was turned into an argument in its favour.

In July 1935 the Government announced, in a White Paper[1], its rejection of the majority recommendation 'on agricultural grounds'. The Government did, however, accept the view—which the majority had also put forward by way of alternative—that there should be no further increase in the size of the beet industry, and also the more important of the recommendations for its re-organisation. The factories were to be amalgamated into a single British Sugar Corporation, and the whole industry made subject to a statutory Sugar Commission of independent appointees. The recommendation that the fiscal discrimination against the production of white sugar in the beet factories should be removed, and the Industrial Agreement with the refiners abrogated, was, however, rejected because it would produce a 'sudden and violent change'. Instead, the Government suggested a new Industrial Agreement, under which the quota rights of the new corporation would be nominally raised to 720,000 tons a year; of these rights, 220,000 tons worth would however be bought by the refiners at an agreed price (ultimately fixed at £1 7s. 6d.) a ton. In other words, the refiners would pay a levy to the Corporation in return for being allowed to retain their present turnover, which was

[1] Cmd. 4964.

a principal source of their increased profits. These arrangements were duly embodied in the Sugar Industry (Reorganisation) Act of 1936;[1] a voluntary amalgamation of the factories was arranged, to come into force on 1st April of that year. The new Industrial Agreement was finally approved in March 1937, and a financial Agreement between the Government and the new Corporation signed in March 1938.

The bearing of these changes on the structure, and particularly on the finances, of war-time sugar control will appear later. So far as general policy is concerned, they represented a wary compromise between conflicting interests, not only domestic but international. Besides beet-growers, refiners, taxpayers, consumers, and the general level of employment, Ministers had to take into account the repercussions on imperial policy and world trade.

III

In the years after 1929, the depressed condition of the international sugar market threatened to become chronic. The rise in world consumption, which between 1918 and 1929 had been at the rate of 4½ per cent per annum, was abruptly halted for the next five years, till 1933–4. The establishment of the beet-sugar industry in the United Kingdom, and the promotion by preferential tariffs of cane-sugar production in the British Empire, were matched by similar measures of economic nationalism in the United States. India, a major importer of sugar, adopted from 1930 onwards a policy of protection that within a few years virtually eliminated imports. Japan, formerly a customer for Java sugar, was by this time relying wholly upon its dependency Formosa. With nine-tenths of total consumption accounted for by sheltered or protected markets, it appeared only a matter of time before the 'free market', and with it the largest and most efficient producers, Java and Cuba, should be eliminated.[2]

In 1930 fresh efforts were made, under the leadership of Thomas L. Chadbourne, an American lawyer with a proprietary interest in several Cuban mills, to reach international agreement upon stabilising measures. An unwritten agreement was reached with other suppliers to the United States market, allocating quotas between them; and on the strength of this, Cuba approached other producers, notably Java. In May 1931 the so-called 'Chadbourne Agreement' was signed, on behalf of the organised sugar industries of seven countries (Cuba,

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[1] 26 Geo. 5 and 1 Edw. 8. c. 18.

[2] A valuable short account of all these problems will be found in B. C. Swerling, *International Control of Sugar*, 1918–41 (Commodity Policy Studies of the Food Research Institute, Stanford University, No. 7: 1949).

Java, Germany, Poland, Hungary, Czechoslovakia, and Belgium; Peru and Yugoslavia adhered later). It apportioned export quotas for five years, provided for the orderly disposal of sugar stocks, designated as surplus, within these quotas, and for crop-restriction to the extent necessary to prevent stocks from rising again. Unfortunately the quotas were fixed higher than the state of the market, or the Chadbourne countries' control over it, could justify. The crop restrictions that proved necessary were far more severe than the signatories expected; Java, the extreme case, produced only half-a-million tons in 1934–5, compared with almost three millions in 1929–30. But though they reduced output by 6.4 million tons over four years, world output declined by only 1.7 million tons; for outside the agreement nationalistic measures had continued unchecked.

As early as the World Economic Conference of 1927, Cuba had tried to secure international action, through the League of Nations, to remedy the deteriorating world sugar situation; and this effort was renewed at the abortive World Monetary and Economic Conference in 1933. In March 1934 an international sugar conference was held in London, but failed to make progress, mainly because the domestic policies of both the United States and the United Kingdom were not settled. During the next two years these were clarified. The Jones-Costigan Act of May 1934 enacted a quota system for the whole United States market, and the Greene Committee's report provided an analysis on which future British policy could be based. The White Paper proposals of July 1935 specifically looked forward to 'an international agreement for the adjustment of supplies to the requirements of the world market, accompanied by the acceptance of the principle that State assistance, in whatever form, should everywhere be diminished as market conditions improve'[1]. The ceiling imposed on home beet-sugar production by the Act of 1936 was a gesture in the same direction; it was claimed that the figure of 560,000 long tons (refined equivalent) was seven per cent below peak production, and the United Kingdom accordingly felt entitled to call upon the Dominions and Colonies to make similar contributions,[2] by way of reduction of export quotas or otherwise. Soundings of other interests, notably Java, gave promise of agreement; at length, an International Sugar Conference was convened in London, in April 1937[3]. After four weeks hard bargaining an International Sugar Agreement was signed on 6th May, to run from five years from its entry into force. Unlike previous agreements, it bound the *governments* of the twenty-two countries.

It almost goes without saying that the agreement professed its

[1] Cmd. 4964, already cited.

[2] The highest production actually attained in the United Kingdom, in a very favourable season (1934–5), had been 593,000 long tons, refined value.

[3] Cmd. 5461.

intention to assure an 'adequate' supply of sugar on the world market at a 'reasonable' price that should cover the cost of production, including a 'reasonable' profit, to 'efficient' producers. In practice, however, it was designed to do no more than halt the autarkic trend that otherwise must have put those producers out of business. The means employed was the extension to the 'free market', slightly enlarged by British concessions, of the export quota system. As always, the quotas were fixed by a process of haggling that tended, in the interests of compromise, to force up the figure of consumption on which they were based considerably higher than detached assessment would have justified[1]. The amount of 'water' in the quotas was not much less, in total, than 500,000 (metric) tons, or 12½ per cent.

A trace of flexibility was imparted to the arrangements, in that the International Sugar Council, the governing body brought into being under the agreement, was empowered to reduce *all* quotas by not more than five per cent in any one year, or to increase them in the same proportion in the event of shortage or a 'sudden excessive rise of price'. Moreover, there was specific provision for an importing country to denounce the Agreement if the Council declined to act in the latter sense[2]. Voluntary surrender and proportionate allotment of quotas were also provided for. Nevertheless, the abiding impression is of an attempt to free trade by means of a strait-jacket.

IV

It was in this atmosphere of quotas within quotas, of general and special[3] preferences, that the Food (Defence Plans) Department came into being. Perhaps partly because the new régimes, domestic and international, were in course of settling down during 1937 and early 1938, the proposals for war-time sugar control were slow to develop; it was not until after Munich that substantial progress was made. The principal accomplishment of the Department in the earlier years was to acquire a security stock; an achievement nullified by the working of the International Sugar Agreement.

A brief account of this episode was given in the first volume of this history[4]; but some of its details are worth enlarging upon here. The whole of the stock-buying operation was intended to take place in the

[1] The same thing had happened at the time of the Chadbourne agreement.

[2] Votes on the Council were weighted to give forty-five votes to importing, and fifty-five to exporting countries; the United States and United Kingdom each had seventeen votes. A sixty per cent. vote was required to increase quotas, and (in the first two years) to decrease them. After the first two years, unanimity was required for the latter.

[3] In 1932 a 'special preference' on a limited quantity of Colonial sugar had been introduced. From 1934 onwards this quantity was fixed at 360,000 tons; the remission of duty—3s. a cwt. in addition to the normal Dominion preference of 3s. 9d.—was to be subject to diminution on a sliding scale according to the raw sugar price.

[4] pp. 26–8.

strictest secrecy, partly for fear of upsetting the market, partly to avoid disclosing the size of stocks. For wheat, secrecy was attainable, at any rate on paper, because the amount to be bought was so small compared with total supplies; indeed, wheat imports were actually smaller in 1938, the year of the Government purchase, than in the previous years. For sugar, however, the comparision was not with total supplies, but with the 'free market' quantity of about 3 million tons. In relation to the tight quota regulation of the market, the proposed 150,000 tons to be put into store was sizeable; moreover, it had become clear by April 1938 that the quotas for the first and second years of the Agreement (1937–8 and 1938–9) would probably need to be reduced[1].

As the prospective enemy was a party to the Agreement, it appeared out of the question[2] to furnish the International Sugar Council with figures of the proposed purchase; but the alternative, to announce the policy and leave the Council to base its decision on quotas on a guess about the United Kingdom Government reserve, was at least equally objectionable. The announcement was in fact timed for 26th April 1938, the day before the International Sugar Council met, when only one-third of the 150,000 tons had actually been secured (by way of a temporary loan from Tate and Lyle, Ltd.). The Council duly reduced the quotas for 1937–8 by five per cent, the permitted maximum; on those for 1938–9, it deferred action till July. By then, another complication had become apparent. The British Colonial Empire export quota, under the Agreement, was related to the net import requirements of the British Empire as a whole. As these had fallen during 1937–38, a reduction in the Colonial quota seemed inevitable. But it occurred to the Colonial Office that if the British Government's 50,000 tons were withdrawn from bond to a duty-paid warehouse, and if a further 50,000 tons were added to this duty-paid stock before the end of the 'sugar year' on 31st August, the apparent drop in consumption would be by that much reduced. In requesting the Board of Trade to execute this manoeuvre, the Colonial Office pointed out also that the effect of leaving the whole Government stock, when acquired, as a part of 'visible', i.e., bonded stocks, at a time when the International Sugar Council's policy was aimed at cutting down stocks in consumer countries, would almost certainly be to reduce other stocks in the United Kingdom.

[1] The chairman of the Sugar Commission had pointed out to the Board of Trade in March that an immediate purchase of sugar would therefore be advantageous, as otherwise the prospective reduction in quotas would force up the price. There is no evidence, however, that this affected the Cabinet decision to authorise the purchase at that particular time.

[2] Article 7 of the Agreement, however, bound contracting Governments 'to supply all available statistics and information requested by the Council or Executive Committee'. Moreover, bonded stocks of sugar appear in the Trade and Navigation Accounts, published monthly.

Whether this reasoning was fully appreciated in the Board of Trade is doubtful; liaison between its Food (Defence Plans) Department and the department concerned with the International Sugar Agreement was not as close, then or later, as it might have been. At any rate, the financial reasons for not complying with the Colonial Office request were felt to be decisive; though the £400,000 in customs duty that would have had to be included in the Board of Trade vote might be considered imaginary, there were additional transport costs that were not; moreover, the stores that were to be built by the British Sugar Corporation to receive the home-grown sugar that was eventually to constitute the reserve were not yet ready. Nor was a suggestion from the Colonial Office, echoed from the Sugar Commission, that a definite statement now be made about the size of the Government purchase, any more acceptable in July than in April. In the absence of such a statement, it was almost inevitable, with sugar still no more than 4s. 10d. a cwt., that quotas should again be reduced by the full five per cent. Indeed, some voluntary surrenders of quotas were made in addition.

In the autumn of 1938, however, the policy of not disclosing the size of the sugar reserve to the International Sugar Council appears to have been abandoned. The (British) Chairman of the Council, Sir Hugh Elles, was informed that the Council's estimate that 100,000 tons would be taken off the market during the quota year 1938–9 was correct, but that it had over-estimated by 50,000 tons the quantity bought for store the previous year[1]. He was also told that the reserve would ultimately consist of 100,000 tons of home-grown and 50,000 tons of Empire raws. There was no need to suppose, therefore, that the Council's future actions would be prejudiced for want of information.

Meanwhile, work was going ahead on the nine warehouses to hold the sugar, which it had been agreed should be stored on sites, leased to the Government by the British Sugar Corporation, adjoining beet-sugar factories[2].

However, the beet-growing season was the worst in the experience of the industry, and in November, the Corporation reported that so far from having 100,000 tons of raw surplus to its refining quota, it could spare the Government only 60,000 tons. To make up the balance, Empire raw sugar was sought, as being purer than foreign raws and therefore capable of being used without refining in case of emergency;

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[1] As, however, Tate and Lyle had entered into a 'gentleman's agreement' to increase their minimum seasonal stock by 50,000 tons (Vol. I, p. 23), it appears that the Council's statistical information had been quite correct.

[2] The draft lease and agreements relating to these transactions were never formally concluded; in 1951, however, a settlement, covering cost of erection, rent, local rates, and overhead charges, and totalling £134,715 19s. 2d. was reached. There can be no doubt that this was a good bargain for the Ministry of Food.

but none was available for prompt delivery at a reasonable price. Tate and Lyle came to the rescue by agreeing to exchange Empire sugar in transit to themselves for foreign sugar purchased by the Corporation; and in consequence the full amount of sugar, home-grown and imported, had been put into store by March 1939[1].

The price that had to be paid for these Empire supplies (6s. 1½d.–6s. 2¼d. cwt.) indicated the change that had come over the market since July, when it had been 4s. 10d. 'Free market' requirements of sugar were now reckoned at some 200,000 metric tons higher than the figure (3,150,000) then before the International Sugar Council, and there was some canvassing whether a restoration of quotas would be needed at the next meeting, in January 1939. There were also two other matters that required clarification. In mid-November 1938, Tate and Lyle had pointed out that, notwithstanding that the total export quotas authorised by the Council for that sugar year might be adequate for total consumption, there might develop a shortage of raw sugar that could not be met out of the quotas allocated to exporters of refined sugar. Did the Agreement, they asked, provide a remedy for this situation, or its opposite, a shortage of refined sugar?

The second point was that of price. The Agreement had referred to a 'reasonable price' without defining it; at an interdepartmental meeting early in January to brief the British delegation it was agreed, mainly at the instance of the Colonial Office, that 7s.–8s. cwt. would be high enough to safeguard supplies. Officials and trade advisers alike were agreed that there was no need to apprehend a general shortage of sugar, such as would call for a change in quotas; it was generally thought that the Council's statisticians had not taken full account of the supplies that were available. At the Council meeting none of these points was pressed against opposition—perhaps because the price was still well below the 'equilibrium' level of 7s. Even Tate and Lyle, one of whose Directors was trade adviser to the delegation, appeared content now that the question of raw *v.* refined should be left over, pending legal advice.

The Food (Defence Plans) Department had taken no part in the international negotiations, and it must have been with surprise that it received, late in April, the news that its sugar stock policy was likely to be endangered by a fall in private stocks. On the 26th, Tate and Lyle wrote that, failing further supplies of raws, their stocks would fall to vanishing point in July. This was the result of further security purchases by foreign countries and a crop failure in India, which was normally self-supporting. The emergency procedure of the Council

[1] As part of the Empire sugar was from Mauritius, carrying special preference certificates, this involved an extra charge on the Essential Commodities Reserve Fund; the grower got a partial refund of duty immediately that would otherwise become payable by the refiner only when the sugar was released from bond.

was promptly invoked, but though the Executive Committee, on 10th May, agreed to an immediate adjustment of quotas (instead of adjustment at the end of the sugar year, as laid down in the Agreement), Germany and Cuba objected to an increase in the Dominion and Colonial quota, and a full meeting of the Council had to be called.

When the Council met, on 13th June, there was still some opposition from the German and Cuban delegations. But the United Kingdom had already invoked the 'break clause' of the Agreement, and would be entitled to denounce it if the Council did not act to remedy the 'acute shortage' of which it had been notified. To the 239,000 metric tons of foreign sugar released in May were now added 150,000 metric tons of Empire sugar. The decision had come too late to allow the stock position to be rapidly restored, more especially as 88,000 tons of the foreign sugar released was refined. Moreover, as the beginning of a new sugar year, when supplies could move more freely, was approaching, there developed a large margin between the spot and forward prices, the former commanding a premium in June 1939 of nearly 2s. 6d. cwt.—8s. 7½d. against 6s. 2¼d. Sugar users naturally responded to this by running down their stocks—the last thing to be desired in the summer of 1939.

Yet again the initiative in dealing with the situation was left to the trade. On the 19th June, six days after the Council meeting, the Manuafacturing Confectioners' Alliance warned the President of the Board of Trade of the stocks squeeze that was developing, and early in July Tate and Lyle, who had been inclined to blow hot and cold on the subject, awoke to the fact that their 'gentlemen's agreement' with the Government to maintain a minimum stock of 150,000 tons would cost them £200,000 in premiums on Cuban sugar for prompt shipment. They were released in part from the undertaking;[1] meanwhile on 5th July the International Sugar Council had been asked to release a further 100,000 tons immediately, and this was done, with effect from the 13th.

On 26th July, the Cabinet approved proposals for a new storage programme, as a result of the report of the Committee on Exchange Requirements and Essential Materials in Time of War[2], that included the purchase of 100,000 tons of sugar for September-October delivery. Treasury sanction was received on 4th August, and by the 25th, Tate and Lyle had secured 80,000 tons for Government account; efforts to secure the remaining 20,000 were, however, in vain, for there was none to be had. These purchases did not arrive, of course, until after war had broken out.

The aim of the storage policy, as approved by the Cabinet in April 1938, had been to secure a net addition to sugar stocks of 200,000 tons

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[1] Vol. I. pp. 27-8.

[2] Vol. I. pp. 29-30.

(raw value); half immediately, through the purchase from Tate and Lyle and the gentlemen's agreement with them, half during the 1938–9 season. The following figures of bonded stocks[1] show what actually happened:

Date	Home-Grown Sugar Tons	Imported Raw Sugar Tons
31st August 1937	64,000	221,000
31st August 1938	36,000	337,000
31st July 1939	72,000	300,000
31st August 1939	64,000	233,000

The rise in stocks at the end of the sugar year 1937–8 was, having regard to inevitable fluctuations in commercial holdings, what had been aimed at; in 1938–9, it had been not merely halted, but extinguished by the fall in the stocks of the refiners and the British Sugar Corporation. (The latter had wanted in July 1939 to 'borrow' 30,000 tons of the Government stock it held.) For this situation the International Sugar Agreement, as it was allowed to operate during the year, must be held responsible. Obstruction by a minority of the parties to it had been able to delay quota releases at a critical time; the counter-threat of extreme measures by the United Kingdom could not be made effective at short notice, because of the period that had to elapse before a full Council meeting could be held[2]. This sluggishness of procedure was not the only flaw in the Agreement. The failure to distinguish between 'raw' and 'refined' requirements for the purpose of extra quota releases was a technical defect of the first order, for it was inherently unlikely that any shortage would show itself in the precise ratio between raw and refined sugar that was embodied in the original quota allocations and therefore repeated in the release of additional quotas. Again, the rigid adherence to quota years was calculated to promote just such a hump in the price curve as showed itself in the summer of 1939; it would have been avoided if exporters had been allowed to make forward shipments against the quotas for the next sugar year.

The 'squeeze' that developed, as a result of all these factors, in the summer of 1939, was latent in the Agreement from the beginning; from the autumn of 1938 onwards it was indicated as something against which precautions ought to be taken. The refiners' failure to press, in advising the delegation to the Council meeting of January 1939, the point about raw *v.* refined that they had been the first to

[1] Figures from Table VI of the Trade and Navigation Accounts dated August and September 1939, expressed to the nearest thousand tons.

[2] For this reason I cannot agree with Swerling (*op. cit.* p. 63) when he says that these transactions 'proved the Agreement sufficiently flexible to force an additional quota allotment of almost 500,000 tons'. This judgement ignores the all-important time factor.

make, was short-sighted; but it could not have had such serious consequences if the departmental representatives had been properly seised of the economic problem with which they were dealing. The absence, from first to last, whether in the Food (Defence Plans) Department, the Board of Trade proper, or elsewhere, of any rigorous analysis of the Agreement in relation to the policy of security stocks, is no less noteworthy for not being exceptional[1].

V

At the time of the Munich crisis, plans for introducing sugar control had been hastily improvised, at the Food (Defence Plans) Department's request, by Tate and Lyle, the British Sugar Corporation, and the Sugar Commission. It would not have been easy to bring them into force, for though the principles of a control scheme had been fairly consistently under discussion with the various interests during 1937 and 1938, there were gaps even in the framework; as for the paper machinery of legislative Orders and administrative forms, it was wholly lacking. In accordance with the policy, approved after the official inquest on the crisis, of devolving detailed preparations on the statutory bodies concerned with agricultural marketing, the Sugar Commission was asked in December 1938 to undertake this responsibility. As with cereals, it was proposed, in spite of Sir William Beveridge's emphatic warning against the dangers of divided responsibility, to establish a 'Sugar Control Board' on the outbreak of war; and in March 1939 a 'shadow' body, the Sugar Advisory Committee consisting of those selected to be members of the Board, was duly appointed. Thanks to the work of the Committee, and to the Sugar Commission, the elaboration of the scheme was accomplished by September 1939.

Although the quasi-political complications of sugar were considerable, the organisation of the trade lent itself to control in many ways. Given a *modus vivendi* between Tate and Lyle and the British Sugar Corporation, there was no serious conflict of commercial interest to be resolved; in particular, no Co-operative problem, as the C.W.S. did not engage in sugar-refining[2]. Unlike the grain trade, the sugar brokers, operating on the Mincing Lane terminal market, had maintained their position between overseas seller and refiner, and it was but natural that the long-established firm of Czarnikow should provide the Ministry with its Director of Sugar Purchases, even as Tate and Lyle provided a Director of Sugar Distribution[3]. With the

[1] Cf. the international wheat negotiations (Vol. I, Chapter XXVII) and, in a narrower field, the planning of controls for fish and milk (Vol. II, Chapters I and XII).

[2] It was, however, a large shareholder in Tate and Lyle.

[3] Mr. (later Sir) William J. Rook, and the Hon. C. J. L. (later Lord) Lyle, respectively.

Sugar Commission furnishing the 'civil service' element in sugar control, the problem of function within it presented from the first few, if any, of the difficulties that troubled some other commodity divisions.

The Sugar Commission itself was to be suspended for the duration of war; its supervisory functions would obviously fall to be exercised by the Ministry of Food, and the research activities could readily be transferred to the Agricultural Departments who already enjoyed statutory authority over them. The acreage to be sown to sugar-beet would be determined as part of the general war-time cropping programme, in consultation between the Ministry of Food and the Agricultural Departments. (Statutory effect was eventually given to such of these changes as required it, by the Sugar Industry Act of 1942[1].) For the rest, the control scheme followed the customary practice of using the trade as much as possible. Although the Government would become the sole importer of sugar, and requisition all stocks, the Terminal Market being closed under its own rules, the sugar brokers were not all to be put out of business; they were entrusted with the handling and allocation of cargoes on arrival, under instructions from the Ministry's Port Sugar Officers. Except for a small quanuity of 'direct consumption' imports (Demerara, Muscovado and the like) for which the Ministry paid individual brokers commission at the rate of 1½d. a cwt., their remuneration would continue to be derived, as in peace-time, from the exporter; in order to preserve the *status quo*, a pool was formed from which each firm drew commission in proportion to its turnover during the three previous years. The help of the trade associations was enlisted. The United Kingdom Wholesale Sugar Dealers' Association undertook to provide information about wholesale and retail profit-margins, and to draw up a scheme for allocating sugar to miscellaneous industrial users, for instance tanners and printers; the Food Manufacturers' Association and the Manufacturing Confectioners' Alliance, to draw up similar schemes for the industries their members represented (preserves, pickles, canned fruit; chocolate and sugar confectionery). Arrangements were made to control in varying degrees kindred or by-products such as sugar-beet pulp, molasses, glucose, and saccharin. An area organisation for distribution was got ready, in which the geographical Food Divisions (sugar 'sub-areas') were grouped under Area Sugar Officers in London, Liverpool, Bristol, and Greenock; it was to make economy in transport its special concern.

The degree of preparedness that had been attained before the war was high, extending even to alternative arrangements for supplying refined sugar if the London refineries should be partly or wholly out

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[1] 5 and 6 Geo. 6,c.16. See below, pp. 96-100.

of action. A clear statistical picture of requirements and manufacturing capacity was available; the Orders and forms were drafted. Financial arrangements had still to obtain the approval of the Treasury, which as a matter of policy had declined to commit itself in advance of an emergency; but the operation of the scheme would not have to wait upon their settlement. There was one respect, and one only, in which the plans were vulnerable. Sugar lends itself to hoarding, and at the time of Munich the propensity to hoard had promptly shown itself. The creation of a Government reserve, the making ready of a commodity control to operate immediately war should break out—these things only made sense if consumption could be held in check. The rationing scheme for sugar needed, therefore, to be as immediate and as automatic in action as the commodity control; and so it was believed to be. In fact it proved to be neither, and consequently the first months of war were anxious for the Ministry of Food's Sugar Division and expensive to the Treasury.

CHAPTER II

Overseas Supplies before Pearl Harbour

I

DURING the summer of 1939 attempts were being made to draw up the strategy of procurement that a war-time sugar control should follow. The dominant influence was the prospective shortage of foreign currency, the same that brought about an eleventh-hour change in the Treasury attitude towards security stocks.[1] Shipping prospects, by contrast, were made out to be favourable; so that to take a greater proportion of imports from sterling or soft-currency sources appeared feasible even though it meant increasing the length of haul. For sugar, the limits to such a policy were set by supplies. A rough balance sheet, drawn up in May 1939, indicated that if the standard level of consumption of 1,900,000 tons (refined) per annum[2] were to be maintained, and if the amounts available from home production and the Colonies and Dominions were normal, some 500/600 thousand tons of foreign (mainly dollar) raw sugar would be required over a year, in addition to any that might be needed to maintain refined exports. The gap, it appeared on paper, could be met by prompt rationing. If consumption were thus reduced —by ½ lb. a head a week—foreign imports could be wiped out, barring shipping losses, export requirements, or crop failures.

The calculation was plausible, but shaky, for it was founded on ignorance of the factors that were bound to bring about a fall in imports at the outbreak of war[3] and of the time-lag, amounting to ten weeks or more, that had to elapse before rationing with a consumer-retailer tie could come into operation.[4] Had these two convergent forces been allowed for, it must have appeared that a substantial purchase of 'dollar sugar' during the first year of war was virtually inevitable. The course of sugar policy in the autumn of 1939 might not have been materially altered, but there would have been no occasion for the anxieties and misunderstandings that beset it.

Nevertheless, the calculation pointed clearly enough to the first move to be taken should war break out—an agreement with Commonwealth sugar producers. For most of these the United Kingdom was the only market; the principal exception was the West Indies, which

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[1] Vol. I, pp. 29-30.

[2] Above, p.7, n.1

[3] Vol. I, pp. 61-67.

[4] Vol. II, pp. 475-477.

had a long established trade with Canada. (Canada also took small amounts from Fiji and Mauritius.) Before the war, the possibility had been mooted of saving dollars by diverting this West Indian sugar (about 400,000 tons) to the United Kingdom, leaving Canada to be supplied from Cuba. This change would, however, have entailed a massive reorganisation of the West Indies' imported supplies, to say nothing of depriving the United Kingdom Exchequer of the difference in duty between colonial and foreign sugar; so that when in July 1939 Mr. W. J. Rook, the Director-designate of Sugar Imports, visited Canada in the course of private business and proposed to discuss with the refiners their war-time supplies, he was enjoined not to mention the possibility that the United Kingdom might wish to take more sugar from the West Indies. Mr. Rook was, in fact, able to reassure the Canadians that the intention was to maintain trade channels, and to explain to them the outlines of the United Kingdom control scheme. The way was thus paved, when war did come, for an agreement to co-ordinate all Canadian and United Kingdom sugar purchases.

The need for such an agreement was promptly shown when war broke out, for the price of sugar promptly doubled; it was the beginning of the 'sugar year' and stocks in consuming countries were low. There was some concern in London at reports that Canadian refiners had actually bought in Cuba and the West Indies at inflated prices; they, for their part, were apprehensive that the export of West Indian sugar to Canada might be prohibited. Within days, however, these difficulties were resolved. Representatives of the Ministry of Food and the Colonial Office had, by 15th September 1939, negotiated the purchase of the Queensland, Fiji, Natal, and Mauritius crops; with Canada reassured, they were able to reach agreement with the West Indian Committee, representing the producers, on the 21st September, for the purchase of the entire export surplus. All these purchases were made at a basic price[1] of 7s. 6d. a hundredweight c.i.f. United Kingdom, i.e. 11s. 3d. allowing for the colonial preference; the United Kingdom Government undertook to meet any increases in freight and war risks insurance beyond the rates then current. Canadian requirements would be released at the equivalent f.o.b. price. As important from the point of view of price was the extension of the principle of combined purchase to any 'foreign' sugars, i.e. from Cuba and the Dominican Republic, that might be required as marginal supplies.[2] Later, New Zealand, Ceylon, and Malaya were brought into the system.

[1] For raw sugar polarizing at 96°.

[2] Included in these arrangements was a provision whereby the United Kingdom undertook to include in her sugar purchase a quantity by way of return for Cuban or Dominican purchases of Canadian fish. A similar arrangement was made for Newfoundland.

It was natural that this large transaction, even before it was completed, should be pointed to with pride. As early as 7th September the supply of sugar estimated to be available up to March 1940 was being put at more than a year's consumption. In that case—higher authority within the Ministry of Food and the Minister's colleagues were to argue—why the urgent need for sugar rationing? The answer lay in the unfolding shipping situation and in the whereabouts of the sugar that was included in the bulk purchase. The crops for shipment that autumn were far away in the Southern Hemisphere; that from the British West Indies would not begin to be harvested till the New Year. Normally the flow of cargoes already ordered, plus the product of the home-grown beet 'campaign', would have kept stocks at a safe level until the Empire sugar should have arrived. In the first months of war, shipping was not only scarce but unaccountable.

The Ministry's Sugar Division had begun its career with stocks that were only moderate in size; stocks in the hands of sugar-using manufacturers had, until war was actually on the horizon, tended to be run down.[1] Even before the outbreak of war, purchases by the public were said to have risen: and in the three weeks ended 30th September 1939 46,000 tons of raws, or one-third, had to be withdrawn from the Government reserve stock to bridge the gap between arrivals and consumption. From 18th October, the Division was obliged to draw on home-grown raw sugar, which normally would have been left for later refining at the British Sugar Corporation's factories, to keep the port refineries going. Arrivals improved during October, but though anxieties about the immediate stock position were lessened, the forward position became more threatening, as enough ships to lift sugar from Queensland, Natal, and Mauritius could not be provided.[2] The Division perforce had to contemplate buying foreign sugar to restore the stock position; though on both political and financial grounds it thought that this should be avoided before January, when other sugar than Cuban would be coming on to the market. However, its freedom of manoeuvre was being progressively cramped. Reports of the British West Indies crop, due in the New Year, were disappointing, more than 100,000 tons below expectations. By the 22nd November, the Division was having to tell the Exchange Requirements Committee that 300,000 tons of dollar sugar would be required between January and May 1940, even if rationing were introduced on 1st January; and it was the need to keep dollar expenditure on sugar within bounds that turned the Ministerial scales at last in favour of rationing. Although the decision had been unexpectedly difficult to secure, this cannot be said to have made much difference on the score of supplies. It is demonstrable that rationing could not have begun much, if at

[1] pp. 14-16, above.

[2] Two cargoes of Queensland sugar were shipped to Vancouver.

all, before 1st December, and the 'excess distribution over normal', over the four months ended 31st December, was put at rather less than 100,000 tons. A saving of one quarter of this figure was hardly material.

This conclusion carries serious implications about the degree of preparedness that had in fact been reached in September 1939. During that single month, bonded stocks of raw sugar fell from roughly 300,000 tons to below half that amount;[1] the position was only restored in subsequent months because of the contribution of home-grown beet. Had the war started at a season of the year when no home crop was to be had, it would have needed substantially higher stocks, coupled with a rationing scheme capable of immediate execution, to avert a breakdown of supplies.

II

Sugar rationing began on 8th January 1940, and so far as the public was concerned seems to have worked smoothly from the beginning. Registration of consumers with retailers had, of course, been effected well before the actual announcement of rationing, under the 'voluntary' rationing scheme; and from 5th December 1939, the day before the War Cabinet's approval was given, supplies of sugar to retailers were based, by informal arrangement with the trade, on the numbers of their registered customers—a rationing scheme without statutory sanction.[2] Practically speaking, all that had to be done on 8th January was to reduce the quantity allocated per head from 1 lb. to 12 oz. a week.[3]

Sugar-using manufacturers, who accounted for more than half the pre-war consumption, presented more difficulty, especially as the first calculations of the amount of sugar they normally used proved to be under-estimates; the amount of sugar available for them appeared, when allowance had been made for the domestic ration and for caterers' and Services' requirements, to be only about half the normal amount. The short time that, by Ministerial decision, was allowed between the public announcement of rationing on 27th December and its coming into force, made it impossible to work out and negotiate an allocation scheme for manufacturers that should start at the same

[1] This calculation is based on the monthly figures in the Trade and Navigation Accounts. There was some offset to the fall by way of an increase in duty-paid refined stocks.

[2] The United Kingdom Wholesale Sugar Dealers' Association caused consternation in the Ministry, and some Press comment, by labelling these arrangements 'Temporary Rationing Scheme' in a circular to members.

[3] There were complications, arising out of the 12 oz. ration, about 'split farthings' and the weight of paper bag that might be included in the ration. Each of these required an Order to itself (S.R. & O. (1940) Nos. 15 and 22 respectively).

time, and this was therefore postponed for a month. As the cut was so drastic, there could be no question of making it uniform as between varying types of manufacture; a problem of priorities therefore immediately arose that could not, in the Sugar Division's then state of knowledge, be readily solved. There was as yet no Scientific Adviser to pronounce upon that aspect of the position, and the three trade associations[1] prudently declined an invitation to suggest the allocations that should be made to different trades.

A senior official of the Manufacturing Confectioners' Alliance,[2] however, privately put forward three criteria by which sugar allocations might be judged, *viz.*, the food value of the final product, the effect that deprivation of it would have on people's lives and public opinion, and the extent to which its manufacture provided employment. The last was a weighty consideration at this stage in the war, when a shortage of manpower was barely on the horizon; moreover, it was pointed out that many of the trades would have to raise prices if their turnover should be reduced for want of sugar. These criteria, rough and ready though they were to seem by the more sophisticated standards of 1942,[3] nevertheless provided what appeared to a commonsense rule for classifying food industries. Thus chocolate ranked high (higher than sugar confectionery) because of the food value of the cocoa; condensed milk was much used by the poor; jam provided a means of using fruit that would otherwise be wasted (moreover, there was the 'security stock' of plum pulp to consider). Mineral waters and table jellies, on the other hand, had no food value.

After conferences between Sugar Division and the trades concerned, the following percentage allocations in terms of basic usage for the twelve months ended 30th June 1939 were announced on 22nd January 1940:

Use	*Percentage*
Drugs	100
Condensed Milk	75
Syrup and Treacle, Jam, Chocolate	70
Sundry Beverages	65
Sugar confectionery, Cakes, Biscuits, etc.	60
Bottling and Canning, Miscellaneous Manufactures	50
Mineral Waters and Candied Peel	25

Naturally, these reductions did not pass without protest. On 1st February, the Minister (Mr. W. S. Morrison) received an omnibus

[1] The Food Manufacturers' Federation, the Manufacturing Confectioners' Alliance, and the Cake and Biscuit Wholesale Manufacturers' Defence Committee.

[2] Mr. Nigel Balchin.

[3] Vol. I, Chapter XXIV.

deputation from the trade, which pressed for further purchases of sugar. His explanation that shipping and foreign exchange shortages ruled this out was, however, received with a good grace and there was no further trouble. Some concessions were made in the matter of sugar stocks already in hand; the distinction between 'sundry beverages' and mineral waters was shown to be unworkable, as very often the same firm made both types of drink, and the two were grouped together and given a 40 per cent allowance. The calamities that had been forecast by the trade did not occur; manufacturers' ingenuity for the most part proved equal to the problem of sugar shortage, there was no large scale unemployment, and the 'small man', always brought forward on such occasions, was able to carry on.

The brewing industry's sugar allocation required careful handling on several counts: its importance to the revenue, the value that was set on beer from the point of view of morale and, on the other hand, the outcry that would be heard from the organised teetotallers if any preference were shown to it. There was also a technical problem, as the brewers pointed out upon being given warning that their sugar supplies were to be reduced. It was not merely that to use extra barley in place of sugar would affect the brilliance of the beer; two tons of barley would be required to replace each ton of sugar, and if the barley were imported it would take up more than twice the shipping space. Moreover, while the Sugar Division was proposing to reduce the brewers' sugar allocation, the Cereals Division was simultaneously pursuing an instruction from the War Cabinet to secure a lien on their barley stocks, because a shortage of seed was feared. Yet the War Cabinet had also authorised an output of beer not greater than that for 1938–9.[1] Although some respite was extracted by the brewers from this situation, a cut of thirty per cent in sugar allocations was eventually imposed in April 1940; at their own suggestion, the allocations were administered by H.M. Customs and Excise.

III

Meanwhile, the shortage of shipping persisted; the loading programmes for sugar from the more distant sources of supply had to be spread out over a longer period at the request of the shipping authorities. The Ministry of Food had to beat off attacks on the size of its whole import programme.[2] It would have liked to maintain the issues of sugar, both on the ration and to manufacturers, by purchasing a further 100,000 tons from dollar sources; but the Treasury jibbed at

[1] Vol. I, p. 84.
[2] Vol. I, p. 73.

more than 50,000 tons, suggesting that a further cut in manufacturing supplies be made instead. The Ministry was still resisting this proposal when news came through that the British West Indies crop would be some 60,000 tons short of even the reduced expectations. The choice was now between buying more dollar sugar and a cut in the domestic, as well as the manufacturing, allowances; on 8th May 1940 the War Cabinet chose the latter, on the ground that dollars must be conserved. A further purchase was, after all, authorised on the 24th, as part of the policy of bringing in all the stocks that could be laid hands on, in face of the German advance in the West. Nevertheless, on the 27th the ration was reduced to 8 oz., and on 1st July a cut of 10 per cent (of basic usage) was made in the issues to manufacturers, except those already getting 40 per cent or less, and the makers of condensed milk, treated as an exceptional case.[1]

At the time, it still looked as if these cuts might, indeed must, be temporary. The pre-war equation between Empire supplies and controlled United Kingdom consumption still appeared valid; the heavy purchases of foreign sugar were, it was felt, due to abnormal circumstances that should not be repeated in the second year of war, when it should be possible to maintain a 12 oz. ration (and a comparable distribution to manufacturers) on Empire supplies alone. Even if shipping were to become so short as to compel a reduction in the food import programme to 15 million tons a year, there would be no case for cutting sugar imports. As the Minister of Health had pointed out when opposing the 12 oz. ration in December 1939, if people were deprived of sugar they would only eat something else instead. As sugar stows more closely and stores better than wheat, to force people to eat bread instead of sugar would be no advantage from the point of view of shipping space, given equal lengths of haul. Moreover, the prospect of creating a surplus of sugar within the Empire, in addition to those already piling up in foreign countries as a result of the British blockade of Europe, was one to be avoided. Throughout the autumn of 1940 the possibility of a return to the 12 oz. ration was being actively canvassed; the Division's stocks were rising and the yield from the home crop looked like being good. It was the worsening shipping situation that reduced the projected increase to an isolated bonus in Christmas week. As in the previous winter, cereals on the North Atlantic claimed priority in a crisis; the length of haul and the administrative ease of holding the ration at the

[1] Allocations to brewers by H.M. Customs, however, were worked out by a formula which assumed that high taxation would reduce their output to 85 per cent. of that in the basic year 1938–9. As this expectation was not realised, the brewers' use of sugar did not fall substantially below the level originally set; but by the time this was discovered the supply position appeared to be easier and no attempt was made to claw back the excess or adjust the formula.

lower level both told against sugar as an alternative. (They may have been aided by the scientists' dislike of it as a source of calories merely, without either the protein or the vitamin content that makes bread so valuable.)

As early as July 1940 the War Cabinet had established Ministerial and Official Committees to consider the general problem of export surpluses of primary products. Twin remedies had been mooted to deal with them—restriction of production and the building-up of a stock for post-war European relief.[1] The prospective sugar surplus was put by the Ministry of Food at upwards of two million tons for the third year of war (1941–2); even so Sugar Division, mindful of the famine prices after the Armistice of 1918, was opposed to any policy of crop restriction and sceptical about the possibilities of any long term policy: 'we do not know what is going to happen in six months', or even three months' time, and the best we can do . . . is to consider how the situation can be looked after for a year ahead'. An approach to the United States suggesting concerted measures was inopportune, it seems, in an election year, and evoked the unwelcome suggestions that sugar crops within the British Empire should be restricted, and that the International Sugar Council should be called together. The rump of the Council had in fact met in August 1940 and gone through the motions of determining quotas; but Sugar Division (which had not been invited to the meeting) flatly declined to be bound in war-time by the decisions of a body many of whose members were enemies or under enemy control. It suggested that the Government should invoke the break clause (Art. 51a) providing for a suspension of the obligations of any signatory involved in hostilities. The Board of Trade and the Foreign Office, however, thought that there was merit in preserving the machinery of the Council intact for future use, and that unless it should become necessary for the United Kingdom to act in breach of her obligations (e.g., to exceed Colonial export quotas) there was no need to weaken the Agreement by formal action. At a further meeting of the Council on 6th January 1941 the position was made clear.

This principle of conserving so far as possible the pre-war arrangements was applied also in the Ministry of Food's purchasing policy. In the first year of war all the Empire producers had been paid the same basic price of 7s. 6d. cwt., or 11s. 3d. allowing for the preferential duty. For the second year of war, the price offered and agreed to by Queensland and Natal was 11s. 9d., the extra 6d. being for increased costs; but this price was not sufficient for Mauritius and the West Indies, which were almost entirely dependent on sugar exports. To get over the objection that to differentiate between the Colonial and

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[1] Vol. I, pp. 349-350.

Dominion producers would establish a bad precedent, it was agreed that the nominal price to all should be raised to 12s. 7½d. but that a deduction (disguised as extra freight charges) should be made from Dominion producers' receipts to make them the equivalent of the original price.[1] A concession was made at the same time by which the Ministry of Food undertook to bear the increase in the duty on exceptionally pure raw sugar (polarising over 99°) that had been levied in the war budget of September 1939.

In spite of the worsened shipping situation and the maintenance of the low ration, it proved possible to limit the development of Empire surpluses in 1940–41. As in the first year of war, virtually the whole of the Queensland crop was lifted, though some of it was shipped to Canada instead of to the United Kingdom. This was irksome to the Canadian sugar administration on account of the heavy freight rates which were, moreover, payable in United States dollars. In November 1940 the Canadians pointed out that it would be cheaper at present prices for them to pay for their share of Queensland sugar and for it to be destroyed instead of shipped, replacement being made with sugar from Cuba or the West Indies. This would also save shipping, for sugar constituted the only possible return cargo on the liners between Canada and the West Indies. In January 1941 Canada formally asked to be released next season from the obligation to take delivery of sugar from Queensland. In March, on the instructions of the Import Executive,[2] the Commonwealth Prime Minister (Mr. Menzies) was warned that the British Government might not be able to lift any of the 1941–2 Queensland crop, though it would buy 100,000 tons. In November 1941 this offer was embodied in a formal agreement between the British and Queensland Governments, together with an arrangement by which the British and Commonwealth Governments undertook to share equally the cost of storing and insuring any stocks remaining surplus after 31st May 1942. This was not expected to be heavy, as rent-free storage was available at most of the sugar mills and the British now expected to be able to lift the limited quantity of sugar contracted for. The prospective surplus had indeed, by various devices, been reduced to only 27,000 tons. Canada had been persuaded to accept 100,000 tons, provided shipping could be found and the Queensland sugar industry made a contribution to the freight charges. New Zealand would take 85,000; cane equivalent to 78,000 would not be manufactured: 30,000 would be put to a Commonwealth emergency reserve.

This left Fiji as the only Empire producer in serious straits—the

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[1] Even so, an exception was made for Mauritius planters, who received an extra 6d. per cwt.

[2] Vol. I, p. 163.

more so as New Zealand might otherwise have taken a proportion of her supplies thence. Sugar accounted for nearly three-fifths of Fijian exports in peace-time; the cane was grown by peasant farmers who sold under contract at fixed prices to an Australian company that owned all the factories. The system was, said the Colonial Office, a model one, and ought to be kept in being; moreover, the United Kingdom was under an obligation to colonial producers, for they had been advised in 1939 and again in 1940 to increase their production. It seemed likely that only rather less than one half of the crop—that going to Canada—was likely to be shipped in 1941–2. Already in June 1941 a scheme had been approved to meet this situation by which the company would buy all the cane in the ordinary way at the established rate, would manufacture it with deliberate inefficiency so as to reduce output, and would store as much sugar as possible; any sugar remaining would be destroyed. In due course a 'notional' export surplus would be worked out and the company would be paid a sum calculated to cover the cost of disposing of the difference between this notional figure and the amount actually shipped and paid for by the Ministry of Food. This sum would come out of the Colonial Office vote and partly, perhaps, from the colony's own reserve fund. If, however, the sugar not shipped that season, estimated at 75,000 tons, were to be replaced from Cuba or Santo Domingo, there would be offsets by way of saving in freight, avoidance by the Treasury of the Colonial preference, and withal cheaper duty-paid sugar to the Ministry of Food, which together were reckoned to make the scheme less costly than buying and shipping the whole crop would have been.

IV

The corollary to these contrivances was, of course, further purchases of sugar in the Caribbean. At one time in the autumn of 1940 the Ministry had been reckoning that no purchases need be made in Cuba, Santo Domingo, or Haiti, except for the mooted relief store—should it ever become a reality—or for local political reasons. The Board of Trade and the Treasury were anxious to use the possibility of a sizeable sugar purchase in Cuba as a lever to get the Cuban Government to lift restrictions on the activity of Lloyds' underwriters there—a useful source of invisible exports—and to enter into a payments agreement, and proposals to this end were put to the Cuban Government in March 1941. When, however, in the course of the following negotiations, a Treasury representative was sent to Havana, he was able to satisfy himself that the proposal for a payments agreement was not only unwelcome—both to Cuba and the U.S.

State Department—but unsound, and it was dropped.[1] As for the sugar purchase, the shipping position was now such as to cramp the Ministry of Food's bargaining operations. Just at the point when the proposals were being put to the Cubans—including an offer in principle to buy 200,000 tons of sugar—the Ministry of Food found it necessary, in order to fill shipping space that had unexpectedly become available, to buy 20,000 tons at once. The Ministry would have preferred to buy in Santo Domingo, as cheaper and more convenient; but the Treasury, hoping that a purchase in Cuba might be brought within the ambit of a payments agreement, insisted that this be tried. However, the news that the British might buy 200,000 tons leaked out almost immediately on the sugar market in New York, and prices per cwt. rose by as much as 20 cents; moreover the Cubans asked to be paid in free sterling. The 20,000 tons were therefore bought in Santo Domingo after all.

As late as the last week in April 1941 the British had still believed that they could do without Cuban sugar, but in May the picture changed completely. Some of the ships to be used to lift Caribbean sugar were too large for any but Cuban harbours; there were increased demands from Canada, owing to lack of ships on the Australian run. Production in the British West Indies and in Natal was down. Sugar Division bought all the available crop in Santo Domingo,[2] but even so had to get sanction to buy 100,000 tons in Cuba. These were bought quietly through normal trade channels, at prices between .80 and .85 cents per pound f.o.b. (as against .75 for the Dominican sugar). There followed a game of bluff; Sugar Division telling the Cuban seller that it was unable to get authority to buy further pending a settlement of the insurance question. Reassuring messages came back from Havana, but the issue of the Presidential decree restoring Lloyds' rights was still delayed. (It did eventually materialise, in August.) By the end of June the British Minister was advising that further sugar purchases would be helpful; 'we must exercise patience and good nature'. But by this time there was another motive for delay—the possibility of obtaining Cuban sugar under Lend/Lease, which had been hopefully mooted in London as early as February, and had been hinted at by both the U.S. Treasury and

[1] It had been based on the assumption that Cuba would, on balance, be short of sterling, as a result of the Ministry of Supply's heavy purchases of molasses for dollars, and so should be willing to make up any deficit in dollars at the official rate. But (*a*) it was by no means certain that visible exports from the sterling area to Cuba could be maintained (*b*) transactions in respect of insurance business were already taking place in dollars, so that one of the main reasons for the agreement disappeared (*c*) if, in consequence, Cuba should be long of sterling, her monetary system was too rudimentary to permit of her holding it. It is odd that these facts were not ascertained before the Treasury elaborated its draft payments agreement.

[2] Except for that marketed by one firm, which was on the Ministry of Economic Warfare's 'black list'. Later Sugar Division was permitted to buy this also; but by that time the price had gone up from 4s. 4d. to over 12s. per cwt. f.o.b.

the State Department as an alternative to the abortive payments agreement. The Treasury would therefore authorise only the purchase of another 50,000 tons for the time being.

During July the British Food Mission took further soundings in Washington, from which it appeared that an immediate decision to Lend/Lease Cuban sugar would be politically inopportune. The Mission counselled the purchase of 'minimum quantities', inasmuch as before the next Cuban crop in the New Year an attempt should be made to co-ordinate United States and United Kingdom requirements of both sugar and molasses (for industrial alcohol). A proposal to this effect was made by the United States authorities in August. Unfortunately, the Division, if shipping were not to be wasted, needed to load more rather than less sugar in Cuba during the rest of the season (until November). The Ministry of War Transport would have liked to load 200,000 tons in September alone, but this, said the Ministry of Food, would lead to ships being delayed; it was agreed that for each of the three months September to November, loadings should be 130,000 tons. Unfortunately also, increased demands from the United States had lately forced the price up. Whereas in the spring the Sugar Division could and would have covered all its requirements for 1941 from Cuba at about 5s. 6d. cwt., by October the cost of the balance still needed (some 70,000 tons) was put at three times as much, and there was still no certainty that Lend/Lease terms would be forthcoming. The Treasury's hopeful procrastination, reckoned the Division ruefully, had cost the country at least a million sterling.

Towards the end of September 1941 Mr. W. J. Rook, the Ministry's Director of Sugar,[1] left for Washington to discuss co-ordinated purchase with the various American agencies. The crux of the negotiations was the price to be paid for the 1942 Cuban crop, which would not only directly affect that to be paid in Santo Domingo and Haiti, but might have repercussions on the Empire arrangements that were Sugar Division's especial pride. If sugar supplies alone had been concerned, both the United States and the United Kingdom could have afforded to wait a few months until production was at its height and the Cubans more likely to make concessions on price; but it was desired that some of the cane should, as in previous years, be made into high-test molasses (for industrial alcohol). At the prices ruling in the autumn of 1941, there was some danger that no molasses would be made at all next year. An approach to the Cubans for a bulk purchase therefore seemed imperative, and United States officials were at first inclined to think in generous terms about price; as much as three cents a pound was mentioned. The British side, however, pointed out that this figure—equal to about 16s. 9d. cwt.—

[1] He had succeeded Colonel F. C. C. Balfour, who as Chairman of the Sugar Commission had occupied the post virtually *ex officio*, in the summer of 1940.

would completely undermine the low-price arrangements that had been made within the Empire. They also felt that any attempt by Cuba to wipe out the difference between the price paid by the United States, under preferential arrangements, and the world price should be resisted, and that the latter, not the former, should govern the price for molasses.

A good deal of manoeuvre, on the part of both British and Americans, was thus called for, and London, which was inclined to fidget and clamour for progress reports, had to be enjoined to patience while Mr. Rook pursued his negotiations: 'I shall buy borrow or steal every bag available', he wrote on 8th November, 'and beyond that nobody can go'. The Ministry of Food's anxieties were the greater because the demands for sugar were increasing. Lord Woolton wished to restore the 12 oz. domestic ration at any rate for the winter months, and this was actually done in mid-November; 75,000 tons of refined sugar, supplied to Archangel out of United Kingdom stocks as an alternative to buying old crop Cuban raws and forcing up the price, would need to be replaced. There was, moreover, a project to release tanker tonnage then used for carrying molasses, by importing the equivalent raw sugar, 200,000 tons or more, for conversion in the United Kingdom. This turned in part on the prospect of getting sugar on Lend/Lease, about which British representatives in Washington remained unhopeful even though an amendment to the new Lend/Lease Bill, that in set terms prohibited the use of funds for 'offshore' purchases, had been dropped in Congress.

Negotiations between Cubans and Americans did not begin until 12th November, and broke down within a fortnight on the point of price. The British position had been strengthened so far as possible by a purchase of the whole crop in Hispaniola (Santo-Domingo and Haiti) and a sizeable purchase from Java. By early December informal agreement had also been reached on the disposal of the Cuban crop when bought. The United Kingdom would, in fact, be entitled to as much Cuban sugar as the Treasury was willing to allow dollars for (350,000 tons), plus replacement of the quantities sent to Russia.[1] Mr. Rook was sufficiently confident that all would go well to arrange his passage home.[2] He had not left the United States, however, when the attack on Pearl Harbour came, to destroy many of the assumptions on which the sugar programme had been based.

[1] And also the Ministry of Supply requirements in molasses.

[2] He received a knighthood in the 1942 New Year Honours list.

CHAPTER III

Overseas Supplies After Pearl Harbour

I

DURING the first two years of war, the strategy of procurement laid down at the outset by the Director of Sugar Imports had been pursued with success in adversity. The original hope of doing without foreign supplies, always sanguine, had indeed been frustrated; but the principle of sustaining Dominion and Colonial production by bulk contracts at a price comparable with that pre-war, as an insurance against future scarcity and famine prices, had been adhered to in spite of the lack of shipping. The United Kingdom stock position, whose weakness had so cramped Sugar Division in the autumn of 1939, had been much strengthened; over a million tons were held at the end of 1941, though this was, of course, the seasonal peak of stocks.[1] The Division could feel that it had met the needs of war without compromising the post-war position.

The Japanese attack changed this comparatively happy situation almost overnight. Supplies, first from the Philippines and soon afterwards from Java, were lost to the Allies, and a major re-deployment of shipping became necessary; the Caribbean became infested with submarines that preyed on shipping all the way up the Atlantic seaboard of the United States. The formidable day-to-day difficulties of procurement, especially in the early months of 1941 when the Americans were adjusting themselves to being at war as best they might, did not add up to a shortage of sugar in the free world, for the losses were offset by the introduction of rationing in the United States and Canada. As for the United Kingdom, removal of the obstacle to buying sugar in the Caribbean—want of dollars—came swiftly with the extension of Lend/Lease to 'offshore' purchases of sugar in Cuba, Santo Domingo, and Haiti. In mid-August 1942, Sugar Division outlined the dispositions, simple in principle though complex in execution, that it was making to deal with supplies for areas of British responsibility, including Canada. They consisted in striking a balance within separate geographical regions. The Middle East and Indian Ocean would rely on Mauritius and Natal, little or no surplus being available from the latter on account of drought in the last two seasons. New Zealand and the Pacific Coast of Canada would take about two-thirds of the limited exports of Queensland and Fiji, leaving the remainder,

[1] Below, p. 43 ff.

about 70,000 tons, to be used as return cargo ('backloaded') for ships to other destinations as and when required. Finally, supplies for the United Kingdom and 'Atlantic Canada', together with European neutrals, would be drawn, apart from windfalls from more distant sources, entirely from the Caribbean, i.e. British West Indies, Santo Domingo /Haiti, and Cuba, in that order of preference. The priority given to the first two reflected not only political responsibility and the desire to maintain customary trade connexions, but also the very practical consideration that production there could only be maintained if the sugar were shipped away. Only in Cuba was there storage for large quantities of sugar once made; and it was there, maintained Sugar Division, that a reserve should be held against future contingencies. The prospect that Cuba might carry over two million tons from 1943 into 1944 was to be welcomed: 'if the war came to an end, every bag would be required, and the reserve stock would be one of the bulwarks against anarchy and chaos'.

To the inevitable practical difficulties in the way of carrying out this programme, of which the most formidable was the shortage of shipping, there were added others that, just because they were not merely practical, were harder of resolution. They were part of the price that the United Kingdom, as junior partner in the Anglo-American alliance, had to pay for survival and victory: the loss of independence in war-economic policy. In August 1942 a Sugar Committee of the Combined Food Board[1] was set up in Washington, and its very first action, at the instigation of the American side, was to draw up a questionnaire calling for massive statistics of production and consumption, in detail that the Director of Sugar had never been called upon to supply to his own Minister; American officials, wrote a British member of the Committee ruefully to London, were 'fiends for statistics'. This statistical zeal was not, in the Division's view, matched by any thorough grasp of sugar problems; it felt much the same about the Ministry of Food's own General Department, which, thanks very largely to the existence of the Combined Food Board, was being enabled to horn in upon what the Division had hitherto treated as its own preserve. Nothing is more striking about the documents of these middle years of the war than their revelation of the mutual mistrust of these two parts of the Ministry. Sugar Division, anxious lest policies it deemed essential should be misrepresented or garbled en route for Washington, was at pains to establish direct contacts with the British side of the Combined Food Board Committee—contacts that should be uninhibited by the need to pass communications through the General Department, which for its part claimed a say in all matters of policy and was particularly suspicious of the

[1] For the Combined Food Board, see Vol. I, pp. 236-258.

Division's statistics.[1] Though a personal element undoubtedly entered into this unhappy situation, it was largely inherent in the Ministry's organisation. The division of responsibility between the 'theorists' of the General Department and the 'practical men' of the Supply Department, as formally equal yokefellows, required almost superhuman tact on both sides if things were to go smoothly. For sugar, indeed, the conflict was between the long, if narrow, view of the Division, and the tendency of the General Department—to some extent inevitable under the pressures of war—to take a broader but shorter-term view. The latter could not but often seem to the Division's expert eye to be substituting quick wits, good intentions, and skill in negotiation, for something these qualities could not replace—knowledge derived from experience. The story of British sugar supply policy during the war will not be rightly understood unless one realises that the Commodity Division saw itself as all the time engaged in a struggle against short-term expedients; a struggle that for sheer single-mindedness cannot be paralleled in the history of war-time food control.

In 1942, as in 1940, the Division's principal aim was to disabuse those, in London and especially in Washington, who talked in terms of sugar surpluses and restriction of production. The Caribbean surplus of 1942, it firmly maintained, was as unreal as the shortage of 1941, in that they both reflected temporary changes in the demand for sugar; it was, in fact, simply the shipping shortage turned inside out. The fall in consumption and the running-down of stocks in consuming countries during 1942 were very great. At the time of Mr. Rook's mission to Washington in the autumn of 1941, the United Kingdom sugar import programme for the calendar year 1942 had been 1,780,000 tons (of which 130,000 were for conversion into molasses). By February 1942 it had been reduced to 885,000 tons (35,000 for molasses) or one-half; the domestic ration had gone back from 12 ounces to 8 ounces per head per week, and stocks were to be allowed to fall over the year by 400,000 tons.[2] (Actual imports for 1942 were some 100,000 tons below even this prescribed level.) In the United States, the mere restriction of allocations to manufacturing users, before domestic rationing was imposed in February 1942, was reckoned to have saved 300,000 tons in two months.

The apparent plethora of sugar combined with its cause to generate

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[1] Sugar Division was unique in that all its supply and consumption statistics had from the beginning been prepared, not by a statistician outposted from the General Department, but by one of the Assistant Directors drawn from the trade. The Division had successfully resisted efforts to change this system on grounds of uniformity, and so was always able to ensure that it spoke with one voice.

[2] Accordingly Sugar Division offered to forgo 200,000 tons out of the 450,000 tons of Cuban sugar provisionally allotted to the United Kingdom. The offer was held up for a month by objections elsewhere in the Ministry, which much diminished its value as a gesture; for by March 1942 it had become clear that the Americans could not ship any more sugar were it released to them.

in Washington plausible and radical proposals for alleviating both at a single stroke, by letting the smaller Caribbean islands, away from the main convoy route, turn some of their cane lands over to growing food they at present imported, so saving shipping on both outward and inward journeys and enabling it to be concentrated on Cuba, where there was plenty of sugar—it was held—for all. The United States Department of the Interior promptly secured a special appropriation to subsidise the transfer in this way of 85,000 acres in the dependency of Puerto Rico, and pressure began to be put upon the British colonial authorities to follow suit. In July 1942 the Colonial Supply Liaison Office in Washington reported that it was encountering difficulty in obtaining priorities and export clearance for sugar machinery and spare parts for the West Indian industry from the United States under Lend/Lease, pending a decision on this issue. When, in October, a Colonial Office mission visited Washington to discuss Caribbean problems generally, it was in the conviction that a 'definite gesture' must be made to meet the United States request. The gesture soon began to look pretty substantial; the cane acreage in all the Colonies, for the 1944 crop, might be reduced by perhaps one-fifth compared with 1943.

Moreover, the shipping authorities, British as well as American, raised objections to the Sugar Division's proposals for loadings in the Caribbean during 1943, when it had hoped at least to lift all available crops from the British possessions and Santo Domingo. On the contrary, said the War Shipping Administration and the Ministry of War Transport, ships should be sent on the longer (and more dangerous) voyages only after the sugar stocks and port facilities of Cuba had been exploited to the utmost. Another shortage—that of fertilizers—was also used to justify a policy of restricting sugar output, which depends upon them. With a glut of sugar, it could not be right (it was argued) to use scarce shipping to send scarce ammonium sulphate to fertilize cane for harvesting in 1945, at the expense of other crops that matured more quickly and might be urgently required in the United States or United Kingdom in 1944.[1] These views were reinforced by a calculation, assented to by representatives of seven American agencies concerned with sugar, that a carry-over of 3 million tons (plus nearly five millions in the form of standing cane)[2] would be attained at the end of 1943 even should the harvest in the Caribbean be reduced by more than one quarter compared with what it had been in 1942.

The policy in principle, thought Sugar Division, was risky; in

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[1] The Combined Food Board adopted a recommendation (No. 18) in this sense on 20th October.

[2] Standing cane, however, would be of no immediate use unless the end of the war should coincide with the beginning of the grinding season.

practice, moreover, there were grafted on to it features that offended the Division's sense of fairness. For the 1942 crop the producers of Santo Domingo had, in accordance with their contract with the Ministry of Food, and at American instance, been paid a basic price equivalent to that (2.65 cents per lb.) in the United States-Cuba contract. For the 1943 crop, which the United States was to buy under the Lend/Lease arrangements, they were at first offered half a cent less than the Cuban price, which had been fixed at the same figure as last year[1]; moreover their production was to be limited to 300,000 short tons[2] or barely half what they could produce in the 1943 season. On the other hand, the proposal to deny fertilizer to sugar lands aroused such an outcry in Puerto Rico that the Americans came hastily back to the Combined Food Board and secured a relaxation of the previous recommendation; one-half the usual quantity of fertilizer might now be applied to sugar lands everywhere in the Caribbean. Sugar Division detected discrimination also in the United States shipping programme for the Caribbean, put up to the Combined Shipping Adjustment Board (Washington) in mid-February 1943. It appeared—wrote the Division in a draft cable that was, however, never despatched—to provide not a sugar programme, but a programme for the maintenance and development of the economy of Cuba and Puerto Rico:

> 'The suggestion . . . is really that Cuba is convenient because it is close to Gulf [of Mexico] and Porto Rico is convenient because it is not close to Gulf whilst all British Islands in the area are inconvenient even where ports are entirely satisfactory . . .
> '. . . with Cuba producing more than pre-war and Porto Rico claiming similar rights we cannot possibly make a case for reducing B.W.I. shipments to 30 per cent. of pre-war. . . .'

The American claim that Cuba and Puerto Rico alone had ports capable of taking 'Liberty ships' was, said the Division, demonstrably baseless; on the contrary, there were very few islands that could not accommodate them. Its suspicions were not lessened by a proposal from the War Shipping Administration, in March, that the British should take substantial shipments of Lend/Lease sugar from Puerto Rico. The assurance that this would not mean an increase in Puerto Rican total shipments was received with scepticism; which was to be justified if only because the gloomy forecasts of the shipping authorities were even so soon being disproved. The programme of February

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[1] By a purchase agreement dated 3rd April 1943. The total crop was to be limited to 3,225,000 short tons, of which 225,000 were for local consumption. The United States would buy 2,700,000 tons outright, and have first refusal of the remainder.

[2] Of 2,000 lb. each. The 'long ton' of 2,240 lb. is referred to in this account simply as a 'ton', except where confusion might arise.

1943 had estimated that requirements of sugar from Cuba, over the year, would amount to 2,380,000 long tons, of which 1,700,000 was for the United States, and the remainder for Canada and the United Kingdom. The War Shipping Administration, however, had indicated that it might be impossible to lift 300,000 tons of the United States quota, and the Ministry of War Transport had been no more sanguine.

In point of fact, shipments out of Cuba in the last few weeks of 1942 and the first three months of 1943 were unexpectedly heavy; not only was the end-of-year carry-over nearly 100,000 tons below the American departments' estimate (roughly 1,600,000 tons) but nearly 700,000 tons were shipped up to the end of March 1943; more than a quarter of programmed requirements in the worst season of the year for shipping. The Director of Sugar found in this fresh confirmation of his fears for post-war supplies; 'if the war came to an end', he wrote in April, 'we should be completely insolvent . . . I am not sure whether we shall not be insolvent even during the war if we go on with the present system of curtailment in the West Indies and San Domingo'. The Hot Springs Conference in May provided an unexpected platform for impressing these dangers on all the United Nations,[1] and particularly on the Americans. A memorandum prepared by the Director of Sugar recapitulated the experience of World War I, pointing out that the unmanageable surpluses of the inter-war period resulted from war-time shortage and the inflation of prices. History would repeat itself unless a full control of supplies were established, with a stock of not less than three million tons (excluding standing cane), mainly in Cuba. This stock would be needed to meet a gap between supplies and requirements that in the first post-war year would be at least one million tons and might well be much higher.

These estimates came at an opportune moment, when United States officials were themselves beginning to be anxious about sugar on various counts. Their domestic beet acreage was down, so that supplies from that source might fall short, compared with 1942, by as much as half-a-million tons. A shortage of feed grains was developing which might make it necessary to switch back to sugar as a source of industrial alcohol. (On 20th May 1943 the chairman of a large American company making maize products, which normally used 1,200,000 bushels a week, told the British representative on the Combined Food Board Sugar Committee that the company's stocks of maize and starch were all but exhausted and that its two largest plants would have to close down till November for lack of raw material; he thought it 'crazy not to produce every pound of sugar possible in the Caribbean'.)[2]

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[1] Vol. I, p. 357 ff.

[2] For the other aspects of this situation, the record hog run in the United States and the difficulties over grain movement there, see below, pp. 537-539. It ought to be added that the plants in question did somehow manage to carry on, at any rate for a time.

Early in June appeared the first-fruits of this change in outlook; an offer by the United States to purchase 440,000 short tons of Santo Domingo sugar from the 1943 crop just made, and an equal amount at least from the 1944 crop, at a uniform price of 2.65 cents. per lb;[1] a purchase by the United States of the 300,000 tons left outstanding in the Cuban contract for 1943; and a conclusion of what had been long-drawn-out negotiations with the Puerto Rican producers on terms substantially those of 1942, instead of the more restrictive terms originally offered. In July negotiations were opened for the 1944 Cuban crop, and concluded towards the end of August; the United States was to buy a minimum of 4,000,000 short tons, with an option to increase up to the limit of available cane when the grinding season should start. A further relaxation of the fertilizer restrictions was also made; up to 75 per cent of normal quantities might now be applied to sugar-cane.

II

Though the idea that sugar was plentiful to the point of surplus had been jettisoned by the American agencies concerned with procurement, it persisted in the War Shipping Administration,[2] which continued to behave as if Cuba could be almost the sole source of supply. During the summer and autumn of 1943 repeated pressure was exerted on the Administration to lift more cargoes from Santo Domingo and Puerto Rico, so as to make room for the manufacture of the new crop. In mid-October the Combined Food Board Sugar Committee made a formal recommendation to that effect to the Combined Shipping Adjustment Board. Pressure from Puerto Rican interests in Washington was thought to have brought about the improvement that now occurred in shipments thence, but towards the end of November the diversions from Cuba to Santo Domingo were still described as 'negligible'. By mid-December discussions with the shipping authorities on both sides of the Atlantic were said to have reached an 'impasse'. The War Shipping Administration claimed that Santo Domingo was not entirely its responsibility, and that the Ministry of War Transport should help, more particularly by putting its (smaller) ships into the shallow ports; the latter for its part was apparently unconvinced that sugar was scarce, and saw no reason to reverse a policy first adopted at United States instance:[3] 'because

[1] This, and a similar offer to Haiti, were accepted on 21st June.

[2] and also in the statistical estimates put about by the Combined Food Board in October, which were out-of-date and consequently far too sanguine.

[3] The object of this policy had been to reduce to a minimum the number of ships proceeding to the Caribbean in ballast, by using American rather than British ships to carry sugar to the U.K. The discussion was complicated by what was slow to be generally perceived as irrelevant, namely the fact that the British sugar import programme had been more than fulfilled during 1943.

they (the two agencies) apparently prefer to argue rather than to perform, we are faced with an almost certain short crop in Domingo, at a time when a very short sugar supply looks certain'.

At one moment in December 1943 the American shipping authorities, who had already caused dismay by diverting to other destinations four vessels scheduled to load Caribbean sugar for the United Kingdom that month, agreed to co-operate in a special effort to clear Dominican stocks; almost immediately afterwards, however, they threw the forward loading programme into confusion by deciding that no American ships at all would take Caribbean sugar to the United Kingdom in January or—it later transpired—thereafter. Without regard to the principles of combined allocation, which it had recently been agreed, on United States initiative, should be formally applied to Caribbean sugar in 1944, and about which discussions were still in progress with the War Food Administration, the War Shipping Administration was proposing to work on the principle that Cuban sugar was reserved for the United States and that the British should look after themselves with what supplies they could lift from Santo Domingo and the British West Indies (whose production had been allowed to run down).

The situation was one with which British negotiators in Washington were in course of becoming familiar: the weakening of American attachment to combined planning when internal political obstacles appeared on the horizon. (1944 would be a presidential election year.) In mid-December 1943 the balance sheet for the next year in the Caribbean showed a prospective deficit for the coming year of about 400,000 tons. No help was forthcoming from Cuban stocks, which, so far from reaching the 3 million tons forecast a year earlier, were now not much more than half a million tons. Stocks in the United States had fallen over the year by nearly twenty per cent, although imports had exceeded the forecast 2·2 million tons by more than fifty per cent; increased consumption by manufacturers and 'home canners', together with a reduced beet crop, was the explanation.[1] In the United Kingdom, where shipments in excess of programme had been put into store, end-1943 stocks would, it was expected, be higher than had been planned by at least the amount of the paper deficit. 'It is our thought', hence ran a letter from the American to the British side of the Combined Food Board Sugar Committee, 'that the United Kingdom inventory level could be reduced during the year and that the United Kingdom-Canada requirements from United States purchased sugar in the Caribbean be reduced by 400,000 short tons'. When, however, the Committee sat down to discuss the situation a few days later, the prospective gap appeared larger, by reason of a

[1] U.S. consumption was roughly 1 million tons higher in 1943 than in 1942; that of home-grown beet-sugar, by contrast, over 150,000 tons lower.

lower estimate of the Puerto Rican crop and allowance for marine losses, to say nothing of possible claims for Relief. It must have been clear, though the figure was never set out starkly on paper before the Committee, that a million-ton deficit was by no means out of the question.

The British and Canadian members thereupon urged that the position called for measures to reduce consumption; primarily in the United States, which was consuming substantially more sugar than the United Kingdom, and whose policy, *e.g.*, in the matter of manufacturers' allowances, was one which for political reasons the Canadians were more or less bound to follow. The Americans, however, felt that 'it was impossible to reduce United States requirements'. All that could be done, therefore, was to apportion both supplies and deficits. The United Kingdom, Canada, and the neutrals, taken together, were to get 160,000 short-tons of Cubans, plus whatever they could get from Santo Domingo, Haiti, and Empire sources: the United States would take what was left. The 'agreed upon deficits' for the first were put at 184,000 short tons;[1] for the second, at 425,000 short-tons. Nothing was allowed for marine losses, or for Relief. The British had been prepared to meet American criticism of their large stocks by offering to earmark, say, 250,000 tons for Relief, on condition of receiving a full allocation to cover consumption in 1944; an alternative suggestion was that this amount be allocated to manufacture high-test molasses for conversion into alcohol or acetone that otherwise would have had to be shipped from the United States; this gesture, it had been hoped, would influence the Americans to reduce their sugar consumption. In the event, about half that quantity of sugar (134,000 short tons) was reserved for high-test molasses; the remainder of the stocks that the Sugar Division was willing to consider 'excess' being more than offset by the shortfall in its 1944 allocation, nothing could be set aside for Relief. The Combined Food Board appeared to be not so much allocating world sugar supplies as filing an advance petition in bankruptcy.

One comfort the Ministry of Food, though not the Treasury, was able to draw from a change in American policy at this time. The decision to withdraw 'offshore' purchases of sugar from Lend/Lease, from 1st February 1944, carried with it the restoration to the United Kingdom of the right to treat for all its own sugar supplies (the marginal Cubans alone excepted). Sugar Division had always felt itself tied by Lend/Lease, especially over loadings from Santo Domingo and Haiti, and had inveighed against this position on more than one

[1] Upon the figures as stated this was a considerable under-estimate, for it assumed that the remaining old crop sugar, in Santo Domingo especially, and the whole of the current crop would be shipped and received within the calendar year; an impossible assumption that was not made for the sources supplying the United States.

occasion. With the contracts once more back in its hands, and with shipments once more the responsibility of the Ministry of War Transport, this feeling of impotence was diminished. Indeed, once the dislocation caused by the suspension of loadings in American ships was overcome, Dominican sugar was moved at a rate that, after all, did permit the 'making of a full crop'. In March 1944 Sir William Rook undertook a second mission to the United States, primarily with the intention of buying the Santo Domingo/Haiti crops of 1945 and 1946. Already in January Treasury sanction had been secured for an extension, until 1946 at the earliest, of the Ministry of Food's commitments to Dominion and Colonial producers, so as to encourage them to maintain and if possible to increase output. These were the only direct measures by which the British could insure against future shortage; for the rest, everything depended upon influencing the United States Administration. It was hoped that personal contact between the Director of Sugar Supplies and his American colleagues might be helpful, especially in removing their suspicions of British stock levels and inducing them to realise the need to reduce United States consumption.

III

The negotiations with the Dominican and Haitian sugar companies were successfully concluded in May, with the blessing of the State Department (though there were not wanting American officials who, despite that the United Kingdom was the traditional market for Hispaniola sugar, would have liked to keep negotiations in United States hands, as having the dominant economic interest in the Caribbean). As before, the basic price was to be the same as that determined in the United States–Cuba negotiations, which, however, were not to begin till August. But the more general objectives of the mission were not achieved. Whereas in February the War Food Administration had announced a cut (from 80 per cent to 70 per cent of datum) in manufacturing allocations for the quarter beginning 1st April, in May the cut was restored, with retrospective effect.[1] By July it had become apparent that the American allocation for 1944, approved at the Combined Food Board in February, was being overspent; whereat the Sugar Committee was asked and perforce agreed to increase the allocation to cover the excess. At the same time, though with a considerable show of reluctance on the American side, the allocation of Cuban supplies to the United Kingdom–Canada pool

[1] And incidentally without the notice to the other members of the C.F.B. that it had been agreed in February should be given whenever a major change in consumption was contemplated. This was explained to have been an 'oversight'.

was increased from 160,000 to 301,000 short tons,[1] to make up for a deficiency in supplies from Santo Domingo and the British West Indies. As the total Caribbean production for export was estimated at some 700,000 short tons more than had been expected in January, the extra 200,000 odd for which the United States asked could be found, and still some provision made for contingent Relief supplies. However, at the end of November 1944 it was revealed that the United States consumption in 1944 would exceed the original estimate by 200,000 short tons. The Americans proposed to ask, not merely for an allocation in 1945 equal to this enlarged consumption (nearly 7,000,000 short tons, or more than the pre-war figure) but for an extra 550,000 to rebuild stocks that, at 1,350,000 short tons, were admittedly too low to ensure the smooth working of distribution.

In these circumstances one might be tempted to dismiss the unabated criticism of British stock levels, for sugar as for other foods, as coming from a tailless fox. The temptation must, however, be resisted, and an attempt made to consider the British sugar stock policy on its merits. One difficulty that must be cleared away at the outset derives from the choice of the calendar year as the allocation period, and hence the focus on the end-December stock level. Sensible in that it coincided with the beginning of a new grinding season in the Caribbean, this choice of dates had the effect of exposing United Kingdom stocks at or near their peak for the whole year, by reason of the beet-sugar 'campaign'. Sugar Division argued that it was fallacious to take this home-grown sugar into account when discussing the safety margin there might be in stocks, as, under the zoning scheme introduced in 1941 to save transport, it was reserved for distribution in a limited area during the whole year and not available to cover requirements elsewhere. The corollary of this argument was, of course, that the weekly consumption for which the imported sugar stocks had to provide cover was therefore less.[2]

Had it been possible to exclude from the discussion the self-balancing item of home-produced sugar supplies, stocks, and consumption, a great deal of misunderstanding might have been avoided. Such exclusion was scarcely feasible, for sugar had to be brought as far as possible into line with other foods whose stock levels required defence. When, in May 1943, Sugar Division was asked to furnish levels for

[1] In November, again after American resistance described as 'stubborn', this figure was increased to 347,000 short tons, to meet further shortfalls from other sources of supply. Below, p. 46.

[2] The point may perhaps be made clearer by taking an example. Suppose that end-year stocks are 900,000 tons, of which 400,000 represent zoned home-grown sugar; and that consumption is 30,000 tons a week, of which 10,000 is in the 'home-grown' zone:

The American critics would tend to look on the stocks as providing

900,000/30,000 = 30 weeks cover

Whereas in reality they would provide

500,000/20,000 = 25 weeks cover.

minimum working stocks and minimum prudent stocks, it worked out composite figures covering both raw and refined sugar, that scrupulously preserved the difference between home-produced and imported supplies. Working stocks of raws were calculated in terms of imported supplies alone, and were put at six weeks' refinery usage. A further six weeks' supplies of refined, in terms of total usage, was stipulated for also; at the levels of consumption then prevailing, this gave a minimum working stock of 280,000 tons, in terms of refined sugar. The minimum prudent level, below which stocks should not be allowed to sink, was got by adding the equivalent of eight weeks' refinery usage of imported raws, together with four weeks' usage of refined, to make a grand total of 540,000 tons. It was explained, however, that this figure only applied to the seasonal low level of stocks, at the end of September. At other times of the year an addition had to be made, equal to the amount of home-grown sugar earmarked for later consumption. In the course of discussion with the special Ministry committee appointed in October 1943 the basis of calculation of the 'prudent element' was changed, to conform with other foods. The reduction in minimum prudent stocks was offset by the inclusion of 100,000 tons of sugar in a hypothetical 'general food reserve'. As a result of these, and some minor amendments, the prescribed minimum prudent stocks for sugar, at the levels of consumption prevailing in the autumn of 1943, worked out as follows:

End March:	838,000 long tons as refined, equivalent to 1,009,000 short tons raws
End June:	713,000 long tons as refined, equivalent to 859,000 short tons raws
End Sept.:	588,000 long tons as refined, equivalent to 708,000 short tons raws
End Dec.:	823,000 long tons as refined, equivalent to 991,000 short tons raws

In calculations of this kind it is, perhaps, inevitable that the results as stated in figures should assume an appearance of accuracy, and acquire an authority, that are not justified by the existence of these attributes in the basic concepts from which the figures ultimately derive. There could be no more futile exercise than a minute search for ways in which the prescribed minima might usefully have undergone minor amendment. Evidently the concept of a minimum working stock must not be interpreted literally, as meaning that refineries, for instance, would be incapable of continuous working had they not at hand at all times raw sugar equivalent to four weeks' melt,[1] or that

[1] Before the war they had apparently been accustomed to hold a minimum amounting to two weeks' melt.

it normally took a fortnight, even in war-time, to get sugar from ship to riverside refinery. The concept seems rather to embody two notions; that of a point at which exceptional measures, such as the movement of raw sugar from stocks elsewhere in the country, would need to be taken to prevent the refinery from being in danger of stoppage; and that of a total stock figure sufficiently high to guarantee that any refinery that, through irregularities in shipping arrivals, might have less than average stocks at any time, should be able to carry on. Again, the prescription of a minimum 'zonal stock requirement', in Ministry-controlled depots or warehouses, of three weeks' consumption of refined sugar reflected a policy decision to insure against emergency,[1] not a conviction that less than three weeks' stocks in the zones would cause immediate breakdown in distribution. In short, the minimum working stock was an attempt to assess the level at which normal operation of sugar distribution, in conformity with Ministry policies, might cease to be possible.

It would be a hardy critic who would assert that a figure of round about 300,000 tons, or ten weeks' consumption, to cover that definition was unduly liberal. Less than half of it was represented by raws, that is to say less than the bonded stocks held (for example) at 31st August 1937, before the creation of the Government security stock and at the end of the 'sugar year'. Again, it was when the stock of raws fell below 150,000 tons at the end of September 1939 that Sugar Division had found it necessary to keep some port refineries going by drawing on home-grown sugar as it was made. True, national consumption under control was down by one quarter, and exports had been all but eliminated; as against this there were increased transport difficulties in 1943 and 1944 and at any rate a contingent risk that air raids might be renewed. What then of a minimum prudent level slightly less than 600,000 tons, giving a safety margin of 100 per cent.? Here one may, perhaps, criticise not so much the prescription of such a figure as the tendency to give too much weight to it. Given the shipping difficulties that the Division, and indeed the whole Ministry, were liable to encounter, it was surely reasonable to aim at maintaining stocks at a high level. It was another thing to assert, as the Sugar Division was doing in March 1944, that a reduction in, for instance, the small allowance for domestic jam-making might be called for immediately stocks fell below this chosen figure. And, indeed, by August the Division was agreeing that a figure of 500,000 tons might be taken instead of the original 588,000; and a further 50,000 was knocked off, making 450,000 tons, in the Anglo-American inquiry into United Kingdom stocks that was completed in January 1945.[2]

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[1] Vol. II, pp. 293-296.

[2] Vol. I, p. 281.

Hence it would seem reasonable to describe a stock position corresponding to the original minimum prudent level for the time of year as being a fairly comfortable one.

At the end of 1943, stocks had been much more than comfortable—by some 300,000 tons, or roughly fifteen weeks' usage of imported sugar; but the shipping hold-up early in 1944 brought them down at a run, and for several months they hovered about the prudent level then in force. Towards the end of August, however, Sugar Division discovered that, because of a slight increase in the amount of home-produced sugar likely to be produced within the calendar year, coupled with an equally slight decrease in consumption (partly on account of the flying-bomb attacks on London having reduced usage by manufacturers), it was possible that end-year stocks might exceed 1,000,000 short tons. An estimate showing a seven-figure stock would, it was agreed, have a calamitous effect on the Americans, whose criticism of British stock levels had continued unabated. (In June, the magazine *Business Week* had published an unauthorised and garbled account of a confidential report to President Roosevelt by a committee headed by Ellsworth Bunker, president of the National Sugar Refining Company. The report, said *Business Week*, blamed the United States sugar authorities for being outsmarted by the British over sugar supplies, and suggested that the latter be forced to reduce their stocks 'to a reasonable level'. That this account was out-of-date by the time it was printed, and that the Bunker report was not anti-British but merely held up the better organisation of sugar control in the United Kingdom and Canada as an example to be followed, did not make the article less damaging.) This apprehension proved to be correct. When the British side of the Combined Food Board Sugar Committee asked, at the end of November, that a further 46,000 short tons be allocated from Cuba in 1944 to offset supplies that had not materialised from other sources, they were constrained to give an undertaking that United Kingdom stocks would not exceed 996,000 short tons at the end of 1944—'and', ran a letter to Sugar Division, 'we know that you will act accordingly'. The *reductio ad absurdum* of combined planning had been reached, for there was only one way of ensuring that the pledged figure was not exceeded—to adjust the statistics. This was done by arranging that some of the home-grown sugar made in December should not appear in them until January 1945.[1] The precise level of stocks on any particular date and the fortuitous rate at which home-grown supplies accrued to stocks had properly, of course, no bearing on the annual allocation to which the

[1] And more openly by taking out some few thousand tons that had been earmarked for high-test molasses but not been called for by the Ministry of Supply. As one or two cargoes were helpfully though accidentally delayed, the end-of-year stocks finally came out at the safe figure of 969,000 short tons raws.

United Kingdom might be entitled; and that the Division (which alone was aware of what was done) should feel itself forced into such practices[1] is a reflection on the political circumstances in which the Combined Food Board had to operate.

IV

It had for months been evident that sugar allocations for 1945 would have to face an even greater deficit than had been visible for 1944; but the Combined Food Board Sugar Committee found itself quite unable to get down to the job. Besides the presidential election in the United States there was one in Cuba to delay the conclusion of a fresh bulk purchase of sugar thence, all the more because its result, perhaps unprecedented, was the defeat of the incumbent, Colonel Batista. Twice—in August before the new President was inaugurated, and in October afterwards—Cuban delegations came to Washington, stayed several weeks, and then went home without settling anything. The British lost no opportunity of urging the Americans to secure an early agreement to purchase both 1945 and 1946 crops for combined allocation, feeling that once the end of the war was in sight there would be no hope of bringing the Cubans to terms. On the other hand some members at any rate of the United States sugar trade held that it would be sufficient to contract for the 1945 crop then and there, waiting till the middle of 1945 before deciding on another year of bulk purchase. While those American officials immediately responsible for making the deal inclined towards the British view, other United States agencies were not convinced by it—at any rate not to the point of agreeing to offer generous advances on last year's price for the sake of an early settlement. There could in any case be no certainty that any offer within reason would have been accepted, for time was manifestly on the Cuban side. With this capital matter hanging fire, no firm basis for the Sugar Committee's deliberations could be said to exist.

In September 1944 the Minister of Food had explicitly approved the line his representatives on the Committee proposed to take when negotiations did open: to offer further United Kingdom stock reductions on condition that strict parity in civilian sugar consumption were established in the United States, Canada, and the United Kingdom. In practice this would mean raising the British consumption level out of stocks; as the Americans would insist on stock reductions

[1] A similar situation at the end of 1945 was met by an advance allocation of 30,000 tons to sugar 'dealers', i.e. No. 1 suppliers. In 1946, the Division decided that the figure of home production for the calendar year, owing to the combination of a late season followed by an early one, would come out embarrassingly high, and the greater part of the December make was transferred to the January 1947 figure.

anyway, the British consumer might as well have the direct benefit. With the war approaching its end, he would demand and be entitled to some slight easement in austerity.[1] Upon an armistice, stocks at their seasonal trough might reasonably (it was thought) be allowed to fall to about 375,000 long tons refined (450,000 short tons raws). The Canadians, whose sugar consumption was also below that of the United States, arranged to put in a similar claim for parity.

When, on 29th and 30th November, the Sugar Committee at length considered the 1945 allocations, it was faced with a problem that its members had insufficient authority to resolve. The United States had submitted requirements (civil and military) estimated as equivalent to 98.88 pounds a head for the year; if Canada and the United Kingdom were to have parity, and the United States' end-year stock were to be raised, as she wished, from the admittedly low level of 1,350,000 to 1,900,000 short tons, the prospective deficit would be over a million short tons, allowing nothing for the 'liberated areas' (which were presumed to be able to feed themselves out of supplies that had not been brought into the balance sheet). If the deficit were to be shared in ratio to the population of the three countries, seven-tenths of it would fall on the United States' allocation. Some of this might be met by limiting the rebuilding of stocks, but not all, for they were at a level that was endangering smooth distribution; the cut in consumption that would be required, equal to 350,000 short tons, was something to which the United States' members of the Committee might not themselves assent. The point had to be referred upwards; in the meantime, shipments during the early months of 1945 would have to proceed according to a provisional allocation.

For a few weeks it seemed as if American officials, with the election behind them, would be able and willing to tighten up the rationing system and reduce allocations to the extent that was necessary. If the former could be accomplished the latter would lose some of its sting, for it was reckoned that 240,000 short tons in the United States' total of requirements, or four per cent, was on account of 'population shifts, hardship allowances, rationing leaks, unexpired coupons and certificates from preceding period, and unaccountable statistical losses'.[2] On 15th December the United States rationing authorities announced a cut, from 80 per cent to 70 per cent of datum, in most manufacturing allocations for the first quarter of the New Year. On the 18th a meeting of Combined Food Board Executive Officers was held from which emerged an American proposal that the British and Canadian repre-

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[1] Cf. the similar attitude on fats (below, p. 487).

[2] The fact that no such allowance was overtly made in the British requirement figure does not mean (as British officials proudly assumed) that their rationing system was completely leak-proof. There was a small, but not negligible, inflation of legitimate demand inherent in the consumer-retailer tie. See Vol. II, pp. 428, 567-8.

sentatives thought acceptable. The deficit, which after various adjustments, chief of them the reduction of the proposed end-of-year American stock from 1.9 to 1.6 million short tons, had worked out at 765,000 short tons, should be eliminated by (a) reducing the carry-over in the Caribbean (b) reducing United States, United Kingdom, and Canadian requirements by 350,000, 120,000, and 30,000 short tons respectively (c) ignoring an item of 78,000 short tons, being an amount borrowed by the United Kingdom from Egypt, to supply Indian Ocean territories in 1943.[1] The Americans flatly refused to concede the principle of parity, apparently for fear of creating a precedent for other foods. The result of treating military and civilian requirements as one, however, would mean that civilians in the United Kingdom would get more sugar in 1945 than American civilians, if Forces requirements in each country were unmodified. (This comparison ignored, however, other sweeteners like honey and maple syrup, which were unrationed in the United States and Canada.)[2]

The Ministry of Food, feeling that it had come off a good deal better than it had at one time expected, assented to the American suggestion, which, however, had still to be approved by Judge Marvin Jones, the War Food Administrator. On 17th January 1945, London was warned that the Administrator was being 'difficult'. The Cuban deal was still not closed and estimates of the crop were down by as much as half a million short tons; a cyclone in Mauritius and drought in Natal meant that the Indian Ocean area, hitherto in balance, was now in deficit. When the Sugar Committee reviewed the position, on 31st January, the hypothetical equation reached in mid-December had been replaced by a deficiency of one-and-a-quarter million short tons. This brought about the long-threatened deadlock; for while the War Food Administration professed itself willing to reduce consumption in face of an actual shortage of supplies (which could only be firmly established in May-June, when grinding in the Caribbean countries would be finished), it did not want to do so in the second quarter of the year if there was the slightest possibility of having to increase allocations again later. The Americans maintained this position in face of arguments that the shortage was inescapable and

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[1] Appendix A, p. 719.

[2] A good deal was said at this time about the comparative consumption levels for sugar and other sweeteners in the three countries before the war, and there was much unjustified scepticism among United States and Canadian officials about the United Kingdom claim to have had the highest consumption. The British case was not helped by a statement in the first Consumption Levels Inquiry report of 1944 (see Vol. I, Appendix B), putting the pre-war consumption figure at 94·5 lb. a head a year (refined value). The statisticians had excluded the significant quantities of sugar consumed in beer, canned fruit and vegetables, and condensed milk; roughly 10 lb. a head a year. However, as the British Food Mission in Washington pointed out, the pre-war position was not now really relevant.

that the time to begin economising was *now*;[1] and they reverted yet again to the question of United Kingdom stocks, notwithstanding that the British had already agreed that these might be allowed to fall below the minima laid down in the Anglo-American stock inquiry concluded as recently as January 1945. Recourse was therefore had to higher authority; on 27th March the British Ministers of Production and of Food arrived in Washington.[2]

The Memorandum of Understanding that emerged from the Anglo-American-Canadian discussions, exactly one month later, represented a substantial concession by the United States to her Allies' point of view. The deficit—which after various revisions and prunings still stood at about 900,000 to 1,000,000 short tons, depending on the postulates—was to be shared between the three countries so as to give the same consumption per head in each; a member of the armed forces would count as two civilians. In deference to American political and administrative difficulties, however, it was agreed that the new deal should apply, not to the whole calendar year, but to the nine months from 1st April 1945. A fresh review of the position was to be made by the Combined Food Board each quarter, and any deficiency in supplies was to be shared in ratio to the allocations by the three countries, the liberated areas, the European neutrals, and the Soviet Union; except that the first 50,000 short tons was to be met by a contribution from the London Food Council countries and/or United Kingdom stocks. (This proviso was a last-minute insertion, to beat off an American proposal that the level of United Kingdom stocks, which they claimed would still be above the pre-war average at the end of 1945, should be brought into any further review.)[3]

Sugar Division regarded this Tripartite Agreement rather sourly. It would, the Division conceded, be well enough could it be kept; the fact that British military consumption was less than twice that of the civilian would redound to the latter's advantage and make possible a slightly larger allowance than in 1944. Relaxations already hopefully made at the beginning of the year need not be cut back, though

[1] Force was given to this argument by the fact that the amount of sugar being distributed in the United States was actually higher than it had been a year earlier—by 110,000 short tons, or seven per cent., in the first quarter of 1945.

[2] Vol. I, pp. 250 ff., 281. For the similar difficulties over meat and over oils and fats, pp. 267-68, 487-88 of the present volume.

[3] The pre-war average United Kingdom figure given by the United States was 630,000 short tons raw value (against an expected 659,000 for the end of 1945). The British countered by saying that the 'best figure' for bulk stocks was that for 31st December 1938, when they were estimated at 825,000 short tons. The estimate allowed about 75,000 tons over and above the 'visible' stocks in the Trade and Navigation Returns (which relate to 1st January 1939) to cover refined sugar further down the chain of distribution. This may not have been unreasonable; but the basic figure could only be said to be the best in the sense of being the highest. It was, in fact, some 100,000 short tons higher than that for 1st January 1938, which itself was higher than those for the two previous years. The explanation, of course, was the existence of the Government security stock, which seems to have been forgotten about by this time (above, pp. 11-17).

the 'Christmas bonus', equal to one week's ration a head, would have to be withdrawn. However, the Division was convinced that the figures on which the Agreement was based were sanguine, and this indeed proved to be so. There was a second, more disastrous cyclone in Mauritius, and what was far more serious, sustained drought in the Caribbean. Pessimistic Cuban estimates of the size of the crop, at first thought to have been put about to influence the market with a view to the negotiations with the United States (at length concluded in mid-March 1945), turned out to be all too correct; the amount available for export from it turned out to be less than 3.5 million short tons, 375,000 fewer than had been budgeted for.

At one time in June, just before Mr. Clinton Anderson[1] was due to take over as both Secretary of Agriculture and War Food Administrator (from Mr. Wickard and Judge Marvin Jones respectively) it looked as if the Tripartite Agreement were to be discarded. On 14th June a new domestic sugar allocation was announced in the United States for the third quarter of 1945, in advance of any agreement about the international allocation of sugar for the rest of the year. American officials made it clear that they would not accept any further reduction in consumption or end-of-year stocks; the alternative (reported the British Food Mission) seemed to be a 'shameless' pruning of the liberated areas' allocation coupled with a 'bankrupt' policy of reducing still further the carry-over in the Caribbean. In mid-July it appeared, from preliminary official figures issued by the United States Department of Agriculture, that military and civilian consumption for the first half of 1945 had actually exceeded that for the first half of 1944, by 100,000 short tons. Nevertheless the Americans expressed confidence that, under the tightened regulations that had been introduced, they could keep within their allocation for the year, and on 3rd August the Combined Food Board Sugar Committee registered agreement. The deficit of 77,000 short tons, remaining after the liberated areas had been pruned by 85,000 and the United Kingdom stocks by 50,000 (in accordance with the Memorandum of Understanding) was to be shared *pro rata* between the end-year stocks in the United States, United Kingdom, and Canada.

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[1] Mr. Anderson had been chairman of a Committee of the House of Representatives appointed to investigate food shortages in the United States. Its report on the sugar situation, dated 21st May 1945 (79th Congress, 1st Session, House Report No. 602: U.S. Government Printing Office, Washington, 1945) severely criticised the sugar policy of the Administration, the want of co-ordination among the various agencies dealing with sugar, and the laxity of the sugar-rationing machinery. It drew particular attention to the fact that in 1944 disappearance of sugar had exceeded nominal allocations by 800,000 [short] tons, and that in the first four months of 1945 this excess was continuing. The report was in error in stating that the restrictive policy pursued in the Caribbean in 1942 had the concurrence of the British: 'reluctant acquiescence' would have been a better term (above, pp. 35-37). On the other hand, a British complaint that the Committee had put the pre-war United Kingdom stock figure too low was unfounded (p. 50 note 3).

V

1945 did, in fact, prove to be the turning-point for world sugar supplies and allocations; not, indeed, because supplies in 1946 were better than in 1945, but because the unexpectedly early end of the war against Japan brought with it a fall in military demand. Hopes raised by reports that a million tons and more of sugar had been found in Java warehouses never materialised in a form that could be brought into allocation; the 1946 Cuban crop was, once again, disappointing, along with others, so that provisional allocations made on the basis of 73 lb. a head a year (compared with 71 lb. in 1945) had to be pruned by two per cent. But all three countries—as Sugar Division candidly put it—had 'cheated on their military figures' (at the expense, of course, of the other claimants) so that their civilians did considerably better than they had in 1945. The United Kingdom allocation worked out at roughly 78 lb. a head.

After negotiations as protracted as those of the previous year, beginning in October 1945 and only concluded in July 1946, the United States had entered into bulk contracts with Cuba for both 1946 and 1947 crops. The delay was due not to disagreement on price, but to the desire of the Cubans to surround the contract with stipulations and safeguards for the future. They tried, for instance, to put pressure on the United Kingdom, *via* the United States negotiators, to allow the purchase of Havana cigars; and they were anxious to be assured of a larger quota in the United States market when the Sugar Act was renewed later in the year. The basic minimum price finally agreed upon—3·625 cents per lb., subject to an 'escalator clause' linked with the United States price index—though a considerable advance on the previous year's price of 3·10 cents, was comforting to those with recollections of the post-1919 inflation. British contracts with Santo Domingo and Haiti were promptly made on the same basis; with Colonial production reviving under the stimulus of continued price guarantees, the end of the long tunnel seemed to be in sight. Inter-Allied co-operation, through the Combined Food Board and its successor the International Emergency Food Council, appeared to be smoother than at any previous time.

Towards the end of 1946, however, it became clear that the United States public and especially the trade were becoming restive under rationing that was severer than anything they had undergone in the war years.[1] The notion that Americans had a prescriptive right to the

[1] In 1946 the U.S. household ration, at 15 pounds a head a year, was 11 pounds less than that ruling during the war (and in the U.K.); the industrial allocation was reduced to 60 per cent. of datum. This apparent inferiority of the American consumer to the British was, however, more than wiped out by catering usage and the availability of auxiliary sweeteners.

whole Cuban crop, though justified neither by the pre-war pattern of trade[1] nor the terms of the bulk contract, was hard to scotch. The Republican victory in the mid-term elections made it impossible for the Democratic Administration to maintain the principles of the tripartite agreement of 1945, which had never, of course, been legally binding. The best Mr. Clinton Anderson could do was to offer to preserve the facade of equality, by arranging for other claimants than the United States to be allocated 'phantom' supplies, for instance from Java, where the position remained uncertain. As the only alternative seemed to be a free-for-all in which the United Kingdom might get no Cuban supplies at all, the British and Canadians acquiesced in this proposal, stipulating only that the United States should take some part of the phantom supplies. On 21st February 1947 the International Emergency Food Council formally approved the new allocations. If the supplies from 'undesignated sources' were ignored, the United States would receive sugar at the rate of 91 lb. a head a year, the United Kingdom and Canada between 4 lb. and 5 lb. a head less, and the remaining claimants 70 per cent of their pre-war supplies.

The movement towards decontrol in the United States, however, continued to gain momentum. In March Congress voted to extend sugar control only until 31st October—a measure that the President signed only with reluctance and with a warning that he might have to ask that the terminal date be reconsidered:

> 'As the purchaser of the Cuban sugar crop, this country acts as the agent of friendly nations to make sure that other countries as well as our own receive their fair share of the world's sugar supply. We must continue to fulfil our pledge of dealing fairly with other nations while guaranteeing to the American consumers the maximum amount that our share of total world supplies permits this year. A premature ending of controls over sugar would bring about a scramble of competing countries for the inadequate supplies now in prospect. A period of soaring sugar prices and unrestrained competition in the world market might, after a brief period of false prosperity, result in disastrous economic consequences for the sugar-producing countries. . . .'

To the last sentence the Ministry of Food Sugar Division would ardently, if a trifle wryly, have assented; had it not been preaching just such doctrines in the days of surpluses and ever since? By June, however, the supply position had so far improved as to make it all but impossible for the United States Administration to resist Congressional

[1] The United Kingdom share of Cuban sugar exports in the immediate pre-war years 1936—39 was never less than 22 per cent.; the United States share never more than 70 per cent.

pressure. The Cuban crop was 880,000 short tons above the earlier estimate. If the Americans could secure but 150,000 short tons more, on a reallocation of total supplies, than they would be entitled to get under the agreed formula, Mr. Clinton Anderson hoped that he might maintain control of prices and industrial usage, while de-rationing sugar to householders. He appealed to the British and Canadians to accept an allocation on this basis, giving the United States 98 lb. a head as against their 96 lb. London agreed; on 9th June the I.E.F.C. Sugar Committee concurred in this and some other, minor, alterations; on 12th June, rationing in the United States was abandoned. On 29th July, control of industrial users followed suit, for want of an appropriation of funds to maintain the organisation; rationing in Canada was to end before the year was out.

The ready acquiescence of the British is to be explained partly by conviction that in the then mood of Congress there was no alternative, but mainly, no doubt by knowledge that there would be no dollars to pay for an increased sugar allocation to the United Kingdom. It had taken three months to overcome Treasury opposition to an increase of two ounces a head a week in the domestic ration, a concession finally announced on 27th June. This small easement, amounting to 100,000 tons of sugar a year, lasted but three months; in October the sterling crisis broke, frustrating the careful plans Sugar Division had made for a steady advance towards decontrol, say in 1949. Into the new phase of austerity that followed, it is beyond the scope of this history to enter.

CHAPTER IV

Home Production and Prices: Zoning, Concentration, and Manpower Problems

I

War had barely broken out before Sugar Division was faced with the need to decide production and price policy for sugar-beet in the following season—1940–41. All beet was grown under contract between the farmer and a particular factory; the terms of the contract, under the Act of 1936, being agreed between the National Farmers' Unions and the British Sugar Corporation, and approved, or failing agreement prescribed, by the Sugar Commission. The contract provided for a close supervision of husbandry—for instance, only seed supplied by the Corporation might be used—and the Corporation maintained a field staff for this purpose. It had inherited from the company era a system of price differentials; the beet price was a delivered price (i.e. the grower paid transport costs) and factories[1] fell into three groups that corresponded, at any rate originally, roughly to the distances over which they drew beet. The first, which accounted for about two-thirds of the tonnage, paid the basic price; the second and third paid a small premium—in 1939, 1s. and 2s. a ton respectively—above it. Corresponding to the differentials on beet bought were surcharges on pulp sold; so that if growers, as most did, exercised their option under the contract to buy pulp at the rate of one-and-a-half hundredweight for every ton of beets they delivered, the net premium was reduced to sevenpence-halfpenny in the shilling. Indeed, the Corporation had by 1939 come to regard the pulp differential as a necessity of orderly marketing generally, and that on beet as no more than a useful way of helping the farmer to pay

[1] In England and Wales. The single factory in Scotland, at Cupar, Fife, drew its beet over so wide an area—including Northumberland and Morayshire as extremes—that it paid a 'free-on-rail' price, which always had to be determined separately.

Low-price factories: Bury St. Edmunds, Cantley, Ely, Ipswich, Kings Lynn, Peterborough, Spalding and Wissington.

Medium-price factories: Bardney, Colwick, Felstead, and Kelham.

High-price factories: Allscott, Brigg, Kidderminster, Poppleton, and Selby.

Throughout this account the term 'basic price' should be understood to mean the contract price at the first group of factories.

for his pulp.[1] Inherited also from the past was a system of bonuses for sugar content (which depended, *inter alia*, on the amount of potassic fertilizer the farmer had used); the basic price related to a content of 15.5 per cent, well below the current average of 16·9 per cent, and 3d. per ton was added for every 1 per cent by which the sugar content exceeded 15·5 per cent. Before the war it was being pointed out that this scale had been stultified by rises in the basic price above 38s. 9d. a ton, the figure originally corresponding to the 15·5 per cent point on the scale. 'For the same amount of sugar supplied by the grower, a lower price is paid for the factory-economical high-sugar-content beet and a higher price for un-economical low-sugar-content beet'. By 1939 the basic price had reached 46s. 3d., and a revision of the bonus scale was among the numerous reforms being mooted between Departments.[2]

What had not been discussed at any time before the war was the output and acreage of sugar-beet that would be required in war-time. The 'quantitative estimate' of food production, drawn up by the Ministry of Agriculture at the end of 1936 for the Food Supply sub-Committee of the Committee of Imperial Defence, made no mention of home-grown sugar (except that sugar-beet tops and pulp appeared in an appendix on home-grown feeding-stuffs).[3] On the other hand, the Food (Defence Plans) Department estimated in 1938 that home-grown sugar supplies in the first year of war would amount to no less than 571,000 tons, or more than the permitted quantity under the International Sugar Agreement. It is evidence of the unreality of much pre-war planning that both of these estimates received the *imprimatur* of the Food Supply Sub-Committee. In practice the earlier proved the more influential. The Minister of Agriculture's broadcast message on 5th September 1939,[4] launching the ploughing-up campaign, dwelt on wheat and potatoes to the entire exclusion of sugar-beet; and messages had hastily to be put out that beet contracts would be offered as usual, for not less than the 1939 acreage (345,000 in the United Kingdom).

Sugar Division, however, was not long in deciding that it would

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[1] The Corporation held that if the price of pulp ex factory, to the trade generally as well as to growers, were uniform, the northern and western factories would sell out first, and the other factories have to store their pulp: 'we would get less for the pulp than we ought to at the Northern and Western factories and spend more on storage than we ought to at factories in the Eastern Counties'. If a special discount to growers were substituted for the differentials, they might resell their pulp—a practice frowned upon by the Corporation.

[2] Below, pp. 92-96.

[3] The official of the Ministry of Agriculture who wrote in 1939 that this very document 'contemplated that in time of war we should continue the normal acreage of sugar beet. This document we still regard as our instruction . . .' must have been reading between the lines.

[4] K. A. H. Murray, *Agriculture*, p. 68.

like rather more acreage—enough, on average yields, to produce 500,000 tons of sugar. This, it said, was 'an ideal figure. It should not be exceeded or we shall risk an outcry from the Dominions and Colonies, which, in view of the eminently reasonable and public spirited way in which they are behaving over sugar prices, we must be particularly careful to avoid'. Discussions with the Ministry of Agriculture and the National Farmers' Union indicated that to expand the acreage to 400,000 would fit in well with the food production campaign; Departments were assured that the extra acres would easily be obtained fairly close to the factories—an important point because of the heavy demands beet makes on transport. Beet, it was generally if belatedly agreed, was an excellent crop for newly-broken land not only in itself but by way of preparation for subsequent sowing with corn—provided, of course, that the price was right and was promptly announced. As to that, 50s. a ton, an increase of 3s. 9d. was mentioned as 'rock-bottom'.

It was hoped that Corporation, Departments, and farmers might agree upon a price that could be announced, along with the request for extra acreage, early in October; negotiations, however, were protracted into November. The farmers' leaders, when it came to the point, wanted more than a basic price of 50s.: a sugar-content bonus of 4d. for each 1 per cent, instead of 3d., and an assurance that the contract price would be reviewed if production costs—which they conveniently but illogically defined to include the price to the grower of sugar-beet pulp—increased during the year. They rejected an official attempt to get the basic price reduced *pro tanto* with the increase in sugar-content bonus, so that in effect they were asking for a rise, calculated on the average content of 16·9 per cent, of 4s. 11d. instead of 3s. 9d. The Ministry of Agriculture adduced political grounds—'the general attitude of farmers towards the food production campaign is critical and uneasy'—for prevailing on the Treasury and the Ministry of Food to accept these demands. There was, however, inserted in the assurance an important proviso: the promised review of prices in relation to costs would be based on changes since November 1938 (when the 1939 price had been determined), assuming average sugar content, *i.e.* taking into account the full 4s. 11d. It seems unlikely that the farmers' leaders, or even officials themselves, can have realised completely what this proviso meant. Under pretext of offering the grower recompense for increased costs, it promised to wipe out any element of inducement to plant extra acreage; only if costs did not rise by as much as 4s. 11d. a ton would farmers get any more for beet than they had in 1939.

At any rate, by the end of December it was clear that growers' response to the new contracts was tepid or worse; adverse resolutions were passed by numerous local branches of the National Farmers'

Union and the leaders who had agreed to the prices were criticised. Offers of contracts were markedly less than in the previous season: farmers, reported the British Sugar Corporation's observers on the spot, were showing preference for other crops, particularly cereals, that required less labour and promised higher profits. (It should be remembered that as yet there was no price control on home-grown barley and oats, to say nothing of lesser crops such as carrots, peas, and beans.) They either feared that there might be a loophole in the assurance about costs, or (correctly) interpreted it as offering insufficient inducement. Furthermore, the harvest of 1939 had been made difficult by wet weather, and some areas had been ruled out under the regulations to prevent beet eelworm. The Corporation feared that the acreage sown to beet might actually fall by 30,000 or more unless the Government acted promptly; it did not, however, recommend an immediate increase in contract prices, nor that the *1939* price be raised, as the farmers were asking. The Ministry of Agriculture agreed that the latter claim, made on the grounds of increased costs, was untenable; the yield had been so good that farmers' gross profits had far exceeded expectations. It was, moreover, disinclined to take even a fall in the beet acreage tragically: 'the land will be sown to something if not to sugar-beet'. Efforts were therefore confined to exhortation: a special appeal to growers by the Minister of Agriculture, when addressing the Farmers' Club on 8th January; a publicity drive in the farming press and a broadcast discussion to hammer in the virtues of sugar-beet; a special mention in a speech by the Prime Minister (Mr. Chamberlain) on 28th February. The final acreage contracted for 1940—337,000 acres—nevertheless was a trifle less than the previous year.

When agricultural wages, and with them prices, were raised in the summer of 1940, it was announced that a further 3s. 9d. per ton would be added to the basic contract prices for beet that year. In January 1941 the National Farmers' Union duly invoked the guarantee, claiming that costs had risen by 17s. 11d. a ton since 1938, but prices by only 11s. 11d., and asking that a further 6s. be added to the 1940 price, making it 59s. 9d.[1] Calculations in the Ministries of Agriculture and Food indicated that 2s. 9d. would be an appropriate addition; but even this modest amount was contested by the Treasury, on the ground that 1s. 3d. in the 1939 price did not represent an increase of costs over 1938. (It was partly 'rounding-off' and partly compensation for bad seasons in 1937 and 1938.) A surprising amount of argument, in view of the explicit terms in which the guarantee had been given, was necessary before the Treasury would agree to a payment of 2s. 6d.

[1] On the basis of its own figures, the Union would have been entitled to ask for 9s. 6d; it had mistaken the wording of the guarantee and compared the current price with that of 1938 instead of 1939 (which had, of course, been based on 1938 costs).

a ton. Oddly enough there was no protest in England and Wales; but an attempt to assess the equivalent f.o.r. figure for Cupar at 1s. 6d. aroused so much outcry that the payment was raised to 2s.

By this time, of course, the contract price for 1941 had been settled. Discussions about it had begun as early as July 1940; the Corporation, with the semi-fiasco of the 1940 contract in mind, had recommended that a specific element of incentive be included in it, more especially as the price of other crops, potatoes in particular, was to be increased. It suggested a basic price of 61s. 6d., coupled with the allotment of compulsory acreage quotas by County War Agricultural Executive Committees. The National Farmers' Union asked for 65s. The Ministry of Food endorsed the Corporation's figure, and it emerged from the Ministerial debates of August 1940 unchanged, though expressed in terms of the average sugar content (66s. 10d.). As the Corporation and the Union had been unable to agree, the price was formally prescribed by the Minister of Food.[1] The specific guarantee of reimbursement of increased costs was not repeated, as it was now covered by the more general guarantee (the 'pledge' over which so much argument occurred in 1943–44) given at the time agricultural prices for 1941 were announced. Sugar Division did not, after all, seek more acreage in 1941 than in 1940; there appears to have been some doubt about supplies of seed, sugar was plentiful overseas, and even yet a sanguine view was taken of shipping prospects.

Once again, except in East Anglia, where some factories were 'over-subscribed', the contract did not go well, and at the end of 1940 total offers amounted to less than the figure that had caused anxiety in 1939. The Corporation attributed the poor response to the drive for more potatoes and the belief of many War Agricultural Executive Committees that sugar-beet could be left to look after itself. The Ministry of Agriculture, though scouting the notion that the extra potato acreage was being secured at the expense of beet—so much more land was being brought under the plough that there was, it said, room for both—admitted that farmers were anxious about labour and that the position was disturbing. It was agreed to send a special circular to County Committees and to offer an assurance that the pulp that growers might contract to buy during the 1941 season would not be taken into account under the feeding-stuffs rationing scheme. The combination of propaganda and inducement proved

[1] Formally this was done retrospectively after the Sugar Industry Act of 1942 had been passed (below, p. 100). Sugar Division had recommended a price of 61s. 6d. in the belief that Feeding-Stuffs Division was to raise the price of pulp to growers. When, after all, it was decided that the price of pulp was not to go up, Sugar Division would have liked to lower the beet price to 60s., but found itself tied by the *ipsissima verba* of a War Cabinet decision. Cf. Vol. I, p. 70 for a similar instance—the thirteen weeks' minimum wheat stock—of the evaporation of a proviso at high altitudes of decision.

sufficient to secure a slightly higher acreage—350,000—than had had originally been asked for.[1]

II

By the summer of 1941, when the contract for 1942 came up for discussion, the need for home-grown sugar was felt more urgently; it had been agreed that acreage should be increased to 405,000 (in Great Britain), and the Agricultural Departments had drawn up county quotas accordingly. What price should be paid, to ensure the willing compliance of farmers with compulsory cropping orders, was a difficult question. The Corporation, seeing that the trend of costs was impossible to forecast, recommended that the point be evaded for the time being by issuing a contract at a price to be determined when the harvest was nearer; this would place sugar-beet on all fours with its rival the potato. Officials felt, however, that it would not absolve them from giving some sort of price guarantee; and negotiations with the National Farmers' Union rapidly revealed a wide gulf between growers' expectations and what calculations of cost increases appeared to justify. These pointed to a basic price of 64s.6d; the Union was asking for 80s., mainly on the ground that the cost of labour had gone up far more than the nominal increase in farm wages might imply. The Union pointed to the increase in piecework rates and the inefficiency of much of the labour on which growers now had to rely.

It was not difficult to pick holes in the farmers' case, so long as one

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[1] The inducement could be defended on the ground that beet was a replacement in the rotation for fodder roots like mangolds (which had been the reason for the pulp concession in the first instance). As for the propaganda, the following letters from a Lincolnshire grower to the Bardney factory are a vivid testimonial:

(i) 25th February 1941

'Dear Sirs,

in ansure to your letter the reason we have not signed a contract with you for beet is the labor I am sorry to say we are 5 short now to what we had last year we have 11 young in the house we are short of skilled men for all jobs at once so we do not like neglecting our wheat oats Peas Barley & Potatoes for other jobs and Oblige,

Yours faithfully

Jack W. T . . . . .'

(ii) (Received on 1st March 1941)

'Dear Sirs,

I have just been to a meeting at Billinghay The Chareman Aldermond T. P. Gilbert & 2 speakers Mr. H. Jones & Mr Monks and They stired us so much as I am signing the beet contract and chanching been short of labor as I hope this will leave a bit more shipping space for some thing elce with us growing this sugar god Willing & Obligdge.

Yours faithfully,

Jack W. T. . . . .'

confined oneself to costs. There were those in the Ministry of Food who wished to stand pat on the calculations and offer no more than 65s. for the 1942 basic price; but the Ministry of Agriculture, while not dissenting from the arithmetic, drew a different conclusion. The greater profitability of other crops (malting barley, carrots, and above all potatoes), the difficulties attending beet-growing in war-time, and the increase in acreage that was being asked for, all pointed to a considerably higher basic price; 75s., plus an allowance for the higher minimum farm wages that were expected to be prescribed towards the end of 1941, was the lowest figure at which the greater part of the desired acreage could be secured without compulsion. (The Ministry of Agriculture was willing to coerce a minority, but not a majority, of prospective growers.) Sugar Division acknowledged the force of these arguments, but put forward a compromise price of 70s., which after some opposition from within the Ministry of Food, became a recommendation to the Minister. On 13th November, however, Lord Woolton accepted the Agricultural Ministers' arguments and joined with them in persuading the Treasury. As the agricultural minimum wage (men) was raised from 48s. to 60s. a week, the basic contract price for beet was scaled up from 75s. to 81s. a ton, a rise of close on twenty-five per cent. over the 1941 price. (A request from the Union, early in 1942, that the 1941 price be reviewed was, partly perhaps in consequence of the rise, firmly turned down.)[1]

The decision, as the Treasury said, was lamentable but inevitable; in view of the 'exceptional competition between sugar-beet and potatoes . . . we cannot take the risk of fixing a lower price'. The haphazard and irrational changes in farm prices that had characterized the first year of war were still in course of working themselves out. In 1939–40 the price balance had seemed to be tipped against potatoes, and a potato-minded Ministry of Food had wrenched it the other way, generously increasing prices for the 1940 crop and granting an acreage subsidy in 1941. This had created a position in which the gross returns per acre on potatoes were something like twice those on sugar-beet—£10 and £4 were the figures given by the Ministry of Agriculture—and if more sugar-beet were wanted the disparity had to be ended. One cannot but share the Prime Minister's wonder that potatoes, which were plentiful, should be encouraged in preference to sugar-beet, when sugar was rationed. The extra 50,000 acres devoted to beet in 1942 and subsequent years meant an addition to the country's food supplies that was not only more meaningful, having regard to the existing supplies, than a similar addition to the potato acreage would have been; it was also certain to find its way into the pool for human consumption, as potatoes were not.

[1] The complaints from Scottish farmers that, because of the lower yield there, the price should be higher, were at last met by making the Cupar price 81s. free on rail.

Considering that the peace-time policy of subsidising home-grown sugar was largely justified by defence considerations, what gives cause for surprise is not that a high premium should have been thought worth paying for extra acreage in 1942, but that it should not have been thought worth paying in 1940 and 1941. At any rate, although the farmers' leaders did not receive even a 75s. basic price well, the desired acreage—405,000—was actually exceeded by 13,000 in 1942.

Paradoxically, the influence of potatoes may have helped in keeping the price of sugar-beet down in 1943. Sugar Division, though it agreed with the Ministry of Agriculture and the Corporation that a repetition of the 1942 price would leave growers with a substantial margin, was prepared to ask the Treasury for another 3s. to cover the further increases in costs that might be expected within the next twelve months: 'it would be difficult for us to argue that the price fixed in November 1941 was intended to cover not only any increases in costs which might occur in the period up to December 1942, but also in the period up to December 1943'. When, however, Potato Division indicated that in that case it would have to seek a 'relative increase' in potato prices, the proposal was incontinently abandoned. A small concession was, however, made on the 'late delivery bonus' for beets held up by the grower at the request of the Corporation. These were apt to lose sugar content in clamp, and now that the campaign had to run perhaps into February in order to deal with the produce of extra acres, this loss might be serious to the grower. The bonus scale, which was related to an assumed loss of sugar content of one-half per cent. for each fortnight after January 1st, was now brought into line with the sugar content bonus of 3s. 4d. per one per cent.; and this was applied to the 1942 as well as the 1943 crops.[1]

As for the acreage in 1943, the amount allotted to compulsory county quotas, when these were determined in the summer of 1942, was 405,000, the same as in the previous year. This would have meant a reduction from the acreage actually contracted for, and the intention was to make this largely in the Corporation's 'Southern Area', which comprised a number of southern and western counties remote from the beet factories.[2] By November 1942, however, the shipping position looked so bad that the Ministry's General Department, in pursuit of

[1] A hidden concession was also made to growers for the Allscott and Kidderminster factories, in that the limit beyond which they were relieved of carriage charges was not raised frcm 7s. to 8s. 2d. in accordance with the increase in railway freight charges. This of course had the effect of reducing the radius within which growers had to bear full freight.

[2] Already, on account of transport difficulties (the Straits of Dover being closed to all but specially convoyed ships) the Corporation had had to discontinue contracting in the Isle of Wight. The Ministry of Agriculture endeavoured to get rid of the beet quota in Northumberland, where it was said that the crop was detested (it went to the Cupar factory); but the Scottish Department of Agriculture feared that this would have awkward repercussions in Berwickshire, where a quota was wanted. A 500-acre quota was therefore kept for Northumberland.

the maximum calories to be secured from home production, asked whether more sugar-beet could not be grown. The Corporation was asked whether, by starting the campaign earlier and employing slightly less finesse in the handling of the beets, it could not increase output substantially; and there was even a hint that the potato acreage might be reduced. The Corporation, however, indicated that in 1942 it had about reached its limit: the priority in time given to potato harvesting meant that slicing could not begin any earlier than in that year; it had to contend with inferior coal and inferior labour both on the farm and in the factory, and was worried about factory maintenance. (The use of beet factories for potato-drying, it was said, might affect the extent and quality of inter-campaign maintenance.) The acreage to be aimed at, therefore, was raised to 420,000 only; as farmers might have already gone ahead with arrangements to grow other crops, compulsion would not be used to get the extra 15,000. Despite complaints by the National Farmers' Union about the price, 417,000 acres were actually secured.

For 1944 it was proposed (in the summer of 1943) to make no substantial change either in acreage or price; the former was expected to fall very slightly on account of the difficulty in finding land free from the sugar-beet eelworm,[1] the latter was to be modified by extending the excess freight concession to all growers in England and Wales. The 1944 harvest was the season in which the Agricultural Departments were at last resisting the Ministry of Food's clamour for more and more potatoes. In November 1943 prevailing opinion in the Ministry was for sacrificing some sugar-beet acreage in order to secure 1,200,000 acres of potatoes; in January 1944 the new Minister (Colonel Llewellin) wrote to Mr. Hudson offering to forgo 12,000 acres of beet in England and Wales. (The Prime Minister's views on potatoes v. beet were by then forgotten.) Sugar Division had, of course, opposed the decision from the outset; 12,000 acres was 'a fleabite' in terms of potatoes, but meant 15,000 tons of sugar—not a large amount, but more than could be spared with imports as they were.[2] The Division feared lest the Corporation be compelled, for the sake of potatoes, to refuse acreage already offered to it; the 1944 contract had gone well, and there was every prospect that the scheduled acreage would be reached or even exceeded. However, the Minister of

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[1] By a Ministry of Agriculture Order, dated 29th July 1943 (S.R. & O. (1943) No. 1136) the planting of sugar-beet, mangold, red beet, spinach, cabbage, kale, cauliflower, broccoli, brussels sprouts, turnip, swede, mustard, cress, radish, kohl-rabi, or rape was prohibited, except under licence, on any land infested with sugar-beet eelworm or, if any of these crops had been grown on it during the past two years, on any land situated in four infected areas, of which the largest was in the Fen Country. As this was the area also most affected by potato eelworm, the task of planning cultivations was no easy one.

[2] The proportion of the total supply of sugar or potatoes represented by 12,000 acres was roughly equal; but (as only the Prime Minister had seen clearly) the scarcity of sugar was actual, that of potatoes only potential.

Agriculture brushed aside the proffered sacrifice: 'we look like getting the [potato] acreage', he wrote on 2nd March, but 'I have the gravest doubts whether we shall get commensurate results in yield or harvesting of crop'. By the last week in April the sugar factories had contracted for as much as they could handle (over 425,000 acres) and were instructed to refuse further offers.

The same preference for marginal supplies of potatoes over less marginal supplies of sugar was repeated in the cropping programme for 1945. As early as April 1944 a circular from the Minister of Agriculture to County Committee Chairmen in England and Wales told them that they might reduce sugar-beet acreage by as much as ten per cent., if this was the only way to maintain potato acreage. It was not expected that full advantage would be taken of this permission, but the loss to sugar-beet might be as much as five per cent. The spread of potato eelworm really called for a reduction in *potato* acreage; but as this was not to be heard of, diligent local study was necessary to ascertain what potato-sick land must be rested, and what land used instead. Only thereafter could acreage be allotted for beet. The process dragged on through the winter, and as late as February 1945 the Ministry of Agriculture was unable to issue final county quotas. Bad weather had meant a disastrous 1944 campaign; the harvest had been late—at the end of January 5,000 acres of beet were still not lifted—and sugar content was down (15.3 per cent. compared with the normal 16.9). The shortage of labour was acute. As always, unhappy experience in one season affected contracting for the next, which—in contrast with 1944—was exceedingly sluggish. Moreover, the farmers' request for a higher price had been turned down, early in December 1944.

A number of reasons combined to reverse this decision, on the occasion of the first annual Price Review, undertaken in consequence of the 1944 agreement between the agricultural Ministers and the National Farmers' Union.[1] A further increase of 5s. a week in the minimum farm wage had been awarded in December 1944; the Ministry of Food was more than ever anxious about the potato acreage; the Ministry of Agriculture, on the other hand, would have liked to dispense with compulsory cropping orders for potatoes and sugar-beet. Thus an increase in their prices became not merely an offset for higher wages bills, but a *quid pro quo* for the maintenance of compulsion, and there was even less disposition than before to bargain closely on the basis of costs. Though the Price Review had originally been intended to apply to the *following* season, 1945 potato prices were raised by 10s. a ton, sugar-beet by 5s., 1s. 6d. a ton more than the estimated effect of the wage increase. Perhaps this

[1] K. A. H. Murray, *op. cit.*, p. 351.

contributed towards the maintenance of the 1945 acreage at the 1943 level, only slightly below the record offering of 1944.

This broad pattern of production and prices was bound to continue so long as shortage—whether of sugar itself or the dollars to buy it—impelled the Government to maintain a beet acreage of 400,000 or more. For all that it corresponded to the expectations of the farmers of the Act of 1936, with its 'standard quantity' of 560,000 tons of sugar, this acreage was uncomfortably high and very expensive. As soon as one got above, say, 350,000 acres, the capacity of the factories was strained and the campaigns unduly prolonged; moreover, especially so long as competition from the potato was undiminished, the mere securing of the extra acreage was costly. Sugar Division estimated, a few years after the war, that the extra 50,000 acres called for a £1 a ton on the price of beet. Assuming—which is almost certainly too generous[1]—that the yield in terms of sugar from these marginal acres was the same as that from the remainder, then for some 70–80 thousand tons of sugar a year, the Exchequer was paying out *an extra* £50 a ton, not taking into account any additional processing costs. This may have been unavoidable; it is certainly startling, especially when one thinks of the efforts made by the Ministry of Food to keep down the price of sugar imports. (The sugar borrowed from Egypt for the Middle East was cheap by comparison.)

III

The substantial output of home-grown sugar, though it eased the Ministry of Food's supply anxieties, presented a problem of marketing that had not faced the Royal Commission on Sugar Supplies: how best to marry, so to speak, the home-produced and imported flows into controlled distribution. There were numerous factors to be allowed for: the season of the year; the place, time, and quantity of overseas arrivals of sugar (including the minor, but not negligible, imports of 'direct consumption raws'); the varying equipment of the beet factories, some producing raw sugar only and others white; questions of storage and transport; the desirability of maintaining a steady rate of melt at refineries, with which was bound up the need for by-products, notably syrup and treacle; and, last but not least, the particular types of sugar that some manufacturers relied on for their particular processes. To technical considerations of this sort were added the financial repercussions, both within the industry (because of the quota arrangements) and between industry and Government, of any adjustments in output.[2] A control was called for that should

[1] Below, pp. 74-75.

[2] Chapter VI, below.

combine authority and flexibility, in a degree that would have been out of the question had the Ministry been constantly obliged to have recourse to statutory procedures of Order and Direction. This Sugar Division provided, by combining the minimum of mechanism with the maximum of expert knowledge, coupled with close personal relationship with the trade. Such measures as the diversion of raw beet sugar to the refineries, made necessary by the fall in arrivals from overseas in the autumn of 1939, were accomplished with the least possible formality and fuss. Headquarters in London, and later in Colwyn Bay, had always a complete mastery of the supply situation from day to day.

Though the Division was careful, throughout the war, to reserve to itself freedom of action over sugar movements, it did agree to one major limitation that should only be relaxed of grave necessity. This was the zoning of the output of, on the one hand, the three port refining areas—London, Liverpool (with Earlestown), and Greenock—and, on the the other, the beet-sugar factories scattered up and down the Eastern side of England (except for Allscott and Kidderminster in the West Midlands). The treaty between the Corporation and the refiners had already resulted in the marking out of spheres of influence for each, and this was reflected in local customs: retailers in the beet-sugar areas, for instance, being accustomed to handle loose sugar, while many supplied by Tate & Lyle relied on having it packeted. The refiners, however, had insisted on a right to terminate the agreement if the Corporation should make specialised sugars such as cubes and caster. Hence a complete zoning scheme would force consumers in the Corporation's zone on to an exclusive diet of granulated. This might be no more than slightly irksome to the housewife; to the manufacturing user it might be more troublesome if his plant, or his product, required some special type of sugar.

A policy of zoning, therefore, involved some rather tricky discrimination between different parts of the country. Nevertheless, the machinery to enforce zoning lay ready to hand—as it did not in the case of most other foods. The system whereby Area Sugar Officers nominated the ultimate source from which every user should draw his supplies was in itself sufficient; moreover, variations and exceptions could be introduced at will. When, in the summer of 1941, the Lord President's Committee began to call for measures of transport economy,[1] Sugar Division was able to give a prompt and practical response. Indeed, it had already been working on a project for a limited and specialist kind of zoning—the distribution, to manufacturers in the Corporation's area, of a new kind of high-quality beet raws, to be turned out at the factories not equipped for producing

[1] Vol. I, pp. 335-6.

white sugar, in place of their normal product that had to be refined elsewhere before it could be used. The underlying idea—which appears to have originated with the Corporation's technical staff—was to save coal, labour, and (especially) the double haulage that occurred when raw beet-sugar was moved to a second factory (or a refinery) to be 'finished', and then returned to a manufacturer close to where it had started from. Preliminary inquiries suggested that an outlet could be found, during the year, for between 140,000 and 200,000 tons of 'industrial grade' sugar (as it was to be called); Tate and Lyle agreed, in the national interest, to raise no objection; and in May 1941 the Corporation was authorised to make preparations in time for the next beet campaign.

Meanwhile, the prospective users and their technical experts were likewise brought into consultation. One of the difficulties was that the Corporation had not made this type of sugar before and could therefore furnish only a fabricated sample for test. The consensus of opinion was that the new sugar could be used in a wide range of products, but that there were some (notably mineral waters, condensed milk, and some sorts of boiled sugar confectionery) for which its impurity made it unsuitable. In most cases manufacturers would have to adjust their processes; jam, for instance, would not set unless the alkalinity of the sugar was counteracted by adding more citric acid. Particular importance, therefore, was attached by the trade experts to ensuring uniformity in the quality of sugar that any manufacturer was required to take. The Ministry was asked, and agreed, that as a beginning at any rate the compulsory quota of Industrial Grade should not exceed fifty per cent. of the total sugar allowance. The scheme was to start in mid-October, when the first deliveries of the new sugar became available, and was to apply to certain classes of manufacturer in the East Midlands and North East of England.[1] As a corollary, the distribution of 'imported direct consumption raws' was restricted to areas within a reasonable radius of the ports of entry, and specifically excluded from the Corporation zone. A compulsory quota of 25 per cent. 'I.D.C.S.' sugar was imposed on manufacturing consumers in the zones where it was available.

Industrial Grade sugar got a mixed reception. Most complaints came from the makers of sugar confectionery, especially the small ones using old-fashioned processes. 'This sugar', wrote one of them, 'is the very devil. It froths up so much we can only use 4 lb. to a batch . . .'

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[1] *viz.* bakers, flour confectioners, manufacturers of cakes, biscuits, chocolate and sugar confectionery, jam, mincemeat, lemon curd, ready-made puddings, breakfast cereals, pickles and sauces; and tanners. Coffee essence manufacturers were added later. Initially, on account of the incidence of eight-weekly permit periods, the quota was represented as 25 per cent. of the allowances beginning on 22nd September 1941. The Food Divisions affected were Northern, North-Eastern, North Midland, Eastern I, and Eastern II; the southern part of Midland Region was added in November.

One firm, famous for its transparent clear mint sweets, was distressed because with any but the finest cane sugar they came out brown. On the other hand a firm of butterscotch makers complained at being cut off from Trinidad raw sugar of a type they had used for nearly a century; and a technical mission had to be sent to investigate the troubles of Pontefract liquorice manufacturers who required low grade raws to give their products flavour. What gave manufacturers most pain, naturally, was the geographical discrimination by which their rivals, lucky enough to be outside the Corporation zone, enjoyed unhampered access to the kinds of sugar they preferred. This grievance remained even after the Corporation's technicians had, as they usually could, helped firms to overcome the worst difficulties, either by altering the process or supplying Industrial Grade sugar from another factory. (That from Bardney was popular; that from the other factories distinctly less so.) In other trades there was less difficulty, some firms even being willing to take more than 50 per cent. of their supplies in Industrial Grade, if it were made worth their while; accordingly the Ministry offered them a rebate of 3d. a hundredweight for extra sugar so taken (*i.e.*, in addition to the 6d. a differential allowed on the compulsory quota). It took this course in preference to increasing the compulsory allocation and having, in consequence, to meet numerous and possibly justified claims for exemption.

Even so, a large stock of Industrial Grade was bound to be left on hand at the end of the 1941–2 season; only about half the production of some 200,000 tons had been used by manufacturers, and although some might be exported, there still would remain some 70,000 tons. (Actually, 98,000 tons were still left on 31st August 1942.) It seemed advisable to reduce production in 1942–3, not only because the sugar was difficult to dispose of within the zoning scheme, but also because the extra beets that were expected from the increased acreage in 1942[1] would make it necessary to keep up a high rate of slice. This would be more difficult if factories concentrated almost entirely on the industrial grade sugar. It was decided therefore that only four of the seven factories that had made it in 1941–2 should do so in 1942–3: Allscott, Bardney, Ely, and Spalding. Even so, any factory that, on account of a high yield of beets or a high sugar content, found itself unable to maintain a high enough rate of slice should revert to the production of ordinary raws. In itself this manufacturing programme would have done nothing to reduce the surplus of industrial grade; as the quality of the new season's production was expected to be higher, on account both of technical improvements and of the elimination of factories whose product was the least satisfactory, it was, for the first time, to be put into domestic consumption. The trade were told, but

[1] Above, pp. 61-62.

not the public—'to do so would merely be to invite trouble'—that up to one-quarter of the ration sugar issued in the Corporation's zone that winter would be the 'new granulated' which, it was said, would be almost indistinguishable from fully refined sugar. The Corporation were later given discretion to issue more than this proportion.

Meanwhile various devices were canvassed for working off the old stock of industrial grade. To raise the compulsory manufacturing proportion to 75 per cent. would have been technically (as well as, perhaps, politically) too crude; to make elaborate distinctions, according both to the source of the industrial grade and the use to which it was to be put, would have been administratively too complicated. As an alternative the idea was mooted of making manufacturers in London take a percentage of industrial grade, and putting the quota position right by countervailing deliveries of London-refined sugar in the Corporation's zone; but this suggestion was unwelcome to both Tate and Lyle and the Corporation. In February 1943 it was at length decided to leave things as they were, with the compulsory proportion still at 50 per cent. and the extra rebate of 3d. a cwt. on quantities taken above that amount.

Although the Corporation had actually succeeded, for a time early in 1943, in putting out the whole of the domestic ration as 'new granulated', it did not recommend that the experiment should be repeated in 1943–44. The colour of the new sugar and that of the pure white sugar from the other factories were, after all, sufficiently different to evoke public comment, and the Corporation feared that its good-will might be affected. Accordingly it thought, and the Ministry was constrained to agree, that the 'new granulated' should be allocated as its predecessor had been, to manufacturers in the Corporation zone; the output would be only about 70,000 tons, which could readily be disposed of. The extra rebate was withdrawn in November 1943, to coincide with the first releases of this sugar. At the same time the obligation to take industrial grade was lifted, in order to save transport, from manufacturers in East Anglia, and the expedient of sending supplies to the Cupar factory for compulsory allocation in the East of Scotland Food Division was likewise abandoned.

This decision meant that what might literally be called the acid test of the 'new granulated'—use for domestic jam-making—was evaded, for the 1942–3 make was used up before the summer season. Technical experts from the jam industry had firmly maintained that if a housewife could not make decent jam with this sugar it would be because of her own inefficiency; but both the Division and the Corporation were well aware that this was not an answer that could be given to such a housewife. There was a long-standing prejudice against beet-sugar for preserving, dormant perhaps for the moment but ready to revive; once revived it would take many years to live down. This was one, perhaps the most cogent, reason why the Ministry did not instruct the Corporation to produce nothing but the new granulated, instead of both raw and fully refined sugar, so saving fuel and transport to the fullest extent. There were, however, other reasons. The cut in sugar imports from 1942 onwards[1] meant that it would be impossible without recourse to Corporation raws to maintain a steady rate of melt at the London refineries; this was desirable on financial grounds,[2] because the by-products of refining, syrup and treacle, were wanted and could not be provided by the Corporation unless the Sugar Refining Agreement were abrogated—if at all—and because the refining capacity, once diminished, might be difficult to regain at short notice. Moreover, even if the refining process itself were dispensed with, the packeting and distribution would still have to be done in the refinery, for the factories were not equipped for mass-production of packet sugar, and many, perhaps most, retailers would not have had the labour to weigh out sugar rations from one- or two-hundredweight bags. Some, though not all, of these obstacles to producing a higher proportion of home-grown sugar in the form of high-grade raws might have been circumvented by allocating them to manufacturing users outside the Corporation zone also; but this would have been completely contrary to the canons of transport economy.

It is worth while emphasising the technical objections to a root-and-branch policy for home-grown sugar distribution, lest the impression be created that Sugar Division was being too tender with vested interests and 'the established channels of trade'. The vested interests were there all right, and were the more awkward to deal with on account of being so largely statutory. But the trouble the Division had in disposing of the first season's make of Industrial Grade suggests that it had fallen, if only slightly, into the opposite error of under-estimating the amount of friction in the distributive machine that a comparatively simple change might create. It was an error uncharacteristic of the Commodity Divisions of the Ministry of Food, where enthusiasm was well tempered by expert knowledge.

Sugar is too cheap a commodity to be able to stand unnecessary transport costs even in peace-time, and it was therefore not to be expected that the zoning scheme, complete and rigorous though it was, would show spectacular savings in ton-miles moved. The estimated 10 million ton-miles saved a year (out of 300 million ton-miles saved on all foodstuffs) was, considering the tonnage of sugar that had to be

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[1] Above, p. 35.

[2] Below, pp. 103-114.

moved, nothing remarkable. It was not, however to be despised in the transport situation of the later years of war.[1]

IV

The question of applying a *concentration scheme* to sugar refiners was mooted in the summer of 1941.[2] At first sight the reduction of output that had followed rationing and export restriction, so that refiners (other than the British Sugar Corporation) were working at little more than half normal capacity, offered scope for a massive concentration. On paper it would have been possible to close Tate and Lyle's refinery at Plaistow, and the independent small refineries of Sankey (Earlestown) and Martineaus (London) and produce all the refined sugar at Silvertown, Love Lane (Liverpool) and the two intact Greenock refineries, the smaller of which (the Glebe) had been on a 'care-and-maintenance' basis until the Westburn refinery was bombed. There were, however, strong reasons against doing any such thing. A margin of safety both in London and Liverpool (with Earlestown) was obviously desirable, as experience at Greenock had shown; the possibility still seemed to exist, in the summer of 1941, of getting on to a 12 oz. ration basis once more; and there was no surplus capacity to speak of for syrup and treacle, which were produced along with refined sugar. In September 1941, therefore, sugar refining was classified within the Ministry of Food as an industry where there was no case for concentration.

Early in 1942, however, the question was revived in a limited form. Pearl Harbour had destroyed the hope that the 12-ounce ration, restored in November, could be sustained; the Ministry of Food had come under fire in Whitehall for not getting a move on with concentration; and a private approach to Sugar Division from one of the parties most likely to be involved in a concentration scheme had suggested that one measure at least could be amicably undertaken. The Sankey refinery would, the Division was told, be working short-time now that its melt was reduced to 1,100 tons a week. Could not the position be eased by closing down the Martineaus refinery—which produced only about 250 tons a week, a flea-bite compared with Tate and Lyle's 11,000 at the two London refineries— and transferring its quota to Sankey, with countervailing adjustments to Tate and Lyle's Liverpool and London output? Sankey's associated Company, Manbré

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[1] For some discussion of the effect of food transport economies in general, see Vol. I, pp. 344-6. It seems likely that the greatest economies in sugar transport, relatively speaking, arose from the zoning of the specialist sugars, especially those produced by sugar millers and mainly sold to manufacturers.

[2] The problem of concentration in the food industries generally is discussed in Vol. I, Chapter XXV.

and Garton, could take care of Martineaus output of syrup and invert sugar, and compensation would, of course, be paid. So far as sugar refining itself was concerned, Martineaus would be covered by the Sugar Refiners' War-time Insurance Scheme.[1] Tate and Lyle were not disposed to object, provided that there was no question of closing Martineaus permanently.

Thus far it had been assumed—because of financial links between the Sankey Sugar Company and Martineaus—that the latter would raise no objection to being put on a 'care and maintenance' basis. It now appeared that the Division had been misled; the directors of Martineaus were fearful that closure would be a death-blow to a family business that went back to 1797: 'once our trade is given to others we do not believe its recovery after the war would be commercially possible'. They were able to convince the Division that the saving in labour that would result from closing the refinery would be very small; so that it was able to take up a position of benevolent neutrality. It could not say that the continued operation of so small a unit was essential in the national interest; on the other hand there seemed no point in closing it unless and until the premises were urgently required for some more important purpose. The Sankey Company was pacified by an increase in the melt at Earlestown, made possible by an improvement in arrivals.

This was in March 1942. By the summer, however, it was clear that the melt in the Liverpool area would have to be reduced to such an extent that the Sankey refinery might have to be put on 'care and maintenance'; in September its melt was reduced to 1,000 tons a week, and that of Tate and Lyle (Liverpool) to only 5,000 (as against 8,000 a year earlier). But the mere mention of this possibility to the Sankey Company provoked a swift countering action. The National Union of General and Municipal Workers was moved to protest *via* the T.U.C.: and two Members of Parliament called upon the Parliamentary Secretary. As usual in concentration cases, no-one outside Whitehall could understand why so efficient a unit should be threatened with closure, and it had to be explained that not efficiency, but the demand for labour in the area, was the decisive factor. Departments moved, nevertheless, with deliberation; in December 1942 the Ministry of Labour, while indicating in principle that it would like Sankey's labour released, had still to seek a report from its Regional Controller on what that labour actually consisted of.

The next move, however, was against Martineaus. In January 1943 the Ministry of Labour asked that it be closed: 'we should not anticipate any difficulty in placing the workers of Martineaus Limited on essential war work'. As before, Sugar Division felt that it had no good

[1] Below, p. 108.

grounds for resisting closure; no sooner had it agreed, however, than Lord Woolton received a protest from Sir Leonard Lyle, M.P., against the singling out of Martineau's before a general concentration scheme had been settled. Those responsible for concentration policy in the Ministry of Food had been made very wary of anticipatory action of this sort, under pressure from other Departments, by the trouble it had caused the soft-drinks scheme. Moreover, the Carltona case, in which the Ministry had incurred the odium of closing an efficient food factory for what had turned out to be wholly insufficient reasons, had only recently been before the High Court.[1] Sir Leonard Lyle's protest, therefore, fell on receptive ground; not merely was action stayed against Martineaus, but the question was asked whether it was worth while giving battle to the Sankey Sugar Company. Thereafter the whole concentration scheme simply fizzled out; arrivals of sugar from overseas unexpectedly improved in the spring of 1943, the melt at refineries was increased, and no further representations appear to have come from the manpower authorities. The whole episode illustrates yet again the gap between the theory of concentration and its practice. Unless the level of production could be planned for years ahead—which was never possible for sugar, or indeed, any major foodstuff—the exact adjustment of productive resources pre-supposed by a concentration scheme could not be accomplished.

V

In contrast to the sugar refineries, where manpower difficulties were diminished by the fall in output and even the precautionary measure of scheduling the industry under the Essential Work Order was not taken until August 1943, the beet-sugar factories were beset by serious shortages of labour as early as the 1940–41 campaign. The Corporation's problem fell into two quite separate parts; first maintaining a sufficient all-the-year-round labour force, totalling about 3,500: secondly, recruiting the seasonal campaign labour, amounting to more than twice that number. So far as the permanent staff were concerned the chief losses were due to the call-up for military service and the competition of the munitions industries with their offer of high overtime earnings. The call-up was especially menacing because work in the factories, being heavy, was mainly done by younger men, who as the ages of exemption in the Schedule of Reserved Occupations

[1] Vol. I, p. 328 ff.

were progressively raised, soon became liable to depart—a situation that was partially mended by the deferment of 'key men'. Losses to other industries became so serious that as early as July 1941 the Ministry of Labour had to be asked to apply the Essential Work Order, which it did in October.

The shortage of unskilled labour for the campaigns presented an even more serious problem. Before the war the Corporation had relied on recruiting from the ample ranks of the unemployed, plus a certain number of men from Eire, who were housed in special hostels. The Southern Irish labour was still available, but the casual labour pool completely dried up in war-time, and numerous expedients were necessary to replace it. Most of the factories were away from large towns, and the shortage of lodgings increased the difficulties of recruitment. In the earlier years of war, recourse was had to the Services, not merely for the temporary release of key workers to supervise the unskilled labour, but to provide the unskilled labour itself. As more and more troops were sent overseas, however, this source of supply tended to dry up, and in September 1943 another device was tried—the employment of Italian prisoners-of-war. The Corporation was fearful at first of sabotage or of trouble with British staff asked to work alongside enemy nationals, but these fears proved unfounded: many of the Italians had previous experience of the industry, and the Corporation eventually expressed a preference for them over Irish labour. After two campaigns, however, the Italians were due for repatriation and were replaced by German prisoners—many of them likewise experienced in the industry—who were voted to be excellent workers. (In 1945–6 nearly 1,500 out of 7,500 seasonal campaign workers were prisoners of war and over 1,800, Southern Irish.) Much of the labour on which the Corporation had to rely was, none the less, sub-standard, and this it gave as one reason for the loss of efficiency that was noteworthy in the later war years.

Two manifestations of declined efficiency were a rise in working costs beyond that to be expected from price and cost indices—whereby the Corporation was penalised under the incentive agreement with the Government—and a fall in the proportion of sugar recovered from the beet, compared with that left in the residual pulp and molasses. Apart from inferior labour, there were other unfavourable factors—low grade coal and war-time factory conditions, including the 'black-out'—that could be adduced to account for this. In 1943–4 the Corporation estimated, for instance, that the rate of extraction was about two per cent. below what it would have normally been, given beet of similar sugar content; two per cent., that is to say, was the proper measure of the loss of efficiency in the factories. Unfortunately this was not the extent of sugar lost; the rate of extraction depends partly on the purity of the beet, which varies directly with the sugar content, and the later years of war were notable for beets containing less, and therefore also less available, sugar:

Sugar-Beet: Sugar Content and Rate of Extraction, 1936–37—1945–46

Season	*Sugar Content* Per cent.	*Extraction of Sugar* (Per cent. of sugar content)
1936–37	17·31	87·45
1937–38	17·03	85·74
1938–39	16·13	81·91
1939–40	16·54	83·90
1940–41	18·05	83·71
1941–42	17·22	83·21
1942–43	16·65	78·92
1943–44	16·48	79·35
1944–45	15·31	77·88
1945–46	16·17	80·12

The sharp fall in sugar extraction, from 1942–3 onwards, to a level some five per cent. below normal, when added to a fall in intrinsic sugar content of about the same order, went far towards nullifying the increase in sugar-beet acreage, by about one sixth, with which they were associated. The point arises whether the extra acreage was really justified by results. One cannot of course, affirm that some fall in sugar content and/or extraction would not have occurred anyway. At least one factor—the use of British instead of continental seed, resulting (it was said) in the appearance of new types of impurity in the beets—points in that direction. So does another, the shortage of potash (which directly affects sugar content) except that this leaves open the question whether it might not have been possible and advisable to spread what potash was available over less beet fields. These are tricky matters on which the non-expert may not pronounce and the expert may differ. But the analogy of potatoes[1] suggests that the cost—not merely monetary, but in strain on the resources of growers, factories, and transport—of marginal supplies of home-grown sugar may have been put too low, and the possibility of diminishing, even disappearing returns from extra effort been too readily brushed aside.

[1] Vol. II, pp. 164-5.

CHAPTER V

The Control of Prices and the Cost of Living Index

I

THE pattern of commodity control, as enunciated by the food defence planners before the war, forecast two ways in which the peace-time structure of distribution would be adapted to war-time needs. Freedom of purchase and sale would give way to Government allocation in accordance with an entitlement bestowed on every trader; his remuneration might still take the form of a profit margin or 'mark-up', but this would be determined, not by competition or convention, but by statutory rule and order. The intention was not to alter the customs of a trade, but merely to superimpose on them emergency rules of conduct. For sugar this process turned out to be more complex than had been expected. All might have been well had the Food (Defence Plans) Department been content to repeat the sugar-rationing procedures of 1918; all must have been well had it, instead, based its plans on a thorough re-appraisal of the peculiarities of the sugar trade. In fact, the Department, intending no more than to improve upon the routine of rationing in the last war, unwittingly turned a flexible, if loose, system into one resembling a strait-jacket. The pressure of events was to bring back something like the 1918 system, but not until 1943, and not without the generation of much light and heat.[1] Among the incidental casualties in the struggle for a more realistic rationing procedure was the method by which wholesale traders in sugar were accustomed to be remunerated.

This took the form of a system of *quantity rebates*. The refiners quoted a list price per hundredweight (itself subject to a percentage discount for payment within fourteen days) and granted discounts that varied with the quantity invoiced at any one time: 1½d. per cwt. on 2½ tons upwards, 3d. on 10 tons upwards, 4½d. on 100 tons upwards.[2] A similar practice, with its corollary, a surcharge on smaller wholesale lots, appears to have been followed throughout the trade, though the terms on which wholesalers sold to retailers were not uniform, any more than were retail prices. Sugar might reach the consumer through

[1] Vol. II, especially Chapters XXXII and XXXVI.

[2] These are the figures quoted by the Greene Committee in 1935 (*op. cit.* paragraph 169). On the other hand five dealers investigated by the Ministry of Food Costings Department were said before the war to have given no discount on quantities less than 10 tons (5 tons for packet sugar).

a variety of channels of distribution,[1] from the multiple retailer buying direct ex refinery and selling at a highly competitive retail price, to the small shopkeeper whose sugar might have been owned in passage by a *dealer* and one or more general wholesalers. The position of the sugar dealer is noteworthy; *qua* dealer (for some might perform wholesale functions) he did not take physical possession of the sugar, which was handed over by the refiners directly to his customers. He was thus purely an agent, relieving the suppliers of detailed accounting, and providing his customers, be they wholesalers, retailers, or manufacturers, with ready access to a greater variety of sugars than any single broker or refiner could provide. Operating on the Terminal Market, the dealer could, it was claimed, offer his clients keener prices and yet make a profit for himself. Nevertheless one may doubt whether the 'Eastcheap sugar houses' and their provincial counterparts would have attained such dominance in the trade, had they not done so at a time when the services they could offer were not circumscribed by the integration of the British refining industry and the virtual exclusion of foreign refined sugar.

It will be evident that any restriction, let alone rationing, of supplies would be liable to disturb the equilibrium of distribution, depending as it did upon each class of trader being able to order, at any one time, supplies in the accustomed quantities and hence at the accustomed discounts. Suppose, for instance, that a wholesaler were accustomed to buy weekly in hundred-ton lots and sell in lots of twenty tons; and that all traders' supplies were restricted to 75 per cent of those in a datum week. Failing a change in the scale of rebates, or an arrangement by which weekly orders might be invoiced at longer intervals and so for larger amounts, this wholesaler would no longer be able to buy at a rate that showed him any profit. More generally, the effect of restriction on the quantity rebate system, other things being equal, would be to shift a proportion of each trader's purchases into a lower discount category, i.e. to increase his direct costs (at the same time as his turnover was being diminished). As the restriction would undoubtedly be accompanied by price control, the ability of the trader to recoup himself would depend on the policy of the price-fixing authority. Only the dealer, buying on a scale far above the point at which maximum rebates were granted, would not stand to lose in this way; on the contrary he would gain at the expense of those customers who had to forgo their discounts. The same would apply, of course, to sales by refiners.

The preparations for sugar control had not uncovered this latent implication of the quantity rebate system. They never passed through a stage in which the different parts of the control machine were scrut-

[1] Costings Division, in 1940, counted sixteen, but this included sugar-using manufacturers, who also came within the rebate system.

inized as a whole, in the light of a sustained effort to imagine the circumstances they were designed to face. Even the prospect of supply shortage, on account of currency difficulties, that caused the procurement plans to postulate sugar rationing at the outset of hostilities, made no apparent mark on the devising of machinery for distribution and price control. As for the rationing arrangements, they evidently never contemplated the substance sugar—as distinct from the entity to be accounted for by means of coupon, counterfoil, and permit, and as such divisible at will. The retailer was expected to take his supplies in weekly quantities decreed by the local Food Office without regard to the limited number of weights in which sugar is habitually sold at wholesale; an excessive delivery in any one week, even though it be compensated in succeeding weeks, was a breach of the rationing code. (This would have been novel doctrine to the rationers of 1918, who had issued sugar 'authorities' valid for twenty-four weeks.) A strict observance of the rules would have involved wholesalers in breaking bulk and weighing out on an unprecedented scale, at a time when they might expect to have less labour, and dearer, than usual.

It may be asked why such proposals at these did not founder when they were discussed in advance with the trade. The answer may lie partly in the form so many, perhaps most, of these discussions took—a round table conference with a general descriptive memorandum for agenda, from which effective analysis of details was unlikely to emerge; partly in the fact that food traders generally and even trade associations were not equipped for thoroughgoing criticism of paper schemes. It seems unlikely, that is to say, that wholesalers and retailers were fully aware of what rationing had in store for them. The changes that were introduced in the quantity rebate system, moreover, never seem to have been submitted to the general body of wholesalers at all, but were simply drawn up in consultation between refiners and dealers, though with official knowledge. Hence they made no allowance for the effect on wholesalers of restricted supplies, of the requirement to deliver odd quantities, or of the intention to allocate on a weekly basis; but were framed as if the mere fact of control were all that would differentiate war from peace. The rebates, when embodied in a maximum prices Order, were explicitly related to a buyer's 'total weekly quantity', thus closing what might have proved a useful safety valve—and did, when it became apparent that the provision could not be enforced. The remaining amendments were intended to standardise and simplify current practice within the four corneıs of a uniform retail price. The separate 1½ per cent. discount for cash was abolished, as was a special discount to buyers of 1,000 tons and over that had apparently prevailed in the North of England; transport, hitherto charged to the buyer at varying rates from zero upwards, was henceforth to be included in the price (except for a charge of not more than 6d. a hundredweight for delivery 'ex refinery, depot, or railhead'[1]). In addition, a rough attempt had been made to allow dealers some compensation for loss of profit on market dealings—which the Ministry's Costings Division later declared to be unjustified—and for other inconveniences that they claimed they would incur in wartime. The new scale, compared with that most commonly prevailing immediately before the war, is set out below:

Minimum Quantity (Tons)	*Effective Pre-war Rebate** (Per cwt.)	*Controlled Rebate* (Per cwt.)
100	8½d. (bulk) 10d. (packets)	1s. 1½d.
50	7d. (bulk) 8½d. (packets)	10½d.
10	5½d. (bulk) 7d. (packets)	7½d.
5	*nil* (bulk) 5½d. (packets)	4½d.

* The amounts in this column have been got by adding the equivalent of the 1½ per cent. discount for cash within fourteen days (taken as 4d. cwt.) to the standard rate of discount in all cases where it was allowed by the majority of dealers investigated by the Ministry of Food. In the North of England the scales were apparently more generous, starting at 2½ tons upwards.

There is a good deal that might be said on comparing these two scales, and most of it was said during the twelve months of war for which the rebate system survived. What leaps to the eye is the increased difference in rewards between the top and bottom of the scale—the more if one recalls the 'under-five-ton man' who had to buy at the controlled wholesale price—to traders of varying size who performed, after all, the same service. Another anomaly concerned dealers, who had to sell 100-ton lots at the price they paid for them, without benefit of quantity or market profits, yet on the sale of lots of under 5 tons got 1s. 1½d. a cwt.

II

Complaints about the new quantity rebates did not reach serious dimensions until the introduction of rationing in January 1940. By that time the initial Order had undergone a series of amendments: on 23rd September 1939, (*a*) to allow for extra transport costs to the Scillies and the Highlands and Islands of Scotland (*b*) to provide the wholesaler with extra margins 'for general services' and for breaking bulk below one hundredweight;[2] on 27th September, to allow for the

[1] This phrase (quoted from the first maximum prices Order proper, S.R. & O. (1939) No. 1150) reflected an emergency scheme for distributing sugar through a series of railhead depots, much discussed in the last months of peace, but never embarked upon. Cf. the similar scheme for potatoes (Vol. II, p. 109 ff.).

[2] S.R. & O. (1939) No. 1277. The extra margins were accommodated by raising the controlled retail price for granulated sugar from 3¼d. to 3½d. An extra ¼d. might be charged in the Scillies and the Scottish mainland north of the Caledonian Canal, and a further ¼d. in the Hebrides and what were oddly called 'the islands of the Pentland Firth' (*i.e.*, including the Shetlands).

extra duty of 1d. a pound imposed by the emergency Budget;[1] and on 9th November, to exclude from control icing and packeted Barbados sugars, together with certain caster sugars produced by sugar-millers for special manufacturing purposes.[2] There remained matter for further amendment, notably the adjustment of margins for bulk and packeted sugar respectively; granulated sugar in 2 lb. packets had been given a premium over bulk of 6d. cwt., and this was now thought to give the retailer too high a margin, relatively, on packets. Apart from the fact that the cost—which would eventually fall on Government account—of packeting sugar in the refinery was reckoned to be more than 6d. a cwt., it was obviously not a good idea to encourage demand for packet sugar in war-time.

As the date of rationing approached, an enquiry from one of the Greenock refiners disclosed an ambiguity in the provisions of the Order: was it lawful to grant discounts in excess of the scheduled scale, as some Scottish dealers were alleged to be doing, in order to attract custom? The answer was clearly 'Yes', for even if the discount rates might be considered mandatory, the wholesale prices were only maxima. Though it would have been verbally more consistent to have scheduled minimum rates of discount, the legal effect was the same; as the Legal Adviser, with singular detachment, remarked: 'it is a well-known rule of construction that the literal meaning of a statute may be modified so as to avoid inconvenient or absurd results'.

Pressure for revision of the Order increased when the sugar ration turned out to be three-quarters of the pound a week originally promised, and the disadvantages of the quantity rebate were thus brought home to all except the biggest and smallest wholesalers. Retailers and refiners, too, had their suggestions to make; a series of meetings between Sugar Division and the trade revealed unanimity among the latter on but one point—that the margin between wholesale and retail prices was not enough: 'You are out to get a quart into a pint pot', officials were told, '. . . and it is absolutely impossible to satisfy all sections of the trade'. Sugar Division, however, was in no position to ask higher authority to accept this claim, which would mean once again raising the retail price,[3] without the support of a costings

[1] S.R. & O. (1939) No. 1311. It simply advanced all prices, wholesale and retail, by 9s. 4d. cwt., including those of refiners' 'pieces', which, being of lower polarisation than fully refined sugar, were liable to a lower rate of increased duty. One, and apparently only one, user of these pieces, a toffee manufacturer, protested that he would only get drawback at this lower rate on any sugar included in exports, and a private arrangement was made that the refiners would pay him the difference on any sugar so exported.

[2] S.R. & O. (1939) No. 1606.

[3] One small concession had been made necessary by the 12-oz. ration. With granulated at 4½d. a lb., odd numbers of rations (which as yet had to be bought in the week to which the coupon related) worked out at prices involving half-farthings, and an Order (S.R. and O. (1940) No. 15) had to be issued allowing the retailer to treat fractions of a farthing as a farthing.

inquiry. On 31st March it received a report from the Director of Costings which showed that the controlled schedules of prices and rebates had worked out in practice exactly as one would expect, given a shrinkage of supplies: the secondary wholesalers and retailers were being squeezed, to the benefit of the dealers, large wholesalers, and multiples. To grant a higher margin to the former, or to help the smaller buyer by extending (or in some cases restoring) to him the benefit of quantity rebates, would not solve the problem, which was that dealers were getting too high a margin on sales in small lots. It would be best to do what the dealers—one must say in justice—had suggested before the war should be done: abolish rebates and substitute a system of fixed maximum margins.

The Division was ready to embrace this suggestion, but it felt that the position could not remain as it was until a fixed-margin system could be devised and—what might take longer—be agreed upon with the trade. As an interim measure it proposed to increase the retailer's margin on granulated sugar by 4d. a cwt., the delivery allowance chargeable by wholesalers by 3d. a cwt.—these charges to be met by reducing the refinery price and incurring a temporary loss on Ministry account; to put up the price of 'speciality' sugars (mainly cubes and caster), and to allow a quantity rebate on purchases of 2½ tons and upwards. (This last meant little more than running to stay in the same place, for the ration was just then going down to 8 ozs. a head a week.) The Ministry's Margins Committee accepted these proposals; but the Orders Committee, moved by general policy considerations—retailers were doing quite well on other commodities, and prices and margins ought not to be put up at a time when the Minister had expressed particular interest in holding food prices stable and producing cheap lines for the benefit of the poor—rejected all but the last.

This decision was both unexpected—for it went well beyond the Orders Committee's 'co-ordinating' terms of reference—and embarrassing to Sugar Division. It was a career civil servant, not an impatient trade director, who expressed the Division's sense of frustration in a minute to higher authority on 31st May:

> 'Sugar Division is frankly apprehensive that when the Minister sees the volume of complaint and examines the matter for himself, he may decide to reverse the decision of the Orders Committee . . . My only object now is to suggest that the Sugar Division ought to be fortified by the Minister's endorsement of the Committee's decision. The Division has taken every fence required by the elaborate machinery of the Ministry. They have consulted retailers, wholesalers, multiple stores, the dealers, the Scottish interests, refiners, the Directors of Costings, the Margins Committee, and now the Orders

Committee. We should become the laughing stock of the trade if, after months' delay, we were to return a negative reply, only to find the decision reversed on a direct appeal to the Minister'.

The reply counselled the Division to change its tactics and rely on a point that had been little stressed in its submission before the Orders Committee—that it was running into a deficit on its trading account:

> '. . . the Orders Committee considered that an increase of retail price was undesirable at the present time in order, simply, to satisfy distributors. If, however, you are beginning as purchasers of sugar not to pay your way, you should put forward your views primarily from the point of view of subsidy—if you get an increase of ½d. on these grounds that will completely swallow up the 7d. per cwt. asked by distributors'.

This was indeed so. The Division was having to pay a higher basic price in 1940–41 for its supplies on bulk contract—8s. 7·4d. against 7s. 6d. in 1939–40; the estimated costs of 'excess freight' above the 1939 level on which the c.i.f. contract was based had gone up by over 1s. 6d. a cwt.; under the war-time agreement with the refiners their margin would need to be increased by about 1s. a cwt.[1] These increases, plus the 7d. a cwt. it was proposed to grant distributors, would, if prices were not increased, turn the Division's 1939–40 profit of about 1s. 6d. a cwt. (of raw sugar) into a loss of about 2s. 6d. This was more than would be covered by an increase of ¼d. a lb. (2s. 4d. a cwt.) on granulated (the more so since it takes 13 cwt. of raw sugar to make 12 of refined); in any case a ½d. rise would be more convenient as avoiding a split farthing in the price of the half-pound ration. Finance Department calculated that the cost of subsidising sugar to a price of 4½d. a lb. would be over £4 millions a year, but raised the question of a differential price for 'manufacturing'and 'domestic' sugar. This proposal, which had been mooted earlier in the year and, indeed, before the war, was supported by Economics Division; as sugar products did not affect the Cost-of-Living Index, it offered an opportunity of absorbing purchasing power by higher prices without providing an excuse for higher wage demands. Sugar Division disliked the administrative complications that would result, and as the Minister had already approved the general price rise before Economics Division put its argument forward, the differential price was shelved for the time being.[2]

Sugar Division had thus got its way; the camel had gone down more readily than the gnat. The Division was told, however, that the

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[1] Below, pp. 103-106.

[2] Another suggestion was that the Treasury might be asked to reduce the sugar duty, but the Minister turned this down.

Margins Committee would not now accept a Maximum Prices Order that did not provide for 'a simple system of remunerating dealers in place of the present rebate scale'. This, of course, meant further consultation and delay; it was already July, and all the Division had been able to do to meet trade clamour was to ask dealers, refiners, and the British Sugar Corporation, voluntarily to put into force the extended rebate scale that had been agreed upon in May—which they did promptly and readily. In April, Costings Division had outlined a scheme of fixed margins which was now to form the basis of the new Order. The dealer alone was henceforth to be remunerated by a rebate—fixed at 4d. a cwt.—that, moreover, would be paid only on his sales to a wholesaler. This rebate would be given by refiners and ultimately become a charge on the Ministry. For the rest, a series of permitted additions to the basic wholesale price was laid down for varying circumstances, including whether or not delivery was given. Thus, taking granulated sugar in 2 cwt. bags as an example:

Seller	*Buyer*	*Price*	*Carriage Allowance*
Refiner	Wholesaler	40s. 6d.	nil
Refiner	Retailer	40s. 6d.	9d.
Refiner	Manufacturer	41s.	9d.
Dealer	Wholesaler	40s. 6d.	nil
Wholesaler	Retailer	40s. 6d. (+1s. for breaking bulk)	1s. 6d.
Wholesaler	Manufacturer (U.K.) / Retailer (Scotland)	41s. 3d.	9d.

The basic prices were altered, of course, to allow for different types of sugar and sizes of pack; the differentials hitherto permitted in outlying areas were continued; the wholesale and retail margins, however, were not varied, except that, in deference to pre-war custom, retailers were allowed 4d. a cwt. more margin on cubes and demerara. On granulated sugar their margin remained the same—½d. a pound, or 4s. 8d. a cwt., subject to the charge for breaking bulk.

The wholesaler's margin needs more elucidation, consisting as it did of allowances (for carriage and breaking bulk) into which the 6d. a cwt. formerly allowed 'for general services' was now absorbed. Under the previous Order, some wholesalers whose delivery costs exceeded the allowed figure had insisted on selling ex warehouse, leaving the retailer to pay carriage, and Sugar Division had reluctantly concluded that this was legal. By abolishing the separate 'general services' charge (which retailers had been very loath to accept) it hoped to encourage wholesalers to give delivery in all cases, so providing retailers with a uniform margin. For Scotland, with its long distances and consequent custom of selling ex warehouse or f.o.b. Greenock, this would not work; wholesalers there might therefore charge a retailer, with his agreement, up to 9d. a cwt. on sales ex warehouse. (This did not always work very well either; Scottish wholesalers claimed that retailers took unfair advantage of it.) The same concession was made on sales to manufacturers everywhere, to cover the case of bakers' sundriesmen who habitually supplied sugar in mixed loads with other commodities, on which carriage was charged as a whole; to compel them to sell on delivered terms would have disrupted the trade.[1] These were, of course, covert 'general services' charges; such a charge (1s. 3d. a cwt.) survived explicitly only on sales ex quay Penzance for delivery in the Scillies.

The Order[2] at length came into force on 24th August 1940, and the last stages of its progress into law were hurried. In particular there had been no opportunity for consultation with sugar-using manufacturers, who now vigorously protested at being deprived of quantity rebates. Wholesalers, who had been foremost in pressing for their abolition, pointed out that even with the extra margin (6d. a cwt.) and allowing for breaking bulk in all instances, buyers above ten tons would be 1½d. a cwt. worse off, above fifty tons, 4½d., above a hundred tons, 7½d. As this was but a natural consequence of adopting the principle of remunerating traders for services rendered (which, as the wholesalers had admitted, even pointed out, were the same in all cases), the Ministry regarded this complaint with equanimity. Multiples who bought direct from refinery were indignant at being denied the dealer's rebate.

There were also administrative complications. Under the control scheme, refiners (and brokers handling imported 'direct consumption' sugar) released supplies against *vouchers*, issued to buyers by the Ministry's Area Sugar Officers on production of evidence of entitlement, i.e. of permits lodged with them. Now that the price to be charged depended, not on the quantity taken but on the status of the buyer—and in the case of a dealer, whom he resold to—it became necessary to distinguish between six categories of sale, each with its own distinctive voucher.[3] This meant classifying every trader in sugar, and at once borderline cases arose: sugar millers, who were deemed to be 'processors' selling their product against ration documents, not

[1] Hence the surcharge of 6d. a cwt. on sales direct from a refiner to a manufacturer. It was designed to put all manufacturers on level terms, but in fact gave direct buyers an advantage of 3d. The original proposal had allowed 6d. a cwt. on wholesalers' sales ex warehouse to manufacturers, and when this was raised to 9d. a corresponding adjustment was not made in the surcharge.

[2] S.R. & O. (1940) No. 1539.

[3] Viz. Dealer-Retailer; Dealer-Manufacturer; Dealer-Wholesaler-Manufacturer; Dealer-Wholesaler-Retailer; Refiner-Manufacturer; Refiner-Retailer.

manufacturers liable to a surcharge; wholesalers with a manufacturing side, *e.g.* the Co-operative Wholesale Society; and, above all, multiples. Were multiples to be allowed to buy on first-hand terms, and if so, what constituted a multiple? Other commodity divisions that operated a system of fixed margins had encountered this problem in the autumn of 1939, and the controversy about it had been the chief motive for establishing the Ministry's Margins Committee. The quantity rebate system, coupled with the distance between Tothill Street and Horseferry Road,[1] had left Sugar Division unaware of the pitfalls of double margins; having consulted refiners and dealers, it issued a simple instruction that retailers with 21 shops or more might buy at the first-hand price.

A cry of surprise and indignation rose up from wholesalers, from the C.W.S. and Scottish C.W.S., and from independent retailers: 'I AM AMAZED', wrote the spokesman of the last, 'that you do not realise that this multiple question is one of the most controversial issues connected with Food Control'. He did not object to some allowance being made to multiples that had customarily bought direct, but 'dozens of small multiples will have a price advantage for sugar *which they have never enjoyed before*'. The Co-operative Wholesale Societies objected that to allow the larger retail societies the status of wholesalers would leave the wholesale societies with 4d. a cwt. dealer's rebate, instead of 9d. wholesale margin less transport costs, and challenged the legality of the Division's administrative instruction.

Within the Ministry, the Division was advised that it might rely on a Minister's decision of June 1940, that the grant of the double margin to multiples trading in butter was to be taken as a precedent. Unfortunately the opposite line had been followed for bacon,[2] and the retailers aggrieved by the sugar ruling now declared that, had it not been the time of the Dunkirk evacuation, they would have sent a deputation to the Minister about the butter ruling. There was no escape from re-opening the question; but a compromise solution was reached fairly readily, mainly because the multiples did not press their claim to the full double margin. The trade agreed that retailers buying direct from refiners or dealers (that is to say, in effect, multiples) should, like manufacturers, be surcharged 6d. a cwt.; that 9d. a cwt. should be charged for a delivery by a refiner to a retail shop, but not to a 'depot, railhead, or central warehouse', if free delivery had been given before the war and if the quantity exceeded two tons (one ton in Scotland). The beauty of this solution from both Ministry and trade points of view was that it avoided mentioning (which would have meant defining) a multiple.

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[1] The then London headquarters of the Sugar Commission and of the Ministry of Food respectively.

[2] Vol. I, p. 108; below, p. 402.

III

Before the new Order could be got ready, however, a new and major decision of policy supervened. The inexorable rise of the Cost-of-Living Index, at about two points a month, during the autumn of 1940 had alarmed 'higher authority'; casting about for means to offset it, Economics Division revived the proposals for a differential price on domestic and manufacturing sugar,[1] and this time was enabled to get a decision in favour of it by the very fact that the price of milk, in face of all the talk about stabilisation, was to be put up on 1st December. Sugar Division, although sounded on the matter earlier, was in the event confronted with a *fait accompli*; it could not plead that there was insufficient time to make the change, for although the Minister did not decide upon it until 20th November, the first of December was a Sunday, and the Ministry of Labour's Cost-of-Living calculations would therefore relate to Saturday 30th November; there was thus an extra month's respite before the 4d. on milk would make itself apparent. No attempt was made to strike an accurate balance, from the point of view of the Division's finances, between the fall in the price of domestic sugar and the corresponding rise in sugar for manufacture. Each was fixed at the practical figure of 1d. a lb., which—as releases for manufacture slightly exceeded domestic consumption—showed the Division a small profit, soon, however, to be wiped out by increasing costs of procurement.

The fact that there was now to be a difference of 18s. 8d. a hundredweight between identical sugars sold for different purposes led to various accounting complications. The amounts sold for each purpose were near enough to allow the Ministry to leave its selling price to refiners unaltered, and for refiners to insure their stocks at the former wholesale price (*i.e.*, at the simple average of the two new prices). The vouchers issued to first-hand buyers already distinguished between uses, but any error by Area Sugar Officers in making them out would henceforth have financial consequences. Lower down the distributive chain, there appeared a powerful incentive—2d. a pound, to be exact—for malpractice; the Division was haunted by the possibility of unsold stocks of 'domestic' sugar finding their way into illicit manufacturing channels. The change of policy had repercussions on other controlled prices: glucose and invert sugar would have to go up in sympathy, and the proposed price control Order for jam be amended. The disturbance would have been much greater had not as yet com-

[1] The idea had also been mooted in the Treasury by Mr. J. M. Keynes, in a memorandum dated 29th September 1940 frankly setting out a policy of manipulating the Index *per se*.

paratively few sugar products been subject to price control.[1] What gave most immediate trouble, however, was the question of retailers' financial losses on stocks bought at the old price and resold at the new. The Division did not feel able to say that retailers had had an unearned increment when prices went up and ought to be prepared to take the rough with the smooth; it could not warn them what was coming lest they reduce their stocks, contrary to what the Ministry, for 'emergency' reasons, had been exhorting them to do. On the other hand it wished to give sugar-using manufacturers, already aggrieved by the withdrawal of quantity rebates, fair warning of the price rise. Hence it was decided to proceed by stages; to reduce first the wholesale domestic, and a fortnight[2] later the retail domestic, prices; and to leave the manufacturing price till January, and a separate Order.[3]

Shortly afterwards, a problem that had been latent in the rationing system from the beginning came to a head. The permits issued by Food Offices were made out in quantities corresponding to a trader's maximum weekly requirements, without any regard to the standard sizes of pack in which sugar was despatched from the refinery. The majority of dealers and wholesalers had, it seems, been taking these permit quantities merely as an indication of what their customers were entitled to receive over longer periods; they had been delivering round quantities, such as a hundredweight, at intervals of up to a month, and carrying forward credits and debits from one eight-weekly period to the next. This harmless and sensible practice (as they thought) was a sin against the code of the Ministry's Rationing Division, according to which a trader might not have delivered to him, in each and every week, more than the amount written on his permit. By the Sugar (Control) Order of June 1940,[4] issued as it seems at the instance of the rationing side of the Ministry rather than because the commodity control urgently needed it, the sin had been made into a crime: a wholesaler supplying more than the permit quantity was liable to prosecution. Nor was that all. Under the price-control Order of August, the wholesaler was allowed to charge 3d. extra each time a 28 lb. parcel of sugar was broken (which, on average, with the ration at ½ lb. a head a week, must have been 55 times out of 56); and this price of compliance with the law fell upon all retailers,

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[1] Vol. I, p. 186. There was talk at one time of charging the manufacturing price for the special issues of sugar for domestic jam-making, but this would have been very complicated and was not pursued. Bee-keepers, to their indignation, had to pay the higher price, as did small manufacturers buying at retail. Sugar millers were charged according to the destination of their product.

[2] Extended from a week to meet representations on behalf of Scottish retailers, who were said to carry up to a fortnight's stock. (A Greenock refiner stoutly maintained that the multiples and co-operatives carried only two or three days' stock and were making an undeserved profit out of the concession.)

[3] S.R. & O. (1940) Nos. 2057, 2196; for glucose, S.R. & O. (1940) No. 2198.

[4] S.R. & O. (1940) No. 1068.

but particularly those taking less than 28 lb. a week, who claimed that the 3d. swallowed their net profit.

These inconveniences had been pointed out by an acute Divisional Food Office (S.E. Scotland) to the Ministry Committee on the Simplification of Forms and Documents,[1] together with their ultimate solution—a 'global' permit covering eight weeks at a time, rounded up to the next multiple of 28 lb. This would, the Divisional Office further pointed out, largely obviate the need for supplementary permits. Ministry Headquarters, though sympathetic, made rather heavy weather of this suggestion—partly perhaps because it was at first misunderstood to mean that the *weekly quantity* should be rounded up to 28 lb.—and even when it was approved in principle its application got bogged down in technicalities. It required the amendment of the printed permit forms (S.2) and, by a mischance of the kind that beset the rationing system, 1,400,000 of these had just been printed. The Stationery Office, asked to overprint them (they were still in stock pending delivery to Food Offices) pointed out that this would be onerous and expensive; could not a gummed amendment slip be used instead? It could; but by this time it was March 1941 and Sugar Division had barely 'escaped' (its own word) from a very embarrassing situation. Early in February a leading firm of sugar dealers had complained, in manifest bewilderment, that one of their customers, a chain-store branch at Plymouth, was to be prosecuted for obtaining sugar in excess of the permitted quantity, and this notwithstanding that over a period of six months it had taken less than the total shown on the permits. Deliveries at any one time had, of course, been of more than the weekly quantity, but 'this practice is general throughout the trade when deliveries in small lots are concerned'. The Division, fortunately for the Ministry's good name, was able to get the prosecution withdrawn;[2] but the case underlined the need to bring the law into line with common sense. The rounding-off procedure was put into effect in March; in November the 'weekly quantity' for sugar was abandoned altogether and a 'global' permit introduced.[3]

Considering the shortage of staff, petrol, and transport, it is abundantly clear that the distribution of sugar might have broken down if the trade had 'worked to rule', particularly in the winter of 1940–41. Perhaps because it was devised when a war was already on, the rationing system of 1918, with its long permit periods, was more realistic in this respect than its successor. It may be said that in practice the weekly basis of allocation did no harm, because it was first ignored and then abolished. But it left its mark on sugar control, in the form of a system of fixed margins which, whatever its merits, was

[1] Vol. II, p. 565 ff.

[2] Responsibility for initiating it rested with the local Food Control Committee.

[3] Vol. II, p. 630.

certainly more complicated to administer than the quantity rebate system that it superseded, and which might not have been necessary but for the impracticality of the rationing regulations.

IV

For the rest of the war, and for some time afterwards, the only major changes in sugar prices were those dictated by the Cost-of-Living Index. In April 1941 wholesalers presented a reasoned case to the Minister for higher margins, which was found acceptable to the tune of 3d. a hundredweight. In May the Treasury approached Sugar Division about a further reduction in the price of 'domestic' sugar, and was even prepared to consider a corresponding reduction in the price of manufacturing sugar if this would ease the Division's difficulties. The Division replied fervently that it would not; to alter domestic sugar prices was bad enough, to alter manufacturing prices was worse, for it had repercussions all over the range of sugar-using industries from beer to biscuits: 'we would much rather risk the consequences of increasing the gap between domestic and manufacturing sugar'. The Treasury was able to defer any proposal for the time being (though it was mooted urgently within the Ministry in June 'in case the egg scheme breaks down');[1] but towards the end of November, when a revised Order embodying the wholesalers' extra threepence and some minor changes was ready for signature, an urgent appeal reached the Ministry of Food. The utility clothing scheme was still not ready, and some offset in the meantime to steadily mounting clothes prices was required: 'We are already very near the Chancellor's ceiling of some 201 points, and the margin is precarious . . . ' Could the Ministry please take 1d. off domestic sugar 'in time for the Cost-of-Living Index on 1st January when we shall be in real need of it'.

The most inconvenient part of this request was the short notice. There was just about time, and no more, to get an Order[2] out, if the reduction in wholesale and retail prices was to be 'staggered' over a fortnight, as it had been a year earlier. This time there was another complication—the question of financial loss on stocks held by wholesalers and dealers that had to be sold at the lower price. In 1940 the Ministry had been able to take the line that, on average, losses on domestic sugar were offset by gains on manufacturing sugar, but even so had been inundated with complaints from those wholesalers whose trade was predominantly domestic. In 1941 there was no such compensating factor, and officials felt that to offer traders some redress would be both just and opportune; the more so as for some time past

[1] Vol. II, p. 76-79.

[2] S.R. & O. (1941) No. 2005.

the Ministry had been pressing both wholesalers and retailers to carry larger stocks—which in any case they would need to do as a result of the raising of the ration from 8 oz. a week to 12, on 17th November. An assurance that the Ministry would protect traders against losses that were the result of its policy had been given, in general terms, in January 1941.

Wholesalers and dealers presented little difficulty; their representatives readily agreed to be paid 1d. a lb. rebate on a week's and half-a-week's stocks respectively. But in course of discussion it had been agreed that retailers holding stocks in excess of two weeks' must be allowed to apply for compensation. (Those holding less would, of course, get an unearned increment, but as in 1940 there was nothing that could be done about it.) The task of auditing claims from as many as 150,000 shops was daunting, indeed impossible; all that could be done was for local Food Offices to apply a spot check. Actually, claims by retailers were surprisingly moderate; 13,400 in all, of which over 10,000 were for less than £5. Of the total amount paid in compensation for excess stocks (£230,000) not quite one-half (£109,000) was in respect of 101 claims verified either by auditors' certificates or by the Ministry's own Internal Audit Division. The Ministry Accounting Officer had to face close questioning by the Public Account Committee in 1943 on this whole episode, but it seems evident that the cost of verifying each individual claim, had it been possible, would have been greater than any saving from the detection of fraud.

A year later, the problem cropped up in reverse: the utility clothing scheme was threatening to push the Index down too far and the Treasury began to ask for food prices to be put up again. The Ministry asked itself whether the unearned increment that sugar traders especially, who had been paid compensation when prices were lowered, stood to receive could not be intercepted by Treasury Charges Order or otherwise. The accountants advised it not to try; the payment of compensation on sugar (and oatmeal) had been troublesome as well as expensive, and likewise ought not to be repeated. The 'staggering' of prices should continue for rationed foods, in order to minimise the effect of price changes, but beyond this in either direction the Ministry should not go. Proposals to raise domestic sugar prices by 1d. a lb. were first mooted in August 1942, but a decision was delayed on various counts till July 1943. Even then Sugar Division was given nearly two months' notice and so (for the first time) was able to time the change for the beginning of a new 'permit period', on 19th September (for the Index on 1st October). On the same assumptions about trade stocks that were made on the previous occasion, the price to dealers was put up on 25th August, to wholesalers on 29th August, and to retailers on 5th September. Refiners were instructed to refuse any requests for extra supplies during the period of price changes.

The staggering process was ingeniously provided for in the Order[1] by means of a series of temporary rebates to be given off the revised wholesale price. The new price schedule, corresponding to a retail price of 4d. a pound for granulated sugar, remained virtually unaltered until 1947.

[1] S.R. & O. (1943) No. 1215; consolidated in November as part of No. 1596.

CHAPTER VI

Financial Aspects of Control

I

It was not until the end of April 1942, more than two and half years after the outbreak of war, that a legal *modus vivendi* for the period of control was established between the Government and the home-grown sugar industry. To explain the delay one must go back to the creation, under the Act of 1936, of the British Sugar Corporation, and the subsequent agreements made by the Corporation with the Government and with the refiners.[1] The prime mover, upon the Government side, in considering the form that the amalgamation of the fifteen beet-sugar companies should take, had been the Treasury, which had found it so difficult to devise a scheme that would at once appeal to the investing public, secure independence of the refining interest,[2] and safeguard the Exchequer, that it had all but been driven to espouse outright nationalisation on 'full-blooded socialistic principles'. One of the desiderata of any scheme, combining as it must monopoly and subsidy, was some sort of financial incentive to economical operation, and the nationalisation proposal had embodied a plan for profit-sharing by both Directors and staff of the Corporation. Doubts about the efficacy of this device were among the reasons why nationalisation had not been put up to Ministers; but in the immediate pre-war years officials more than once contemplated, rather wistfully, the simple solution that it seemed to offer.

For the British Sugar Corporation had turned out, in their eyes if not in its own, to be a rather unsatisfactory hybrid. The negotiations between Government and industry that had preceded the passage of the 1936 Act had resulted in an arrangement by which the share capital of the new Corporation was to be held initially by the 'transferor companies' (i.e., the refiners in particular were not to be bought out); the working capital was to be provided by debentures whose principal and interest was guaranteed by the Treasury, and which were also to be subscribed for, in determined proportions, by the transferor companies alone. The Government, on the other hand, would appoint the Chairman and two other Directors and, through the independent Sugar Commission, have to approve all other appointments, whether to the Board of Directors or to senior posts within the

[1] Above, pp. 8-9.

[2] The refiners owned just over a quarter of the capital invested in the beet-sugar factories.

Corporation, as well as the Memorandum and Articles of Association. The Chairman was empowered to veto, pending Government consideration, any proposal that in his opinion involved questions of public interest. On paper the latter appeared, therefore, to have been completely safeguarded; yet within three years of the passage of the Act, the need for amendments was being actively canvassed in the the Sugar Commission, the Ministry of Agriculture, and the Treasury.

In particular, the financial arrangements were proving expensive to the Exchequer, as well as being intolerably complicated to administer. The Corporation's sources of income were five. There was the trade in sugar, raw or refined; there was the sale of manufacturing residues, in the form of molasses, and dried or 'molassed' pulp for animal feeding; there was the sale of unused (partly fictitious) refining quota rights to the refiners, under the new industrial agreement of February 1937; there was 'duty advantage', namely the difference between the taxes on home-grown and foreign sugar; lastly, and most important, there was Government assistance, as prescribed under the Act and in the 'incentive agreement' of March 1938. From the accounting point of view it would have been immeasurably simpler to make a deficiency payment after the results of each year's trading were known, sufficient to enable the Corporation to pay an approved rate of dividend; but this would, of course, have offered no spur to efficiency. Instead, the Act provided for the prescription each year, in advance of the beet campaign, of a 'standard' rate of assistance per hundredweight of sugar expected to be produced, based on 'standard conditions'; the 'effective', that is to say the actual, rate of assistance was to vary from the standard rate in accordance with a prescribed scale of variations from each and all of the 'standard conditions'. These were four: the duty advantage at the time the rate was fixed, the estimated 'maximum quota income[1]' of the Corporation, the estimated average raw sugar price week by week during the year, and the production of the 'standard quantity' of white sugar. The first, since it depended on the Budget, might reasonably be expected to hold good for the whole campaign; the second depended on conditions embodied in the Corporation's agreement with the refiners, and was therefore reasonably stable; any estimate of the third was almost bound to be wrong, but amendment would be a matter of simple arithmetic; as for the fourth, it was wrong *ab initio*, for the figure of 560,000 tons, related to a 'restricted' acreage of 375,000, was some ten per cent. too high. It appears to have been based on the results of a single campaign (1934) in which both the acreage and the yield of beets per acre had been the highest on record,[2] and the rate of sugar

[1] *i.e.*, the amount the Corporation would receive if it sold the *whole* of its refining quota to the refiners.

[2] The same error crept into the Food (Defence Plans) Department's estimate of food supplies in the first year of war; Vol. I, p. 65.

extraction alone no more than average. The error had practical importance, for the Corporation was entitled to extra assistance, both for itself and for distribution among the growers, in the event of a poor crop and low sugar output.

The standard conditions were not, however, the sole criteria to be employed by the Minister of Agriculture when fixing the standard rate of assistance. The rate was to be determined (to quote the words of the Act)[1]

> '. . . as if, having regard to the time that has elapsed since the amalgamation. . . . all practicable economies resulting from that amalgamation had been effected and as if the highest practicable standard of efficiency in the business carried on by the Corporation had been attained':

but, contrariwise, the rate was to be

> 'such as will, in the opinion of the Treasury, be sufficient to encourage the Corporation to continue to effect all practicable economies and attain the highest practicable standard of efficiency. . . . and to earn profits equivalent to such rates of interest as the Treasury consider reasonable. . . .'

and the Minister was expressly empowered to enter into an incentive agreement under which the Corporation would be allowed to retain a proportion of the savings it effected.

When all these provisos had been complied with as best they might be, there still remained the further operation of converting the 'standard' rate of assistance to the 'effective' rate; and here a further source of anomalies needs to be noted. Under the Act, this operation was limited only to rectifying certain specified errors in the estimate, corresponding to changes in the 'standard conditions'. There were, however, numerous other possible (one might almost say probable) errors in estimating, that, if made, were binding on both Government and Corporation. The most important of these arose from the prescription of a standard quantity of sugar as the basis of calculation (more especially as the quantity was so high); so that the accountants had to work out, both for the year under consideration and the basic year 1935 with which comparison was made, hypothetical figures showing the net loss, supposing that 560,000 tons of sugar were produced.

> 'If all of the manufacturing and marketing costs' (ran a memorandum drawn up in the Sugar Commission in 1939) 'could be divided infallibly into items varying directly with throughput or with output, and other items independent of throughput or output this would be no more than an arithmetical calculation

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[1] 26 Geo. 5 & 1 Edw. 8. c. 18., Section 14(5).

(although as the calculation has to be made some hundreds of times it would still be a laborious and expensive business). Actually it is a matter of the utmost difficulty to ascertain the level of, say, factory manufacturing labour costs corresponding to different levels of throughput, and a wide margin of error is introduced into the rate of assistance calculations'.

Again, the accountants' estimates of the returns from molasses and pulp sales, another item not open to subsequent revision, might be so far out as, at one extreme, to nullify any benefit the Corporation might expect to gain from economies, or, at the other, to ensure it an 'excessive' profit.

The rules governing the adjustment of the subsidy to changes in the standard conditions were likewise in need of amendment. Under the Act, the actual payments to the Corporation were to allow fully for the difference between the forecast market price of sugar and the actual price in each week in which beet-sugar was manufactured (as ascertained by the Sugar Commission). It must have been supposed that the actual price would be independent of anything done by the Corporation; but, in order to protect itself against market risks, the Corporation made hedge sales of futures against the sugar in course of manufacture, and these sales, coming at the season of peak imports from the Colonies, depressed the market price and so increased the amount of subsidy. No more satisfactory was the proviso by which the subsidy was increased by 1d. per cwt. if the quantity of sugar manufactured fell short of the standard by 7½ per cent. or more, and 2d. if it fell short by 15 per cent. or more. There was some debate in the summer of 1939 on precisely what this extra allowance had been intended to meet. Was it simply the higher overhead costs per hundredweight of sugar produced that would result from a short crop, or was it (as the Corporation argued) something else besides? If the former, it was demonstrably too generous; overheads did not increase by 1d. per cwt. until the crop was nearly 15 per cent. below the standard quantity; moreover (argued officials), although the Act was silent on the point, the White Paper of February 1936 had referred to supplementary assistance that should be '*partial* compensation for higher relative working costs' should output fall short.[1]

One may sum up the foregoing by saying that the amount to be paid to the Corporation in subsidy in any given year was first of all computed on bases of which some were sure to be falsified, and others involved complicated and to some extent arbitrary exercises in accountancy; and later incompletely adjusted by statutory rule of thumb.

[1] Cmd. 5080, p. 5 (writer's italics). The figures of 1d. and 2d. in the Act appear to have been no more than a guess in the Treasury. No one, by 1939, was able to say how they had been reached. The principle of partial compensation *had* been embodied in the Fifth Schedule to the Act, which provided for supplementary payments, through the Corporation, to growers in the event of a bad crop.

The whole offered the maximum scope for argument between the Corporation and Departments; it seemed regrettable that so much of the time of the former's Directors (including those Government appointed) should be taken up in making and substantiating claims to the Sugar Commission on behalf of the shareholders. What was worse, it looked as if the Government might be committed to financing the Corporation on a 5¼ per cent. basis, instead of the four per cent. that had been contemplated when the Act was passed.

All these flaws were made more urgent of remedy by the fact that, in no year since the Act was passed, had the beet acreage come up to the 375,000 that had been represented as a restriction: in 1936 it was 355,000, in 1937, 313,000, and in 1938, 334,000. Moreover, in 1937 the yield had been the poorest since 1931, and in 1938 it was disastrous—6·6 tons against a normal 9, with a low sugar content into the bargain. The loss to the Corporation on this score was put at over £200,000, equal to four per cent. on its share capital; more than this would need to be drawn from reserves to bring the trading loss in 1938–9 (taking Government assistance into account) to zero and to pay even a 3½ per cent. dividend. The Corporation asked for additional assistance, and sympathetic consideration was being given to its request by Departments when war broke out.

II

At the beginning of September 1939, therefore, the rate of assistance to the Corporation for 1939–40 had not yet been prescribed. Officials, very conscious of the elaboration and difficulty of the procedure, were agreed that something simpler, in the form of a *post hoc* deficiency payment by the Ministry of Food, would be wanted in war-time; but the beet campaign was about to start, and it was therefore agreed that the Ministry of Agriculture should prescribe the rate for 1939–40 on a peace-time basis. (Otherwise, the Corporation would have been unable to get its usual ways-and-means advances with which to pay growers for the beet as delivered.) An Order[1] was made to that effect on 29th September, when already most of the 'standard conditions' in the Act were in dissolution. The Mincing Lane market had closed, so that the only sugar price was that paid by the Ministry of Food upon requisition or under bulk contract; the limitation upon acreage would certainly not be deliberately maintained, even though it were unlikely that more than 560,000 tons of sugar would be produced at home; the concept of 'maximum quota income' implied an industry regulated by the Industrial Agreement of 1937, instead of war-time

[1] S.R. & O. (1939), No. 1315. The prescribed rate included an amount of 4½d. per cwt. in respect of the Corporation's exceptional losses the previous year.

convenience or necessity as interpreted by the Ministry of Food. Moreover, the emergency Budget, by sharply raising the customs and excise duties on sugar, literally made nonsense of the provisions in the Act governing 'duty advantage';[1] later, it was found to have had a decisive effect also on the whole shape of war-time sugar legislation.

During the autumn and winter of 1939–40 some progress was made in tidying up the legal position. At the end of October an Order[2] by the Minister of Agriculture, with the formal adherence of the Treasury, took power to make 'such estimates of the duty advantage or raw sugar price as he [the Minister] thinks proper', i.e. for payments on account of assistance to the Corporation. In effect, the duty advantage was unchanged, and the raw sugar price was set at 7s. 6d. a cwt., the Ministry of Food's basic price. The next step, to be accomplished before the end of the financial year and while the Sugar Commission was still in being to give the approval required under the Act, was the amendment of the Corporation's 1937 agreement with the refiners. This was amicably and easily carried out by inserting in the agreement a new clause, to be valid so long as control should last, altering its provisions to accord with the war-time situation. The quota arrangements were reduced to a simple arrangement for financial compensation; the Corporation's 'notional quota', to be bought by the refiners, remained; the places of the Minister of Agriculture and the Sugar Commission were taken by the Minister of Food; the price clauses

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[1] This was because of a technicality in the way sugar duties are levied. In general the scale is proportionate to the purity of the sugar as measured by the degree to which, in solution, it rotates the beam of light from a polarimeter. In order to protect home-refined sugar, however, the duty on imported sugars polarizing above 98 degrees was, from 1928 onwards, increased more than proportionately. The Act of 1936 remedied this disproportion, for the purpose of calculating 'duty advantage', by laying down notional rates of duty in a straight line, so to speak, with those on sugars of a lower degree of polarization. These the Minister of Agriculture was empowered to alter, by Order, if the basic rate of duty (for foreign sugar fully refined in the United Kingdom) had been altered (i.e., in the Budget) since a rate of assistance had been last prescribed.
In 1939 such a change had had to be made (by S.R. & O. (1939) No. 870); and in correspondence between the Ministry of Agriculture and H.M. Customs, the former had pointed out, in urging the need for altering the definition of duty advantage, that a change in duty effected by an autumn emergency Budget was not provided for in the Act. The reforms in the latter that were being discussed that summer would doubtless have taken care of the point; as things were, the excise duty was raised in September to a point at which, in relation to the notional customs duty (which there was no power to alter) 'duty advantage' had become a fictitious 'duty disadvantage':

	Polarization	*Customs Duty*	*Prescribed Equivalent*	*Excise Duty*	*Duty Advantage*
April 1939	98/99°	14s.	11s.	5s. 9½d.	5s. 2½d.
	Exceeding 99°	14s.	11s. 8d.	6s. 11d.	4s. 9d.
September 1939	98/99°	23s. 4d.	11s.	14s. 7$\frac{1}{10}$d.	*minus* 3s. 7$\frac{1}{10}$d.
	99°	23s. 4d.	11s. 8d.	16s. 3d.	*minus* 4s. 7d.

The difference between the two calculations of duty advantage (8s. 9d. a cwt. and more) would, on a strict construction of the Act, have had to be paid to the Corporation in 1939–40. In fact, of course, the fictitious change was ignored, and the matter put right retrospectively in the Act of 1942.

[2] S.R. & O. (1939) No. 1684; amending S.R. & O. (1936) No. 1082 and (1938) No. 261.

were adjusted to take account of the existence of bulk purchase and the fact that the nominal refining margin had been reduced.[1] The new agreement formally came into effect on 1st April 1940.

The third step should have been the amendment of the Act of 1936. At a very early stage the lawyers had advised that this was matter too weighty for a Defence Regulation, and clauses had been drafted for insertion in an Agriculture (Miscellaneous War Provisions) Bill. The Corporation, however, objected to the omission from the draft clauses of any provision for 'incentive' payments, which, it claimed, were a fundamental part of its charter, the Act of 1936; and it declared, also, that the Government was trying to go back on a promise to refund all the Corporation's extra war costs for 1939–40, given in September 1939 when the rate of assistance had been prescribed. Whether this promise had been given in set terms was, by January 1940, a matter of dispute, though Departments admitted that the assurances to the Corporation were capable of being so construed. The argument about incentive was also conceded to have weight; so that discussions continued, with the draft clauses now destined to form a separate Sugar Industry Bill, for which, it was said in June 1940, the Commons' Whips were 'clamouring'. Agreement was reached that the Bill should provide for 'incentive' payments to continue, the Corporation having accepted a Treasury *quid pro quo* under which the approved rate of interest on its capital should be reduced from 4 to 3½ per cent.

These plans were thrown into disarray by the publication of the Corporation's accounts for 1939–40, which showed that, thanks largely to a record yield, the Corporation had done exceedingly well out of the 'peace-time' rate of assistance. Even when the whole of the sum claimed as extra war costs had been charged against its revenue, the £130,000 drawn from reserves to pay dividend in 1938–39 restored, and £59,000 appropriated to staff pensions, there still remained £135,000 net profits for the year, which with the balance of £61,000 from the previous year made a total of £196,000. Moreover, the rise in sugar duty had given the Corporation a windfall on its duty-paid stocks amounting to £330,000 (£75,000 after deduction of Income and Excess Profits Taxes); it had asked to be relieved of these profits by way of surcharge, but H.M. Customs had objected, and hence they were to be placed to a 'Sugar Duty Reserve', to cover possible losses after the war from a reduction in duty.[2] The House of Commons Committee of Public Accounts had, before these facts were known, criticised the payment of the 4½d. per cwt. extra assistance in 1939–40

[1] This was because the Ministry of Food sold sugar to refiners at a price that covered certain costs for which they had been separately liable in peace-time.

[2] Statement by the Chairman of the Corporation at its Annual General Meeting: *The Times*, 17th August 1940.

to cover the exceptional losses in the previous year.[1] They recognised that this was within the discretion of the Minister of Agriculture and the Treasury, but noted 'with surprise that a special payment, estimated to amount to approximately £180,000 [and actually more, because of the good season] was considered to be justifiable upon the experience of a single year only'.

It is not surprising, therefore, that early in August the Minister of Agriculture (Mr. R. S. Hudson) should have firmly declined to sponsor in Parliament a Bill providing for further payments to the Corporation on account of war costs in 1939–40. Once again Departments were constrained to consider proceeding by Statutory Rule and Order, despite misgivings.

> 'We all of us feel', wrote a high official of the Ministry of Food on 8th August, 'that to act under an Order in Council making a new Defence Regulation, not because it is necessary for war purposes, but because it is desired to avoid introducing into Parliament a measure to amend one of Parliament's own Acts, would be a strange position for the Government to get into. Moreover, Parliament could not be prevented from raising the issue. . . .'

Parliamentary Counsel, however, advised that the retrospective amendments to the Act of 1936, affecting the refining agreement and the calculation of the standard rate of assistance in 1939–40, could not be effected otherwise than by Act: 'it is impossible to amend the Statute Book retrospectively by Regulation'. On the other hand, the wide general powers enjoyed by the Minister of Food under the Emergency Powers (Defence) Act of 1940 and the amended Defence Regulation 55[2] made it possible, if not desirable, to provide finance for the Corporation's 1940–41 campaign without extra legislation of any kind. More through the passage of time than for any more positive reason, officials found themselves, by the end of 1940, committed to a course that had now become that of least resistance: to take positive action under the Minister of Food's general powers, and to introduce a 'negative' Bill to divest the Minister of Agriculture and the Sugar Commission, for 'the duration', of powers and obligations they were not exercising or fulfilling. It has also become urgently necessary to let the House of Commons know what was going on: 'you know how critical the P.A.C. is about the Corporation and how indecent it is not to tell Parliament that their prescribed method of assistance is not being followed', wrote the Treasury on 14th December.[3]

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[1] Committee of Public Accounts: *Second Report* for 1940, dated 4th July, pp. 9-11.

[2] 3 and 4 Geo. 6. c. 20; S.R. & O. (1940) No. 781, para. 2A. See Hancock and Gowing, *British War Economy*, pp. 85-87.

[3] The information was given in answer to an arranged Question on 21st January 1941. H. of C. Deb., Vol. 368, Col. 51.

When the Corporation was told of the proposals, its Directors were 'very perturbed'. 'They think', the Ministry of Food was told in January 1941, 'that negative legislation plus a departmental letter will be an unsatisfactory substitute for a negotiated and agreed Charter confirmed by Act of Parliament'; and they sent what officials described as a 'saucy letter' to the Ministry of Agriculture, declaring that the 'whole status and credit of the Corporation were affected'. Departments, though willing to concede that the Corporation's legal position would be weaker than before (but only temporarily, as the Act of 1936 would automatically be revived at the end of the 'emergency') felt that in substance its fears were misplaced. Nevertheless, it was not till June, after much correspondence, and exchanges of view between the lawyers of each side, that the Corporation was persuaded to accept assurances, in the form of a schedule annexed to an official letter from the Ministry of Food, that the procedure for computing the deficiency payment, originally embodied in the abortive Bill, would be adhered to.[1]

The way was now clear for the 'negative' Sugar Bill; but for want of parliamentary time it had to be held over until the autumn session. Finally presented on 25th November, its passage through both Houses was placid, and it received the Royal Assent on 29th April 1942, as the Sugar Industry Act. The Act gave retrospective effect, from various dates as appeared convenient, to the war-time policies that had actually been pursued: the suspension of the Sugar Commission, and of the proposed registration and licensing by it of refiners; the amendment of the refining agreement; the alteration of the bases on which the rate of assistance was calculated for 1939–40, and the suspension of the pre-war form of subsidy in later war years.[2] The Act was to be in force during the currency of the Emergency Powers (Defence) Act of 1939.[3] A war-time incentive agreement that lay ready for signature by the Minister and the Corporation could now be formally put into effect, on 12th May.

The war-time agreement[4], the result of amicable negotiations during most of 1941, preserved as much of the original agreement of 1938 as was compatible with the greater simplicity of calculation that war circumstances required. It also provided for certain merely procedural alterations that resulted from the change in the way the Corporation's

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[1] The Corporation's misgivings may have taken strength from the Ministry of Food's decision in August 1940 to pay it nothing in respect of war costs, notwithstanding the undertaking of the previous autumn; though the operation of Excess Profits Tax made this decision of little practical consequence.

[2] 5 and 6 Geo. 6, c. 16. Certain other provisions, relating for instance to research and education, are not germane to this narrative.

[3] 2 and 3 Geo. 6. c. 62.

[4] The text of this agreement has never been published. It was regarded as having been made, not in pursuance of the Acts of 1936 and 1942 and so liable to be laid before Parliament, but under the Minister of Food's general powers.

subsidy was paid. One of these alterations was later mistaken for a change in principle, and therefore requires explanation in some detail. When the original negotiations for the amalgamation of the beet-sugar companies had taken place, it had been agreed that the Corporation should, by way of an incentive to efficiency, be allowed to retain (*a*) the whole value of any economies it should make in the year of their making (*b*) a proportion of that value in later years. For determining the proportion of the 'accumulated economies', as they came to be called, two principles were laid down: first, that as with each economy achieved the next might be considered harder to make, the Corporation's share of economies should rise more than *pari passu* with their amount; the second, that the Government should do what, under competitive conditions, might be expected to occur automatically—namely nibble away year by year the advantage that given any amount of economies might secure to the Corporation. These principles were combined in a scale that allowed the Corporation to retain a proportion, varying from 30 to 100 per cent., of the economies achieved in any given year (subject to an overriding proviso limiting the amount that might be so shared to £500,000)[1] and reduced the proportion progressively over seven years until it ranged only from 10 to 25 per cent. The original version of this scale, appended to the White Paper of March 1936,[2] had included a line for the year in which economies were effected; but this had been omitted from the Agreement of 1938 as unnecessary. The subsidy being fixed in advance, any '100 per cent. economies', as they came to be called, would automatically accrue to the Corporation in the course of the year's working.

The Corporation's share of accumulated economies, on the other hand, required elaborate calculation, which under the 1938 agreement was made in the course of fixing the 'rate of assistance' before the opening of the beet campaign. The performance in the year just closed was compared with what it would have been, had the level of efficiency been the same as that of the former companies in the year immediately preceding the amalgamation—for instance, the rate for 1939–40 was determined after comparing the actual figure of loss in 1938–9 with an adjusted figure derived from the results of 1935–6. The agreement prescribed in detail the assumption on which this exercise in accountancy was to be carried out: those laid down in the Act of 1936 for the calculation of the rate of assistance; the quality of the beet worked by each of the factories; and various stipulations about expenses allowed and disallowed. In particular, the whole

[1] This (as the Corporation had later to point out to the Ministry of Food) did not denote any intention on the part of the Government of the day to limit the Corporation's participation in economies to the first £500,000. It had been assured that if the limit were reached, measures would be taken to lift it.

[2] Cmd. 5139, Appendix III.

calculation was to be made in terms of the 'standard quantity' of 560,000 tons white sugar equivalent.

Under the war-time system, whereby the Ministry made good the loss of the Corporation after the event, the '100 per cent. economies' would not be thrown up as credits in the Corporation's banking account; instead, provision had to be made for them to be determined and paid over to the Corporation. Diseconomies, which would have formerly shown up as debits in the account, were likewise to be refunded to the Ministry. From the point of view of the Corporation this meant no change, but at first sight there was an odd effect on the Exchequer, which now appeared to benefit from diseconomies, and lose from economies. It may be as well to emphasise that this was an accounting illusion; the total sum paid over by the Exchequer in any year was unaffected by any amount that might be set down under the heading of current economies or diseconomies. In the one case the Exchequer agreed to forgo a sum that, had the economies not been effected, it would have to pay under the heading of deficiency payment; in the other, it received back the amount by which the deficiency payment had already been increased on account of the diseconomies.

As for the accumulated economies, the new agreement introduced a simpler (though still far from simple) manner of calculation. Performance was to be compared, not with the single base year 1935–6, but year by year; that for 1940–41 would be set up against that for 1939–40, adjusted to take account of price and wage changes in the later year, and so on. The distinction between costs varying with turnover and those that did not, criticised in 1939 as productive of a 'wide margin of error',[1] was, perhaps unavoidably, retained. Costs that were not taken into account in the former agreement, costs 'in respect of which the Corporation is deprived of the opportunity of making savings by reason of Government Control' (*e.g.*, in the distribution of sugar), and costs 'which the parties hereto shall from time to time agree to disregard', were to be excluded from calculation. The economies so ascertained would be adjusted, so as to bring them on to a comparable basis with those of earlier years, by applying a 'standard factor', namely, the ratio between the standard quantity of sugar and the actual quantity produced in the year in question. The Corporation's share of the economies would then be determined by reference to the scale laid down in the original agreement; after which the standard factor would be applied in reverse, as a divisor, to get the actual sum with which the Corporation should be credited. This use of the standard factor perpetuated a feature of the original agreement—the calculation of accumulated economies in terms of a standard quantity which was always greater than the actual amount

[1] Above pp. 94-5.

of sugar produced—which had the effect of bringing economies on to a higher step in the scale of rewards, giving the Corporation a larger proportionate share, than would have been the case had the standard quantity been left out of calculation. It was but one, however, of many anomalies that Sugar Division was to uncover as time went on.

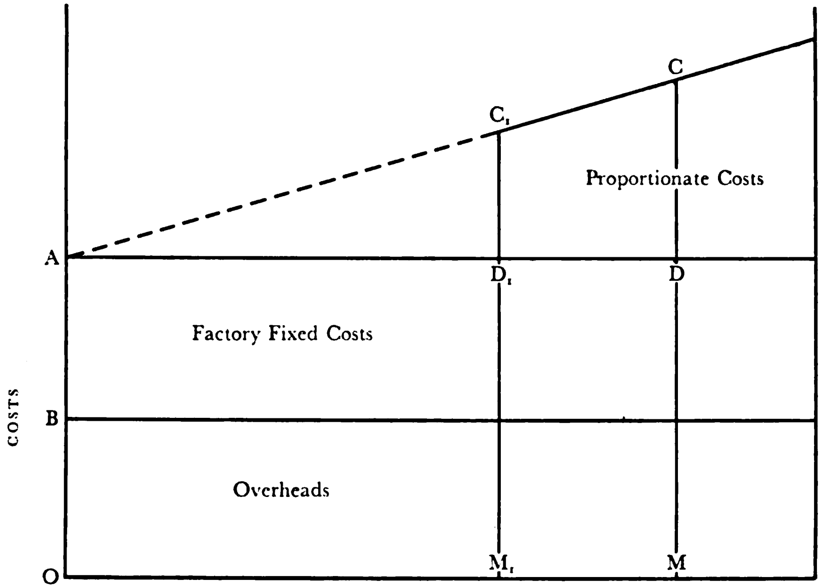
III

The decision to keep in being a modified Refining Agreement, under which the refiners would continue to relieve the Exchequer of a part of the cost of maintaining the home-grown sugar industry, was seen to have an important bearing on their own remuneration under control: 'We want', wrote a Treasury official in October 1939, 'the refiners to go on paying the Corporation for basic and extra quota, otherwise we shall have to pay the Corporation ourselves'. These payments, more particularly that for extra quota under the Agreement of 1937, were in the nature of a *quid pro quo* for the retention of the extra turnover that the refiners had been able to achieve as a result of the duty protection granted in 1928.[1] In war-time, however, rationing would reduce their home sales, and they stood to lose part if not all of their export trade. True, the quota payments, being calculated on home sales, would also shrink, but (as the Corporation's output of sugar would be maintained as high as possible) not in proportion to the fall to be expected in the refiners' turnover. Clearly, therefore, it would not be possible to peg the refining margin at the pre-war level and say, as the Treasury and Lord Stamp's Committee would like to have said, that no compensation should be payable for loss of turnover; for this would undermine the nice adjustments of the Refining Agreement.

Wisely (as it turned out) the Ministry decided, before attempting to devise its own solution, to hear what Tate and Lyle had to say. They came forward with an ingenious and novel proposal, based on a statistical analysis by Mr. Philip Lyle of the variation of sugar-refining costs with output. He argued that it was possible, on the basis of the firm's recent experience, to distinguish and suitably weight three elements making up total costs. Two of these—the ordinary commercial overheads and what might be called *factory fixed costs*—were independent of output; the third varied with it in a compara-

[1] Above, pp. 8–9.

tively simple way such as, in graphical terms, could be expressed by a straight sloping line:



If output alone were altered, say from M to M_1, it is clear from the diagram that the proportion of fixed costs to the whole would rise. The position to be envisaged in war-time was one in which an absolute rise in both fixed and marginal, i.e., 'proportionate' costs, was associated with a (downward) change in output: a shift in the 'curve' from C to C_1, accompanied by changes (upwards) in BA, CD, and possibly OB. Mr. Lyle, however, assumed that overheads (OB) would remain unaltered (though spread over a lower tonnage), and that an Index, based on the three items wages, coal and jute, could be devised to measure changes in factory costs, both fixed (BA) and marginal (CD). The total costs per unit of output in a basic period (E_o) would then be given by the formula:

$$E_o = \frac{OB}{OM} + \frac{BA}{OM} + \frac{CD}{OM}$$

and for any other period (E) by

$$E = \frac{OB}{OM_1} + \frac{BA}{OM_1} + \frac{CD.I}{OM_1}$$ (I in the basic period being taken as unity)

The difference between the two should, it was suggested, be made good to the refiners.

In order to convert this formula into a practical device for adjusting the refining margin, it would be necessary, in addition to constructing the index number I, to ascertain the weights to be given to the three terms on the right hand side of the equation. Mr. Lyle had computed figures for this purpose from the data available at the firm's three refineries; as these accounted for four-fifths of the total production of refined sugar (the Corporation excluded) no great harm could be done by taking their cost structure as representative of the trade.

The formula had been put forward in a more elegant, but also more complicated, guise than that above, with a wealth of algebra at which Sugar Division, the Ministry's advisory accountants, and the Treasury were at first inclined to shy. In particular, officials did not at first grasp that its effect would be only to preserve the refiners' existing net profit *per ton*, i.e., that their total profits would still be diminished *pro tanto* with turnover. Once this misunderstanding had been cleared up, Departments were ready to embrace the proposals in principle—though the Treasury spent four weeks in making up its mind, during which time Tate and Lyle became increasingly restive, to the point of making a direct appeal to it for an interim adjustment of the margin.[1] There was necessarily a number of detailed accounting points to settle, but only one question of principle:[2] the absolute fixity of certain costs (OB, BA) in relation to output, assumed by the formula. Officials were willing to agree that this was true of short-term, limited fluctuations of output, but argued that in face of a long-term fall (such as in early 1940 seemed likely) refiners should, given time, be able to make economies. The Treasury even hopefully suggested that they might forgo half the compensation due for a thirty per cent. reduction in output. The principle was incontrovertible; but the refiners were able to show that the economies were much smaller than the Treasury had hoped for. Mr. Lyle produced separate formulae embodying the presumed reduction in (*a*) overheads, (*b*) factory fixed costs, relating to any given level of output; for instance, an output 70 per cent. of normal was said to incur 95 per cent. of

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[1] Their importunity was increased by the effect of a mistake that had been made (though with their concurrence) in the adjustment of the margin so as to exclude, *inter alia*, delivery costs on refined sugar. The weighted average of these was roughly 6d. cwt. (3½d. on bulk, 10d. on packets, in a ratio of 2:3) and accordingly this amount had been knocked off the refinery price of bulk granulated. When it came to packeted sugars, however, to the basic price reduction was added a further reduction in the packet premium—for instance from 1s. 3d. to 6d. on 2 lb. packets in 100-ton lots; so that the refiners had been inadvertently mulcted twice. The Treasury agreed that compensation should be paid.

[2] A technical point arose about the use of national price indices to measure the increased costs of wages and coal, as Mr. Lyle had proposed. The Treasury objected to this at the outset, as it might have implications 'in other directions' but later changed its mind, only to discover that the refiners had in the meantime discovered that the use of national indices was impracticable. Indices calculated from actual refinery costs were used instead.

normal overheads and 90 per cent. of factory fixed costs; with output nil, the percentages would be 75 and 50 respectively. It was agreed that Mr. Lyle's estimates of overheads (designated f_1M) and factory fixed costs (f_2M) corresponding to different levels of output should be applied in the calculation of compensation, the Ministry to give three months' notice of changes in M, the long-term rate of output.

In view of later developments it is necessary to state the precise form in which the 'Operating Costs Adjustment' was set out and agreed to by all parties:

$$X = 0.467\, f_1M\left(\frac{V_0}{V} - 1\right) + 0.817\, f_2M\left(\frac{I}{100}\cdot\frac{V_0}{V} - 1\right) + 0.516\left(\frac{I}{100} - 1\right)$$

where

X represents in pounds per ton the amount to be added to (or in theory subtracted from) the refining margin in respect of changes in costs (excluding costs of packing sugar);

The decimal fractions represent, in pounds per ton, the amount attributable to the three types of refining cost, as verified by the Ministry's investigating accountants;

V_0 is the average monthly invoicings of refined sugar during the base year (to 30th June 1939) by refiners other than the British Sugar Corporation;

V is similar invoicings during the month to which the formula is being applied;

I is the costs index, that for the base year being taken as 100.

(It should perhaps be noted that the bracketed parts of the expressions simply represent the increase in the costs, over those in the base period; their apparent complexity is largely due to the use of a percentage index.)

The settlement, finally approved by the Treasury in May 1940, was made retrospective to 1st February. Sugar Division was the more relieved at being enabled to accept the refiners' main proposals, because it had been compelled to reject out of hand another claim Tate and Lyle had made. This concerned the sugar, either in stock or in transit to them, that had been or would be taken over by the Ministry under the requisitioning Order of September 1939. The prescribed price, 7s. 6d. cwt.,[1] showed a substantial profit over the price at which this sugar (or rather, the excess of it over commitments to sell refined sugar) was valued in the company's accounts; and this profit would be liable to income tax and excess profits tax. But, said Tate and Lyle, the sugar so transferred was an asset that they always

[1] S.R. & O. (1939) No. 1129. The price of 7s. 6d. was, of course, that proposed as the basis of the bulk contract with Empire sugar producers (above, p. 21).

had to maintain in being, to secure continuity of supply; when control came to an end, they would need to re-create it. Moreover, prices were likely to fall following upon decontrol, involving the company in book losses that could not be offset by a recovery of tax already paid upon the forced profit in 1939. The only fair course, the firm urged, would be to make the transfer at the book valuation of 5s. 3d. cwt., and transfer back to them upon decontrol an equal amount at the same price. The Compensation (Defence) Act, however, was interpreted by Sugar Division to mean that the price paid on requisition should be based on a 'fair market price' ruling at the time, and, by implication, that this price should be a uniform one to all holders of stocks. Tate and Lyle's proposal would have meant separate prices being determined for the stocks and/or forward commitments of each refining company, and was therefore (said the Legal Adviser) contrary to the spirit of the Act.[1] In any event, it was inconceivable that the Government should commit itself in 1939–40 to precise financial arrangements for decontrol.

IV

When putting the settlement into effect, the Ministry had naturally reserved the right to review it. First indications were that the formula was achieving its purpose—a calculation by Tate and Lyle showed a difference between their actual expenses and the formula allowance, over six months, of only 0·12 per cent. However, in March 1941 a sharp-eyed member of Exchequer and Audit Department spotted a flaw in the way the terms f_1M and f_2M, which embodied the hypothetical reduced costs consequent upon a long-term reduced output, had been applied. Logically, they should have been put into an equation for determining E, the costs in the period during which a reduced output was in operation; in fact, they had been put into the equation for determining X, the supposed *difference* in costs (i.e., E *minus* E_0). This was the same as putting them into the equation for determining costs in the base year, which was absurd. The point was not merely an academic one; the diminution in the assumed basic costs, and hence the overpayment to refiners, that had resulted, was equal to 1d. a cwt., or £95,000 in the first thirteen months for which the formula had been in operation.

When this point, expressed in a very much more complex way, was put to the refiners, it evoked a great deal of mathematics by which

[1] 2 and 3 Geo. 6 c. 75. The Act laid down, however, that the price must not have been influenced by the fact of emergency; so that it is arguable that Tate and Lyle's valuation, *pace* the Division and the Legal Adviser, would have been more in accordance with the letter of the Act. Cf. the problem of requisitioned wheat (below, pp. 663-4).

the Ministry resolutely refused to be blinded. Mr. Philip Lyle attempted to argue that the effect of the formula as drafted—by which the refiners and the Ministry shared the benefit of any economies the former were able to make—had been intentional: a point difficult to sustain against the overwhelming evidence that it had never been mentioned in the course of the original discussions. He moved on to firmer ground, however, when he pointed out that in certain circumstances the formula which the Ministry now wanted to use might be unfair to the refiners. M, the level of output decreed by the Ministry, represented no more than an average; it was conceivable that a refiner might be asked for a short time to work at a higher level of output that (once he had made the economies appropriate to the average level) must involve him in increasing costs per unit of output. The revised formula would mean, nevertheless, that if M were less than 100 and invoicings were (temporarily) equal to those in the basic year (*i.e.*, $V = V_0$) the formula would show a paper *saving* of costs (X would be negative) and the refiner in question would owe money to the Ministry: 'this was surely not intended'.

The point had particular force because the raids on Clydeside had put the Westburn Sugar Company's refinery out of action, and the other companies would therefore be called upon to increase their melt. Moreover, the Ministry had suggested that the loss of the refinery should be dealt with in the formula by deducting Westburn's basic output from the factor V_0, representing that of all the refiners, which would mean a reduction in compensation. But, said Mr. Lyle, the whole purpose of the formula was to reimburse refiners if for *any* reason their output was reduced; the compensation was paid to individual refiners, 'owing to my own personal innocence', and not to the industry for division among its members, 'as it should have been'. The industry had none the less agreed upon a mutual compensation scheme, in the light of the Greenock damage, and now the Ministry was coming along to raid the kitty from which the compensation would be paid. 'We cannot help noticing that the first one point and then another is being brought up with the object of altering it to the advantage of the Government. We find that we are losing both on our index number adjustment (I) and our A.R.P. adjustment, but have not raised these points . . . '

One can sympathise with this righteous indignation without sharing it. Sugar Division officials did not enjoy the plenipotentiary powers of company directors in matters of this sort; it was likely that the payment of money on the basis of a flawed formula would excite the wrath of the Comptroller- and Auditor-General and the Public Accounts Committee. The trouble had arisen because during the original negotiations mathematics and accountancy (coupled with the desire to agree) had been allowed to obscure the first principles of which they should have been the expression. Thus the problem of plant wholly or partly idle through war circumstances, which loomed so large in the negotiations with the flour millers—the Ministry insisting on pooling the industry's remuneration rather than pay an individual miller for work not done and so contravene the Treasury maxim that payment should only be made for services rendered[1]—had not been ventilated at all for sugar refiners: perhaps because it was thought that the quota arrangements gave them sufficient protection.

However, Tate and Lyle showed themselves conciliatory, short of admitting that their director's mathematics had been at fault[2]—even to the point of conceding a retrospective adjustment; and Sugar Division, for its part, was willing to allow the counter-claim for additional Air Raid Precautions expenditure, the more so since the measures taken at the London refineries had proved highly effective. In consequence, negotiations once more settled into what the member of Exchequer and Audit who had discovered the error ruefully called 'this algebraic bog'. The most complex point concerned the adjustment for temporary increases in output above the long-term level then in force (M). Conceding the point to Mr. Lyle that any savings due to a reduction in M must become zero if output reached the basic figure ($V = V_0$), the Division had still to negotiate a term (k) to be put in the formula to cover intermediate stages. Curves of varying steepness, all of them hypothetical, were put forward, but it was eventually decided to assume that the refiners could still make the full savings until output reached the half-way point between M and V_0 (e.g. at 87·5 when M was 75), but should get a refund on outputs in excess. As costs depended not on invoicings but on melt (and hence the Ministry might suffer under this arrangement if a refinery delivered heavily from stock), it was agreed that the refund should only apply for periods of three or more consecutive months.

The opportunity was also taken to embody in the formula an adjustment for what was called the 'Stoppage Saving', i.e., the saving in costs to any refining company whose refinery was out of action. At the instance of Tate and Lyle, the refiners were proposing to join in a mutual insurance scheme that, in effect, substituted for the quota payments under the Sugar Refining Agreement, payments equal to

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[1] Below, pp. 653-661.

[2] As error was not admitted, the circular they sent to other refiners explaining the reason for the change was necessarily misleading. It stated that costs in the base year had originally been computed as being equal to:

$$0{\cdot}467\ f_1M + 0{\cdot}817\ f_2M + 0{\cdot}516\ \text{£ per ton}$$

but that, as 'the Sugar Division now insist that the whole of this saving should accrue to them', the costs were now to be taken as being equal to:

$$0{\cdot}467 + 0{\cdot}817 + 0{\cdot}516\ \text{£ per ton}$$

The fact that with M at 100 (*ex hypothesi*), f_1M and f_2M would be equal to unity and the two expressions identical was passed over in silence.

the marginal profit per ton of sugar invoiced (i.e. the difference between the net refining margin and the marginal cost). To make this scheme easier to operate, the Ministry was to be asked to pay the operating costs adjustment *en bloc* to the Sugar Refiners' Association, which would then distribute it in quota proportions, instead of to each refiner separately. The problem of closed refineries, which the Ministry had proposed to deal with by adjusting the term in the formula (V_0) relating to invoicings in the basic year, was now to be met by refunding to the Ministry an amount deemed equivalent to the savings in fixed costs and overheads that would be made by a refinery completely out of action (but, of course, still receiving the marginal profit on its quota). The question arose whether this sum could be provided for by formula, and after some discussion Mr. Philip Lyle produced fresh equations for determining the fixed costs and overheads functions (f_1' and f_2') which produced a steeper fall in the curve below the point representing 75 per cent. of basic output. At zero output, f_1M (or rather $f_1'M$) would now be ·5, instead of ·75; $f_2'M$, ·2, instead of ·5. By using these values in combination with the quota of the refinery in question, a formula could be derived for the 'Stoppage Saving' in each case.[1] It was proposed that the stoppage saving payment should only come into force in the third successive month in which the output of a refinery was certified to be zero.

Though this scheme was less favourable to the Ministry as things were (with the Westburn refinery stopped) than the original proposal would have been, it was commended to the Treasury because it offered a prospect of extracting a Stoppage Saving Payment from Tate and Lyle, should one of their three refineries cease working (whether from enemy action or Ministry policy) and the loss in production be made good by the other two. If this had happened under the old system, where each refining company was treated as a whole, there might have been a net saving in fixed costs that the Ministry could not recover; under the new scheme each *refinery* was treated as a separate entity, with its own quota and separately computed stoppage saving payment, which would accrue to the Ministry automatically.

There remained the question of refiners' Air Raid Precautions expenditure. When the constant (·467) in the first term of the costs adjustment formula, relating to overheads in £ per ton, had been

[1] It ought to be pointed out that the re-calculation of completely new values throughout was a piece of mathematical mumbo-jumbo. *Ex hypothesi* the only values required for stoppage saving were for zero output, and the estimates of these could have been inserted in the formula without more ado. It would not have been to the Ministry's interest to point this out—supposing it had been detected—as for intermediate values of output below 75 per cent. of normal the new functions presumed greater economies—and hence a lower payment by the Ministry—than the old ones.

determined, it had included an allowance for A.R.P. expenditure of ·032, corresponding to an expenditure by Tate and Lyle of £750 per week. In other words, expenditure to that extent was regarded as being right and proper for refiners to bear out of their pre-war margin (which had not been increased to cover pre-war expenditure on A.R.P.); however, if their output diminished, the Ministry would make a contribution towards it. Up to the end of March 1941, however, Tate and Lyle's actual expenditure had averaged about three times the amount allowed for; there was little disposition to question it, for the efficiency of the A.R.P. services had been well rewarded during the air raids. (Westburn, the one refinery knocked out, had spent much less relatively than the others on A.R.P.) The Ministry had agreed in principle to allow this excess expenditure to be set off against its claim to be reimbursed the extra that had been paid to refiners under the faulty formula; but it still remained to deal with future expenditure under the same head. A suggestion from Tate and Lyle that the constant be amended to include a more realistic estimate of A.R.P. costs was soon withdrawn as unsuitable; it would have meant that the Ministry and the refiners would have been paying the same proportions of a larger amount, *i.e.* that the latter would have been asked to bear a larger expenditure out of their margin than had hitherto been considered fair. Moreover, the original way (which would thus have been perpetuated) of dealing with A.R.P. costs was seen to have been unsatisfactory in other respects; no allowance had been made for changes in price and wage levels, and it had been assumed, by applying the function f_1M, that they were susceptible of economies if the long-term output were reduced. (The constant had, of course, been computed before it was known that the functions f_1M and f_2M were going to be used.)

Instead, it was decided that A.R.P. costs had better be taken out of the formula completely and retrospectively, by amending the constant ·467 to read ·435; and that a separate agreement be made about sharing them between refiners and the Ministry. As the rate of expenditure by each company was roughly proportionate to its quota under the refining agreement, it was possible to arrange for a lump sum per month to be paid to the Sugar Refiners' Association for distribution among its members to cover 'normal' A.R.P. expenditure; any additional expenditure that refiners might claim for would have to be related to exceptional circumstances, such as a heavy air raid, or the need to comply with some new statutory provision. After some bargaining it was agreed that the basic figure for this normal expenditure should be £4,750 per month for all refiners (got by taking Tate and Lyle's current approved expenditure, writing it up in refining capacity proportions, and then applying the wage-price index number (I) in reverse); and that, as heretofore, refiners should bear £0·032 per ton out of their margin, and the Division the remainder. All that remained to be done was to make a retrospective settlement of accounts. After all the items of expenditure had been gone over, and the debits and credits set off against one another, it was agreed that the slate be wiped clean, so far as Tate and Lyle were concerned, by a round payment to the Ministry of £20,000. Rather than incur further accounting investigations, the approved expenditure for the other refiners was taken as being proportionate to their capacity; as their invoicings had been relatively higher than those of Tate and Lyle during the period in question, their debt to the Ministry was also higher (not quite £12,000). The total of £32,000, therefore, represents the gain to the Ministry over the thirteen months ended 31st March 1941, from the sugar activities of Exchequer and Audit.

It may be as well at this point to set out the formula in its completely revised form, which should be contrasted with that on page 106:

$$y = 0{\cdot}435\left(f_1'M\,\frac{V_o}{V} - 1\right) + 0{\cdot}817\left(f_2'M\,\frac{V_o}{V}\cdot\frac{I}{100} - 1\right) + 0{\cdot}516\left(\frac{I}{100} - 1\right)$$

No further revisions proved to be needed; successive costings investigations of Tate and Lyle, at two-yearly intervals, showed that, allowing for arguable points of accountancy technique (such as the correct valuation of increased stocks), the company was not recouping more than it should have done to cover increased costs; indeed, in the later years of the war considerably less. The first two years' results, to September 1942, did show a sizeable paper surplus, but this was largely made up of two disparate items. One was simply an accounting point—the treatment of increased staff bonuses (calculated per ton, i.e. on a diminished output) as an appropriation of profit instead of a charge against it—that may have been technically correct but was certainly unrealistic. The second arose from the fact that for convenience's sake the Refining Costs Adjustment had been related not to the difference between the amount of sugar melted, i.e. refined, in peace-time and war-time, but on that invoiced (V_o–V). During the years in question the Ministry had been arranging for refiners to build up stocks of refined sugar, i.e. for melt to exceed invoicings. They therefore received a higher payment in respect of diminished turnover than they would have done had the payment been based on melt; but Tate and Lyle, taking the view that this position would rectify itself in later years, when refined stocks were being reduced and formula payments based on a larger tonnage than was being melted (i.e. on a smaller deficit) valued these increased stocks in their accounts at a figure excluding overheads. The accountants employed by the

Ministry, however, preferred to ignore the effect of the formula, and value the stocks at a figure which included a pro-rata share in overheads. The effect was to give an extra paper profit to the company, in each year, of about £120,000—about ten per cent. of the total. These accounting niceties had, of course, to be explained to the Treasury in 1944 in order to secure sanction for a continuance of the formula unaltered; at the same time it was thought prudent to exchange letters with the refiners providing for an adjustment, at the end of control, in respect of stock differences. In later years, the formula settlement became definitely disadvantageous to the refiners; as (no doubt for reasons that seemed to them good) they did not ask for its revision, the Ministry forbore from opening the matter.

One factor bearing on the whole question of refiners' remuneration must be mentioned, though it cannot be discussed in detail: Excess Profits Tax and the financing of sugar stocks (both raw and refined). When the refining costs adjustment formula was being negotiated. early in 1940, Tate and Lyle pointed out that the increased value of sugar, the increased duty, and the abolition of the cash discount for prompt payment by their customers, had already raised the amount of money they had tied up in sugar stocks by half a million sterling over the pre-war figure of £3·5 millions. The Ministry had refused to allow the resulting increased interest charges to rank as an overhead expense for the purpose of computing the formula; so that it did not seem impossible that if prices and interest rates rose, Tate and Lyle might be faced either with having their profits absorbed in interest charges or else restricting their holdings of sugar in a way that would be highly undesirable in war-time. They suggested, therefore, that they ought to receive Government assistance in the financing of sugar; and the Ministry expressed willingness to come to some arrangement with the whole refining industry. On 21st May 1940, however, Tate and Lyle indicated that 'under the present conditions of crisis' they would hold the stocks at their own expense, as a contribution towards the national emergency; reserving the right to raise the question again at a later date.

This generous gesture was, as it turned out, to be a profitable one. The sums chargeable to Excess Profits Tax were reckoned in relation to a standard that was not fixed, but varied in accordance with the capital employed. Under Section 29 of the Finance Act, 1941, which was made retrospective to 1st April 1940, the standard profits of a company might be increased by a sum equivalent to 8 per cent. of any extra capital employed in the business during the year for which E.P.T. was being assessed. The purpose of this provision was to encourage the use of capital for extra production, and the 8 per cent. was deemed to include a reward for risk. The effect on sugar refiners and others similarly placed, however, was that on any sums borrowed from their bankers to finance extra stocks, at say 3 per cent. they, could pocket the difference of 5 per cent., less Income Tax at 10s. in the £, or 2½ per cent. net. The Ministry's Finance Department nevertheless took the view that this was not a good reason for altering the decision, taken on administrative grounds, that the Ministry should not become the owner of refined sugar stocks; any more than in the case of oilseed crushers, who worked under control on a processing margin (the seeds and the product remaining the property of the Ministry), who therefore employed less capital than in peace-time, and were mulcted in E.P.T. accordingly. There was the further point that Tate and Lyle were really only recouping themselves for the E.P.T. they had had to pay as a result of the requisitioning of their stocks at a value above the book value. Both Ministry and refiners became increasingly disposed, as time went on, to take the rough with the smooth: 'the formula', wrote a director of Tate and Lyle in October 1943, 'is a conglomeration of approximations, the errors in which tend to cancel each other'. The Treasury, which was not generally given to paying tributes to traders, had remarked on the occasion of approving the A.R.P. settlement in principle, in October 1941:

> '. . . such evidence of willingness to co-operate by the trade certainly makes one more prepared to settle things in general on a basis of give and take than in those cases where one can be quite certain that the only consideration in the mind of the trade is how much they can take'.

V

No major alteration like that made in the refiners' formula was found necessary in the financial settlement with the British Sugar Corporation; but a good many complications crept in as time went on. These were mostly made necessary by the past history of the subsidy and the jealous eye kept upon it by the Public Accounts Committee. Comparisons were bound to be made between the amounts paid to the Corporation before the war and under control, for all that the conditions were so very different; and a deal of ingenuity was spent in trying to ensure that the comparisons were fair. More especially was it desired that the deficiency payment, representing the direct Government subsidy to the industry, should not appear to be inflated.

The process began with the fixing of the nominal price at which the Government should—momentarily—purchase Corporation sugar. This, it had been decided at the outbreak of war, should be a weighted average of the c.i.f. price paid by the Ministry for imported sugar during any fiscal year, adjusted for polarisation and for duty advantage. For the first two war-time seasons, foreign sugar was left out of this computation, as its price was so depressed by surplus conditions that it would have been unfair to the Corporation to include it. When quantities of Caribbean sugar began to come in under Lend/Lease, however, a notional price for them was inserted into the calculation, based on the United States bulk contract price. As this sugar was much dearer than Empire sugar, the Corporation got a progressively higher price for its sugar, and hence less by way of deficiency payment:

Year	*Average c.i.f. prices of imports (excluding Empire preference) basis* 96° *polarisation*	*Average prices paid to Corporation (including duty preference) basis* 98° *polarisation*
1939	7s. 6d.	12s. 7d.
1940	12s. 8d.	18s. od.
1941	13s. od.	18s. 4d.
1942	16s. 10d.	22s. 4d.
1943	18s. 5d.	24s. od.
1944	18s. 6d.	24s. 1d.
1945	20s. 4d.	26s. od.
1946	28s. 0½d.	31s. 11½d.

This higher income might be considered some set-off against the higher price the Corporation had to pay for beets, mostly on account of the increased acreage and the generous potato-price policy.[1]

Two other factors beyond the Corporation's control tended to increase the apparent size of the deficiency payment. In common with other refiners, it had been required to hold greatly increased stocks of white sugar from 1941 onwards, at a cost reckoned at over £250,000 in 1940–41, over £700,000 in 1941–42. Secondly, as the Corporation pointed out, the controlled prices for its by-products, sugar-beet pulp and molasses, had been fixed artificially low. Before the war these were mixed and sold as 'molassed pulp' at a price roughly the same as that of bran; but under control bran was about £2 a ton dearer than pulp, the difference constituting (said the Corporation) a subsidy to pulp users.[2] (As these were mainly beet-growers, the alternative would almost certainly have been an enhanced beet price, which would have appeared as part of the deficiency payment.)[3] The Ministry of Food and the Treasury agreed that reimbursements to the Corporation on both these counts should be made separately from 1942–3 onwards. That in respect of pulp and molasses worked out at

[1] Above, p. 61 ff..

[2] In war-time the greater part of the Corporation's molasses output was taken by the Ministry of Supply, only one-quarter being left for admixture with pulp.

[3] The growers claimed that pulp prices were an element in their costs. Above, p. 57.

about £1·1 millions a year (except in the disastrous season 1944–5); that for excess stocks dwindled with them—over £500,000 in 1942–3, a little over £150,000 in 1944–5, less than £40,000 in 1945–6.

The adjustments made a comparison between one year and another plausible; they did not render it useful except as a measure of the cost of a particular bit of food policy. For all that the deficiency payment was the offspring and successor of the pre-war subsidy, the functions of the two were quite distinct. The subsidy had enabled the Corporation to pay its way if it sold at the market price, incidentally measuring the competitive disability (if one may so put it) of the home-grown sugar industry. Under war conditions that disability could no longer be said to exist, for it can hardly be doubted that, had the industry been allowed to do so, it could have operated at a profit. The deficiency payment, therefore, was in essence not different from the bread or any other food subsidy; an expression of the policy of price stabilisation, not a measure of industrial performance.

It differed in detail, however, from other subsidies by reason of the 'incentive' element that had been taken over from the pre-war system, under which the Corporation was rewarded for economies in operation or penalised for diseconomies. Even before the war it had become evident that all the subtle skill of accountants could not cast out an element of luck from the calculation of these payments. As an official wrote in 1941:

> 'the incentive scheme does not measure economies achieved by the Corporation, but economies distorted by hazards of the year'.

Although the war-time calculation had been simplified, in that the performance in any given year was compared merely with that of the previous year (instead of a hypothetical performance by the 'transferor' companies at the level of efficiency attained in 1935–6), fresh difficulties were constantly arising. In 1941–2, for instance, the Corporation made a heavy loss on pulp-drying, compared with the previous year, which was traced to the requisitioning of molasses, normally added to the pulp, by the Ministry of Supply. As adding molasses to pulp cost virtually nothing—it being merely sprayed on—the Corporation was producing far less plain pulp, at no saving in cost, than it had hitherto produced as molassed pulp. Again, the production of Industrial Grade sugar at the Ministry's behest involved the Corporation in extra costs of some £10,000 (in 1941–2) which, unless some special adjustment was made, would count as a 'diseconomy'. The Ministry found little difficulty in accepting the Corporation's claim that these factors should be taken into account in computing economies; but this might not dispose of the technical obstacles to a satisfactory computation.

Moreover, even a comparatively trivial point might have substantial effects on the calculation. In June 1942 the Corporation arranged to increase the hours worked by its off-season maintenance staff from 47 to 52 per week, the extra hours, under an Industrial Court award, to be paid at time-and-a-half. This was done partly to increase the pay-packet and stave off a demand for higher wages, partly to comply with a Ministry of Labour campaign for longer hours to be worked by civilians so as to release men for the Forces. The Corporation had expected to make a saving in labour commensurate with the extra hours worked—indeed more, as it intended to keep the better workers and release the others—and had merely asked for the extra overtime pay to be allowed for in the 'incentive' calculations. But things did not work out that way. The 52 hour week entailed a 9½ hour day from Monday to Friday; the factories started work at 7 a.m. and employees might have had their breakfast between 5.30 and 6.15 a.m. They therefore demanded, and were granted, tea breaks of a quarter of an hour in morning and afternoon, totalling (with Saturday morning) 2¾ hours out of the extra five. No staff economies were possible, and the Corporation estimated that the 52-hour week had cost it, between June 1942 and March 1944, £30,000 for which there was nothing to show except the avoidance of a general wage increase. As the latter would have been allowed for in the incentive calculations, the Corporation felt that it ought not to have to bear the whole of this nugatory expenditure. This claim fell to be considered as part of a larger claim relating to the increased cost of maintenance for the whole of the war period, which (said the Corporation in June 1945) arose from the cumulative effect of conditions outside its control: the excessive length of the campaign, the processing of unsound beets, restriction of capital expenditure on renewals, virtual cessation of off-season refining (to which part of the cost could be charged), etc., etc.

Sugar Division was inclined to jib at claims such as these:

> '. . . the proposal amounts to a suggestion that the calculation . . . should be adjusted so as to exclude the effect of loss of efficiency attributable to war-time conditions. The incentive calculations were of course intended to ensure that the Corporation received its due share of economies effected, and the results would be divorced from reality if we excluded the effect of war-time conditions. . . .'

Moreover, there seemed no way in which the loss of efficiency generally could be measured in accounting terms; in any case the Corporation would recoup itself (by spectacular apparent *gains* in efficiency) when normal conditions were restored. (This actually happened in 1945–6 onwards.) The Comptroller- and Auditor-General and the Public Accounts Committee would not take kindly to a 'negotiated settlement based on general principles', however fair officials might think it to be. On the other hand, violent fluctuations in the results of the incentive calculations would equally attract the attention of the critics, would embarrass the Corporation's Directors by causing variations in the dividend, and would not be to the advantage of the Exchequer.[1]

Accordingly the Ministry and the Treasury were disposed to meet the Corporation on any item of 'diseconomy' that (*a*) could be plausibly shown to be due to circumstances beyond its control (*b*) was capable of reasonably exact measurement. Thus, for the year 1943–44, the deficiency payment for which had evoked the discussion, they were prepared to treat expenditure on the 2½ hours tea-break, but not on the whole five hours added to the working week, as nugatory;[2] and to make an adjustment in respect of the off-season maintenance expenditure that, because of the reduced scale of the Corporation's refining operations in 1943–44 compared with 1942–43, could not be charged against them. The effect of these allowances was to change a small diseconomy of £2,441, originally appearing in the 1943–44 accounts, into an economy of £6,253; which, when all the calculations provided for in the Incentive Agreement had been done, meant a payment to the Corporation in respect of accumulated economies of £59,251 instead of £44,190. As the sum total of the deficiency payment that year amounted to £4 millions, the difference of £15,000 might not be considered material even though part of it would inure to the Corporation so long as the Incentive Agreement should last; the point principally to be noted is the arbitrary element entering into each and all of these calculations.

VI

Broadly speaking, therefore, the Corporation was relieved of any ponderable (and sizeable) financial disadvantages arising from war conditions, and left to share the imponderables (including any genuine loss in efficiency through mismanagement) with the Exchequer on the terms laid down in the Agreement. For this purpose what mattered was not simply the amount of economies (or diseconomies) deemed to have been made in the year in question, but also the total economies to date and the year in which each successive increment (or decrement) had occurred. Every so often the Corporation might pass a milestone, represented by £50,000, along its road to greater economies, and would be allowed to keep a higher proportion—beyond £350,000,

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[1] Below, pp. 124-125.

[2] It was thought that it would be difficult to convince the Public Accounts Committee that the Corporation had received no benefit at all from the net 2½ hours increase in the working week; moreover, this was 'a proposition on which the Ministry of Labour would probably hold strong views'. The question of an optimum working week is so important that it was, perhaps, a pity not to have grasped the nettle on this occasion.

all[1]—of subsequent economies for the year after that in which they had been made. (In the actual year of their making, of course, it kept them regardless of their extent.) With the passage of time the proportion that might be kept, and the advantages of economies high in the scale over those lower in it, were both reduced. Of the first £50,000 (for instance) the Corporation kept 30 per cent. in the year after it was made, 10 per cent. in the third and subsequent years; of the eighth £50,000, 100 per cent. in the first year, diminishing annually to 25 per cent. in the seventh and subsequent years. All these figures were calculated with reference to the (excessively high) annual 'standard quantity' of 560,000 tons white sugar equivalent, so that the split of economies between Corporation and Exchequer, year by year, was determined by the notional amounts shown in the following table:

	Financial Year	*Notional Economies*	
		Annual	Total
		£	£
	1936–37	205,808	205,808
OLD INCENTIVE	1937–38	25,197	231,005
AGREEMENT	1938–39	33,353	264,358
	1939–40	185,468	449,826
	1940–41	–60,669	389,157
	1941–42	–33,717	355,440
NEW INCENTIVE	1942–43	4,778	360,218
AGREEMENT	1943–44	7,122	367,340
	1944–45	–190,407	176,933
	1945–46	225,301	402,234
	1946–47	144,063	546,297

It so happened that the change of the basis of comparison from pre-amalgamation costs to costs in the previous war year, embodied in the revised incentive agreement of 1942, coincided with the impact of war upon the efficient working of the industry. Whereas in every year up to 1940 positive economies had been achieved, a marked falling away took place in the following two years and (if one ignores the disastrous crop-year 1944–45) only a slow, almost nominal recovery thereafter. By 1946–47, however, the Corporation was back upon its upward path.

So much is clear on the face of the figures; but before concluding that war had deprived the Corporation of its just deserts for the space

[1] Subject to a ceiling of £500,000. It had never been expected at the time of the amalgamation that economies would reach this limit. Actually they might easily have done so in 1940–41 but for the war, and when they eventually did so in 1947 the Corporation successfully invoked Government undertakings of 1936 and a new 'column', giving an increased share of economies between £500,000 and £750,000, was added to the Incentive Agreement Schedule.

of six years, one must follow the accountants a little further. Under the agreement of 1938, the primary comparison of performance between any given year and the base year 1935–36 was followed by a secondary comparison with the year preceding. Each year the Corporation's estimated net loss was set against the 'standard net loss', allowing for price changes; the difference between the two was termed the 'accumulated economies' for the year. (A better, because less ambiguous, phrase might have been 'aggregated economies'.) Thus all economies, old and new, were valued each year at current prices, as was clearly right; a ton of coal saved is worth more if the price goes up. Thereafter it was necessary, for the purposes of the share-out of economies between Government and Corporation, to ascertain the notional[1] value of the 'current economies', those made for the first time. The Agreement provided that this should be done by simply subtracting one year's accumulated economies from the next year's, without allowing for price changes. This was bound to result in an incorrect apportionment of economies between past and present, whichever way prices moved. If they had gone up during the year, the Corporation would be credited with a higher proportion of current economies than it had actually achieved; if they had gone down, a lower. To put it another way, the amount of accumulated economies that should be credited to that particular year (and hence shared by the Corporation in the following years at the highest rate) was artificially increased or diminished to the extent of the change in price. Moreover, this effect became more marked as the total of accumulated economies increased.

	(*a*)	(*b*)
For example, suppose the Corporation starts the year with accumulated economies of	£100,000	£200,000
and ends it with accumulated economies (assuming no change in prices) of ..	£120,000	£220,000
Under the Agreement, its current economies are	£20,000	£20,000
Suppose now that prices rise during the year by 5 per cent.; evidently the value of the current economies will in fact be..	£21,000	£21,000
and that of the accumulated economies of previous years	£105,000	£210,000
making a total of	£126,000	£231,000
Under the Agreement, however, the amount of current economies credited to the Corporation for the future will be	£26,000	£31,000
If on the other hand prices fall by five per cent., making the current economies worth	£19,000	£19,000
the Corporation will be credited with ..	£14,000	£9,000

[1] *i.e.*, in terms of the 'standard quantity'.

Similarly with losses of economy; rises in price would diminish the apparent loss, falls increase it. (It should be noted, however, that the '100 per cent.' economies accruing to the Corporation in the year of their making were not affected by this distorting influence.)

When, in 1941, the war-time incentive agreement was being discussed, it was observed that the new basis of assessment, whereby the economies in one year were simply compared with those of the previous year, would prevent the Corporation from getting full value from its past economies in an era of rising prices, inasmuch as the accumulated economies up to 31st March 1940 would not be revalued in subsequent years. Sugar Division acknowledged that this was a defect in the war-time scheme:

> '. . . but we don't see a simple way out of the difficulty and we are unwilling to complicate the scheme more than is necessary . . . the pre-war scheme was not perfect in this respect as it had the effect in a time of rising prices of giving the Corporation the benefit of a higher percentage of old economies than it was strictly entitled to receive and we suggest that we might set the adventitious benefit of the past against the defect of the war-time scheme and call it a deal'.

At that time, however, no attempt had been made to measure the 'adventitious benefit', or indeed the effect of rising prices in general upon the Corporation's finances. An attempt at the more general question was made by the Ministry's accountants in the course of a report on the working of the incentive scheme, presented in March 1943 and covering its first five years, up to March 1941. It showed that over the period the price index for wages and materials, used in assessing the economies, had risen as follows (basis 1935-36: 100):

1936-37	101
1937-38	112·9
1938-39	117·4
1939-40	122·8
1940-41	137·7

But for the rise in prices, the total of accumulated economies, which in 1939-40 reached a peak of nearly £450,000, would have been nearly £80,000 lower; the total for 1940-41, after heavy diseconomies, would have been over £100,000 lower than the stated figure of just under £390,000. These figures were, of course, notional[1] and related to the standard quantity of white sugar; the payments to the Corporation were scaled down in proportion to the total output. Even so,

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[1] See the table on p. 119.

the amount it received over the five years in incentive payments was over £650,000; half as much again as had been forecast in the White Paper of 1936, on the assumption that output would approach the standard quantity. Had prices remained at the 1936 level, the excess over estimate would have been not one-half, but one-eighth; whether through good luck or good management the Corporation had in any case done rather better than had been expected, but its reward had been spectacularly better.

In this result there were three distinct elements: the rise in prices that increased the value of economies directly; the consequence of this increased value, namely that the Corporation passed more rapidly into the upper layers of the 'incentive schedule' and so kept a greater proportion of accumulated economies; and lastly, the 'adventitious benefit' from the method of calculation. It would require considerable labour to work out how much each of these elements contributed to the total unearned increment (put by the accountants at upwards of £170,000). But a rough estimate by the writer suggests that over-assessment of current economies in the three years 1937–38, 1938–39 and 1939–40,[1] on the 'standard quantity' basis, was of the order of £12,000; overpayment to the Corporation was, of course, considerably less. This amount can hardly be said to offset the loss that the Corporation must have made under the war-time agreement from the freezing of old economies at the 1939–40 value. The 'deal' of 1942 thus appears highly favourable to the Exchequer; the more so when one considers what would have happened if the old agreement had been applied in 1940–41, a year in which a loss of economies was accompanied by a steep rise in prices (over 8 per cent.). The ascertained figure for diseconomies, over £60,000, would have been diminished by 8 per cent. of the accumulated economies in 1939–40 (£450,000), i.e. by £36,000. This means that the Exchequer recouped in a single year, from the elimination of the 'adventitious benefit', an amount well in excess of the Corporation's previous gains from it. The combination of circumstances that year was, of course, exceptional; but there must have been a similar, though smaller advantage to the Exchequer in other years when the Corporation incurred diseconomies.

The first occasion on which this happened—in 1940–41—unmasked to Sugar Division yet another anomaly in the Incentive Agreement, this time not in the calculation of economies and diseconomies but in their differing financial consequences for the Corporation. This anomaly was rooted in the expectations of 1935–36. The White Paper of March 1936 on the amalgamation of the beet-sugar companies assumed 'that economies ultimately amounting to £300,000

[1] These were the only years in which the 'adventitious benefit' operated. In the first year (1936–37) there were no previous economies to distort the calculation, and for 1940–41 its basis was changed.

per annum can be gradually effected within six or seven years';[1] and the pattern behind this assumption was one in which the bulk, say two-thirds, of the savings were made in the first three years after the amalgamation; thereafter savings would become more difficult, and eventually all but impossible. Accordingly a schedule was drawn up for the apportionment of economies between Government and Corporation on what one might call the modified Red Queen principle. In order to stay in the same place, that is to say, maintain a constant income from economies year by year, the Corporation had to run faster, make more and more of them; but it was not made to run so much faster in later years as in earlier.

This device, for all its Lewis Carroll flavour, made sense in the light of the assumptions from which it derived. No one, in 1936, contemplated the possibility of diseconomies. But by the time the schedule came to be embodied in a formal agreement, two years had passed and a note of caution had crept in. It did not lead to a thorough reconsideration of the Schedule, which was preserved unaltered, but only to the insertion in the body of the agreement of a clause (13) reading as follows:

> 'If the accumulated economies at the commencement of any year of assistance are less than the accumulated economies at the commencement of the immediately preceding year. . . . the deficiency shall be deducted from the economies achieved in the immediately preceding year or if the [Sugar] Commission so decide from the economies achieved in any other preceding year. Such economies shall in respect of that year of assistance be deemed to be cancelled to the extent of such deduction'.

and although by 1941 the prospect of diseconomies was very real, this clause, *mutatis mutandis*, was incorporated in the war-time Incentive Agreement. The ink had only been dry on the revised clause a few weeks when its interpretation became a matter of moment. The Corporation's chief accountant had computed a loss of economies in 1940–41 amounting to £50,000 (later revised to £60,000), and had worked out the Corporation's share of accumulated (i.e. past) economies payable in 1941–42, the year following, by taking the figure of accumulated economies at the beginning of 1940–41 (£450,000), determining the share according to the Schedule, and then deducting from it the whole of the lost £50,000. He had, in fact, applied in reverse the procedure for a *gain* of £50,000, when the accumulated economies exceeded £350,000 and the Corporation was entitled to retain the whole of a new economy in the year following

[1] Cmd. 5139, pp. 15-16.

that in which it was made. The Corporation's auditors, however, pointed out that this was not in accordance with the Agreement; he should have begun by offsetting the £50,000 against the economies of 1939–40, and then apportioned the remainder. The point of this was that in either case the accumulated economies were treated as dating from 1939–40—'the 2nd preceding year' in the terms of the Schedule—in which the Corporation was entitled to retain 75 per cent. of economies in excess of £350,000. Hence the procedure indicated by the auditors meant that the Corporation forfeited, not the whole of the loss of economies, but only 75 per cent. of it. Moreover this advantage—whereby it was assessed for gains on one line of the Schedule, but for losses on the line next below—would continue for the next five years. In respect of this single transaction alone, the Corporation would retain, in all, a sum amounting to 75 per cent. of the loss of economies (subject to adjustments in respect of the sugar output in each of the six years).

Sugar Division was constrained to agree that the auditors were right. Further thought led it, moreover, to the melancholy conclusion that this was not the limit of the unearned increment the Corporation was deriving. The mere fact of a loss of economies—it was now realised—made nonsense of the whole notion underlying the Schedule, namely a continuous though diminishing reward for economies. For it meant that the incentive payment in respect of a year in which economies were lost would include a reward for making those economies in a previous year. Thus, if the Corporation raised its accumulated economies from £350,000 to £400,000 in year A, and slipped back again to £350,000 in year B, the 'current economies' would cancel out. But the incentive payment for year B would nevertheless include £50,000 in respect of year A's economies, that were already lost. (It might indeed be argued that even a temporary saving is better than none and ought to have some reward; but as a matter of policy, not as a result of miscalculation.) Speaking generally, the Corporation was one jump ahead of the Exchequer to the extent of up to 100 per cent. of the loss of economies in any year in which they occurred; though this advantage, unlike the other, was not perpetuated into later years.

This discovery opened up a disquieting prospect. Suppose the Corporation, instead of making the steady progress envisaged by the original Agreement, should proceed by alternate advance and retreat? It would find this highly profitable; a hypothetical but by no means unrealistic calculation indicated the possibilities. Suppose the Corporation started year A with accumulated economies amounting to £270,000, and finished year C with economies of £410,000. If its progress had been a steady upward one, with stages at £320,000 and £360,000, its share of the accumulated economies would amount (on the standard quantity) to £190,000 over three years. If, on the other hand, it had proceeded by leaps, with stages at £450,000 and £400,000 (which corresponded pretty closely to its actual performance in 1939–42) its share would amount to £315,000. The 100 per cent. economies were, of course, unaffected. The Incentive Agreement, it now appeared, was not merely a gamble on the weather; it was a gamble in which the Government's share had been dictated by the maxim 'Heads I win; tails you lose'. Officials could only comfort themselves with the reflection that 'as we have simply perpetuated a provision of the original Agreement we have a sufficient reply to any query'. For the rest, they made haste to agree with the Corporation on any adjustments that tended to even out the incentive results year by year. The Corporation, on its side, showed no disposition to exploit this aspect of the Agreement, always supposing that it was aware of it. At any rate, for the remainder of the war the incentive figures, whether in gains or losses, were quite small, so that the loss to the Exchequer was limited. There was one exception; the wholly disastrous year 1944–45, when the losses of economy were reckoned at £180,000. But by that time the greater part of the accumulated economies were so old that the Corporation's share in them—and hence its uncovenanted benefits—were much diminished. Perhaps for this reason, this defect in the Agreement, unlike the other, was allowed to drop out of sight.[1]

The decline in the rate of sugar extraction from beets during the war years suggested a deficiency of another kind in the incentive arrangements—that they did not furnish a sufficiently direct motive for efficiency in sugar-getting. It is true that the payment to the Corporation in respect of accumulated economies was directly related to the proportion that the output of sugar bore to the 'standard quantity'; the current economies, however, being not ascertained but effected, did not. The implication was that the Corporation might be tempted to 'murder the beet', i.e. push through the manufacturing process as swiftly and cheaply as might be, rather than go to greater expense, say by way of technical refinement, to improve the rate of sugar extraction. Departmental misgivings—and some misconception—on this point were echoed by the Public Accounts Committee some years after the war at a time when low rates of extraction were combined, as they had not been in the war years, with high incentive earnings. By then, 1950, the issue had been confused by the fact that Ministry spokesmen were no longer aware that the retention of current economies by the Corporation was an integral part of the original settlement, not a wartime novelty at variance with the national need

[1] In 1949 it was agreed that economies and losses of economy should henceforth be treated in the same way, *i.e.*, as the Corporation accountant had proposed in 1942. But this still left the Corporation in pocket in respect of past economies not sustained.

for maximum sugar output.[1] This misunderstanding had presumably come about because when the Corporation's subsidy was prescribed in advance, any current economies it could make accrued to it automatically and did not, therefore, have to be mentioned in the original incentive agreement; whereas under the war-time *post hoc* deficiency payment system a proviso covering current economies had had to be inserted. (Furthermore, it now seems to have been thought that current economies constituted an extra liability to the Exchequer in the very year of their making.) But while there was no difference between the peace-time and war-time arrangements under this head, the former did provide an indirect discouragement to inefficient sugar extraction, in that the Corporation did not have refunded to it in full any loss of revenue that resulted from its having less sugar to sell. It did get a sort of inverted bonus of 1d. or 2d. a hundredweight if the amount of sugar manufactured fell short by over 15 per cent., but that was all. Under the war-time arrangements this proviso[2] disappeared; the Ministry of Food made up any shortfall in the Corporation's revenue, thus allowing it to pocket any economy that might arise from making less sugar. Although there is not the slightest evidence that the Corporation attempted to exploit this situation—on the contrary, its concern about the fall in extraction was very great—the Committee's anxiety was natural. It would, however, have been asking a good deal to expect the negotiators of 1941 to start off *de novo* and devise an agreement that should encourage economical operation and high sugar extraction at one and the same time. To one not versed in the trade it would seem that there must have come a point at which these two requirements were contradictory.

It may be asked what all this welter of detailed analysis adds up to. The anomalies that so preoccupied officials were, let it be emphasised, latent in the original understanding arrived at in 1936 and embodied in legal form in 1938; the revised agreement of 1942 did no more than replace one particular anomaly, favourable to the Corporation, with

[1] The Comptroller- and Auditor-General, reporting on the 1948–49 Civil Appropriation Accounts, had received a plausible explanation from the Ministry, of the kind that someone seeking for reasons and ignorant of the historical facts would naturally devise: 'The war-time agreement did not mention the incentive element *because* [my italics] beet acreage was heavily increased. . . . and the Corporation were called upon to deal with larger quantities of beet than could be handled with full efficiency by the existing factories. The speed of slicing the beet had, therefore, to be increased, with a corresponding reduction in the rate of sugar extraction. . . . ' The Ministry's Accounting Officer, before the Public Accounts Committee, elaborated this mis-statement:
'. . . the element of direct economy, it would be perfectly right to say, was an arrangement introduced during the war (which has continued since the war) when the main preoccupation was to deal with an increased quantity of pulp (*sic*) and in contradistinction to the pre-war incentive agreement, it is not linked with the output of sugar per ton of beet. . . .'
In fact it would be perfectly wrong to say anything of the sort. But though the explanation was incorrect, it was correct to say that there was a loss to public funds.

[2] 26 Geo. V & 1 Edw. 8 c. 18, Fourth Schedule.

another that favoured the Government. Because such details were not thought out thoroughly in the first instance, the Corporation was given a higher incentive—even after 1942—than had been intended. (Had prices fallen, however, the incentive would have been lower than had been intended.) Secondly, the war rubbed in, what already was apparent to the informed, that the actual making of economies might depend as much on good luck as on good management; such violent fluctuations in results as those between 1939–40 and 1940–41, or 1944–45 and 1945–46, cast doubts on the concept of steady upward advance that underlay the incentive schedule.

Nevertheless, it is easy to press these criticisms too far and conclude that the whole notion of the incentive scheme was contrary to the public interest. It remains true that an incentive to economies was given and that, though sometimes fortuitous, they were real. Nor must one be misled by the conventions of accountancy into supposing that a sum, however large, paid over by the Exchequer in respect of a '100 per cent. economy', represents a loss. On the contrary, it stands for a prospective gain. If, in place of the original Schedule, the Agreement of 1938 had set down one headed 'Percentages of Economies achieved by the Corporation to be retained by the *Exchequer*',[1] successive Public Accounts Committees might have taken a less jaundiced view, and the anomalies, serious though they were, have been seen in better perspective.

[1] See Annex, p. 128.

ANNEX TO CHAPTER VI

Revised Form of Schedule to Incentive Agreement of 1938

Percentages of Economies achieved by the Corporation to be retained by the Exchequer

Economies achieved in a year preceding the Year of Assistance	That part of the First Economies or the Accumulated Economies achieved by the Corporation at the commencement of any year which							
	does not exceed £50,000	exceeds £50,000 but does not exceed £100,000	exceeds £100,000 but does not exceed £150,000	exceeds £150,000 but does not exceed £200,000	exceeds £200,000 but does not exceed £250,000	exceeds £250,000 but does not exceed £300,000	exceeds £300,000 but does not exceed £350,000	exceeds £350,000 but does not exceed £500,000
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1st preceding year	70	70	60	60	50	40	25	Zero
2nd ,, ,,	80	80	70	70	60	50	40	25
3rd ,, ,,	90	87½	80	80	70	60	50	40
4th ,, ,,	90	87½	85	82½	80	70	60	50
5th ,, ,,	90	87½	85	82½	80	77½	70	60
6th ,, ,,	90	87½	85	82½	80	77½	75	70
7th or any earlier preceding year	90	87½	85	82½	80	77½	75	75

CHAPTER VII

Miscellaneous Aspects of Sugar Control

I

THE worsening import situation in the summer of 1940 and still more, perhaps, the 'Dunkirk' atmosphere of that time, provoked much discussion on ways of curbing the luxury usage of sugar by manufacturers. It was thought that the further reduction of allocations, decreed for 1st July, might encourage the production of luxury lines for which high prices could be charged. The regulation of the ingredients a food manufacturer might use proved to be an intractable problem, and little effective was done about it until the end of 1942.[1] One measure, and one only, emerged immediately from the 1940 discussions; an Order that banned the icing of cakes, and the manufacture of candied peel and crystallized cherries. In part the Order was a response to a trickle of correspondence from the public against the moral obliquity of icing in war-time; in part, it was inspired by a study of the sumptuary restrictions imposed in the First World War, and particularly the Cake and Pastry Order of April 1917. The study had not extended, it seems, to Beveridge's comment on measures of this sort: '. . . the first Food Controller appeared unable to avoid the lure of the trivial. Attacks on "flaunting" displays in shop windows went hand in hand with orders about the price of sweets, the feeding of game, the meals to be served in tea shops, and the construction of buns'.[2] On the face of it, the 1940 Order was simple and straightforward: after the 5th August, 'no person shall put or cause to be put any sugar on the exterior of any cake after the same has been baked'; after the 2nd September, cakes 'upon the exterior of which any sugar has been put as aforesaid' might not be sold or offered for sale.[3] Sugar was defined to include glucose and fondant, but not chocolate couverture, which because it contained cocoa was regarded as virtuous. Similarly, the ban did not extend to drained or cut peel, or glacé cherries.

These exceptions reflected the considerable discussions that had

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[1] Vol. I, pp. 308-316.

[2] S.R. & O. (1917) No. 372; Beveridge, *op.cit.*, pp. 35-36. The quotation continues: 'On one occasion the chiefs of the Ministry sat in solemn inquisition round the library table, passing from hand to hand for judgement a selection of sugared cakes bought as specimens that morning; the exhibits later furnished a sumptuous tea for the typists of the sugar department'. It could not, however, be said of 1940, as it was of 1917, that these activities were 'divorced from any obvious measures of greater import'.

[3] S.R. & O. (1940) No. 1237.

taken place with the manufacturers of cakes and biscuits, and of 'bakers' sundries'. In view of these, officials may well have expected that the Order would present few administrative difficulties. If so, they were mistaken, though for the chief source of trouble the law, that bugbear of administrators, was largely responsible. This was wedding-cake. The original draft of the Order had imposed a delayed sentence—till 31st December 1940—on it, in order that the trade might use up stocks of 'cake boards' and sugar ornaments. After that, brides would have to make do with chocolate-covered cakes ornamented in plaster. The lawyers, however, advised that wedding-cake could not be defined in law, and so could not be exempted from the general proscription. Despite appeals from the sugar-millers (who made the special icing sugar) and bakers who pointed out that wedding-cake, being rich in fruit, could easily be made with a much *lower* sugar content (about ten per cent. including icing and almond-paste) than many un-iced cakes, the Ministry did not budge. The most it would concede was that exemption by licence might be considered if a watertight definition of wedding-cake could be produced by the trade—a condition that was never fulfilled.

This decision was particularly hard on the makers of sugar ornaments, such as birthday-cake candle holders and sugar flowers, that could be used only on the top of a cake. (Icing sandwiched between two layers of cake or biscuit was still legal, and so were chocolate éclairs.) Permission to use such ornaments on an un-iced cake was given temporarily[1] so that makers might dispose of stocks; but when this expired some firms had still considerable stocks outstanding. The Ministry refused to extend the licence further, being advised that to do so would be unfair to those firms that had got rid of their sugar ornaments and were marketing non-edible ones instead. It seems that the advice underestimated the extent to which the sugar ornaments were sold for use on home-made cakes. At any rate a sizeable trickle of appeals from firms to be allowed to sell their stocks—which would otherwise go bad—came in during 1941, culminating in a request from F. W. Woolworth and Co. Ltd. on 1st August: 'We are left with 412,966 single birthday cake candle holders distributed throughout our stores and warehouse. We are not allowed to sell these today because they contain sugar'.

The straightforward answer to this request would have been that there was nothing in the Order to forbid sale, but only use, of sugar ornaments. Sugar Division was understandably reluctant to point this out—'it would be somewhat cynical'. Nor could it suggest that the ornaments could be sold for putting on to cakes for export—another exception to the original prohibition—because by this time no licences

[1] By General Licence (S.R. & O. (1940) No. 1763) dated 30th September 1940.

for the export of cake were being issued. The quantity of candle holders, in relation to Woolworth's trade, was not very noticeable, but the Division did not want to arouse repercussions from other firms holding stocks. It therefore suggested to Woolworths, on trade advice, that they should sell the candle-holders as non-edible, mixed with the newer stock; and this was accordingly done.

Behind this subterfuge (which was repeated on several later occasions) lay the fact, unsuspected by Press and public at large, that the Order forbade the icing of cakes even by private individuals. (It came as a surprise to the Ministry's own Food Advice Division, which actually issued a recipe for icing cakes, in November 1941, and provoked a leading sugar miller in Ipswich by putting on a demonstration in the local gas showroom.) Every so often a conscientious bride-to-be, or her mother, would write to the Ministry invoking the procedure for exemption by licence explicitly set out in the Order. It was hard, as well as puzzling, for such to be told that neither their baker nor themselves might use sugar saved from the ration for such a purpose. Every so often, too, a newspaper report would tell of some splendid iced cake, and some correspondent would invite the Ministry to prosecute. (No record has been found of any prosecution of a private citizen for this offence.) As time went on, the embarrassment of this part of the Order became increasingly evident, and at length the opportunity occurred to get rid of it unobtrusively. In pursuit of further austerity, the Ministry's Bakery Division had promoted, in mid-1943, a more comprehensive regulation of cakes—chocolate couverture, for instance, was now to be prohibited—that, however, applied only to actions 'in the course of business'.[1] The sugar Order, therefore, except for the prohibition of candied peel and crystallized cherries, was revoked as otiose.

II

More important, and at least as troublesome to the Division, was the general problem of allocations of sugar for flour confectionery. The industry was a large one; it was reckoned, even in the austere conditions of 1942–3, to account for one-fifth of the total sugar used in manufacture (to say nothing of about half the oils and fats so used). It was conducted in units of very varying size. At the one extreme were the large producers like Lyons and Scribbans ('the largest cake

[1] S.R. & O. (1943) No. 688. See below, pp. 692-694.

manufacturers in the world', they claimed) distributing their output nationally—even zoning only limited their range comparatively slightly—or semi-nationally; at the other, a multitude of local bakers and cake shops, accounting for fifty per cent. of the producers, but only four per cent. of the production. For no class of maker did the simple datum-usage basis for allocation, introduced in February 1940, work well for long. Its chief disadvantage from the large firms' point of view was that it took no account of priority orders, e.g. for civil defence canteens, that they were securing in increasing amounts during 1940–41. Not unnaturally they expected to get sugar especially allotted for this purpose, but for several months were put off with the dusty and question-begging answer (to quote one occasion in November 1940) that 'supplies should be diverted from their normal civilian requirements to fulfil reasonable priority demands'.

Sugar Division had been aware for several months that this position could not be maintained indefinitely and that, moreover, the datum system as it applied to local traders must infallibly break down through population movements. The difficulty, at this primitive stage of food control machinery, was to devise means of adjustment. In July 1940 the experiment was tried of providing a limited supply (up to 25 tons) of sugar for each Divisional Food Officer to allocate at his discretion, either to assist firms 'whose priority demands could not be met at that time by other means' or to meet abnormal increases of population. A cushion of this size, however, was not enough to cope with the massive growth of priority demands or the effects of the great air raids, which not only brought about large-scale migrations and therefore shortage in reception areas, but might even create pockets of scarcity in the bombed areas themselves. The entitlement to supplies was given to a particular business, not a particular district; if a bakery was bombed, or the baker fled to a safe area, that amount of cake was denied the remaining inhabitants. So too maldistribution might arise because manufacturers restricted their areas of distribution so as to save transport, or stinted their wholesale customers in favour of their own retail shops.

Difficulties of this sort were, of course, common to a wide range of unrationed foods, and were much discussed in the Ministry during the spring and summer of 1941.[1] At one time Sugar Division declared that rationing of flour confectionery, or at any rate a consumer-retailer tie, was the only answer: later there was talk of putting it on 'points'. As yet, however, this would have been too drastic; it would have implied, moreover, a more positive 'consumption policy' for semi-luxuries than the Ministry of mid-1941 was yet ripe for. Instead, a course was taken that (it was hoped) would avert the extension of

[1] Vol. I, pp. 195-197.

control;[1] the cut in allocations, made in July 1940, was restored, making the level once again sixty per cent. of datum; and a local differentiation, to allow for population changes, was introduced on a sliding (or rather stepping) scale. Allocations for the eight-week permit period from 22nd September 1941 and thereafter would be increased by five per cent. (of datum) for each seven per cent. or part thereof by which the population of the area (measured by the 'reference leaf' register of ration-book holders) exceeded the mid-1939 estimate. At the same time, the discretionary allowances to Divisional Food Officers were withdrawn. In the next eight-weekly permit period, from November 1941, the principle was extended to areas where the population had fallen. It provoked some trade complaint, notably from Southend-on-Sea; sugar supplies to bakers there being cut from 60 per cent. to 30 per cent. of datum, while oils and fats, which were also ostensibly on a population basis, remained at 45 per cent. Similar complaints arose from Salford and the inner London boroughs; in their case a minimum allocation of 40 per cent. was authorised, in view of the considerable floating population. A more general easement was afforded by the decision to regard entitlement to supplies as belonging to the area, not to the individual business; if a baker closed down, his allocation was to be distributed among those who might be expected to inherit the trade. The definition of 'area' was for this purpose flexible, due attention being paid to prevailing conditions; the Division did not tie itself to rigid boundaries (as it might have had to do, had these allocations been statutory instead of being at the Ministry's discretion). Thus, for instance, when the advent of a Ministry of Aircraft Production establishment caused population of a small town, Corsham in Wiltshire, to rise from under 4,000 in 1939 to over 12,000 in 1943, allocations in the whole Calne and Chippenham area were overhauled by the Divisional Food Office, but the main increase was loaded on to the four bakers who actually served the industrial site.

In the later years of war, from 1942 onwards, allocations of rationed ingredients for cakes and flour confectionery ceased to be primarily a matter for decision by the Commodity Divisions supplying them. The development of consumption and utilisation policy in the Ministry meant the appearance of new organs (notably the Utilisation Committee of the Food Supply Board) for its determination;[2] more important, perhaps, the Division responsible for bread developed a lively interest in cake, as the need to conserve cereals and to economise bakery-trade resources became more acute. Significant of the changed centre of gravity was the Bakery Division's responsibility for the new

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[1] Vol. I, p. 311.

[2] *ibid.*, pp. 217-218.

sumptuary restrictions on cake.[1] Nevertheless the modified datum system of allocation was allowed to continue, and it was not until the last year of war that anomalies in it that had given trouble in administration were tackled. The Divisions had combined the friendliest co-operation in individual cases with a basic incompatibility of method. The sliding scales for sugar, fats, and dried fruit did not, as late as October 1944, give proportionate increases or decreases; the eight weekly periods for sugar and fats overlapped by four weeks, and permits (which had, of course, to be made out well in advance) were based on differing, as well as out-of-date, population figures. The migrations that followed the flying-bomb and rocket attacks exposed these anomalies as a nuisance to be ended. On 1st April 1945 the Divisions were at length brought into line.

Even so, it is doubtful whether more than a rough justice resulted, or could have resulted, from the system. To begin with, the number of ration-book holders recorded in a local Food Office had no very clear relationship with the number of people who relied on a town's shops for flour confectionery. The general level of consumer demand would have been better reflected by registrations with local retailers, and it is not clear why the figures of these were not used, as they had been for launching the points scheme. Secondly, the differentials based on population could not be applied to the national or semi-national distributors receiving their supplies through the Cake and Biscuit War-time Alliance. Thirdly, and perhaps most important, the datum basis to which the allocations were still ultimately tied reflected pre-war consumption figures that differed very widely, whether on account of economic conditions or traditional eating habits. It was frequently claimed, for instance, that the South Wales mining valleys had an unfairly low datum performance, owing to unemployment before the war. Certainly the amount of cake and flour confectionery available per head of population continued to be far from equal: in September 1943 it was reckoned at 12 ounces a week in London, 22 ounces in the North-Western Division, and as much as 30 in North-East Scotland. In terms of ingredients the advantage of Scotland was somewhat less, reflecting the predominance of bakery 'smalls' containing comparatively little fats and sugar: on the average, Scottish allocations per head amounted to one-third more than those in England and Wales. (Northern Ireland, on the other hand, got only half as much fats a head as Scotland, and two-thirds of the sugar.) In this as in some other instances, notably manufactured meat, the doctrine of fair shares was at variance with the tacit principle of preserving pre-war patterns of consumption. On paper, some form of rationing might have been fairer; but a commodity at once heterogeneous,

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[1] Above, p. 131.

perishable, and produced by a multitude of small firms would have been difficult to put into the strait-jacket of a rationing scheme.[1]

III

Control of sugar implied control of its ancillary products and substitutes. The most important of the former, so far as the general public was concerned, was the genus *syrup and treacle.* These were mainly produced in sugar refineries along with refined sugar, though some kinds of treacle gained their distinctive flavour from the use of cane molasses, imported as such. 'Golden-syrup' particularly was a bread-spread and liquid sweetener in universal esteem; it also made a useful contribution towards cheapening refining costs. From the start of sugar rationing, therefore, syrup and treacle enjoyed a high position in the scale of allocations to manufacturers. When these began, in February 1940, syrup and treacle manufacturers, like those of jam and chocolate, were given allowances equal to 70 per cent. of datum usage,[2] but this caused numerous complaints of shortage in the shops and at the end of July the allowance was raised to 100 per cent. When, early in 1941, preserves rationing had to be embarked upon, the readiness with which syrup production could be varied was used to provide a safety margin for the scheme; in March and April output was stepped up to double normal. In 1942, however, the introduction of the sugar-jam option reacted unfavourably on the demand for both jam and syrup, and in consequence syrup and treacle were transferred, in July, from the preserves ration to 'points'. Demand was stabilized thereafter at about 25 per cent. above the pre-war datum level.

By this time the syrup and treacle makers, at the instance of the Ministry of Food, had devised a scheme for the zoning of deliveries from the three centres of production, London, Liverpool, and Greenock. This involved some transfer of output from London to Liverpool, and accordingly a compensation scheme was devised on the lines of that in operation between sugar refiners. Each of the eight firms was allotted a quota for 'home trade' sales, based on performance in the year ended 30th June 1939, and compensation was received and paid (initially at the rate of 2s. 6d. a cwt.) in respect of deviations from the quota. At the same time, all syrups and treacles were classified into five grades according to sugar content and colour, and first-hand prices agreed on for each. Statutory intervention by the Ministry of Food

[1] Flour confectionery was of course, included in the bread and flour rationing scheme of 1946; but this scheme was so wanting in rigour that the fact proves nothing. See below, pp. 708-717.

[2] Above, pp. 23-25.

could thus be limited to the existing Order of January 1941, imposing a simple ceiling on retail prices.[1]

While, in sharp contrast with that of sugar, domestic consumption of syrup and treacle actually increased during the war, supplies to manufacturers were curtailed, so that they should not exceed the proportion allowed to those using sugar. During 1939 and 1940 there had, of course, been no control over the distribution of syrup and treacle; so that when allocations of sugar to the makers were restored, in July 1940, Sugar Division had no means of ensuring that the increased supplies found their way into the shops, as they were intended to do, and not into the hands of manufacturers eager to make good the reduction in their sugar allocations. Evidence that this was happening during the autumn of 1940 led the Division, in February 1941, to extend to syrup and treacle the system of datum allocation to manufacturers that already applied to sugar, but at a single rate—fifty per cent.

This involved some administrative complication because a few food manufacturers used, instead of or as well as syrup and treacle, types of molasses coming under the Molasses and Industrial Alcohol Control of the Ministry of Supply, which licensed all transactions at the rate of more than six tons every six months. The main consumers of this imported, duty-paid molasses were treacle makers,[2] but, again during the autumn of 1940, the Molasses Control encountered an increased trickle of demand from others, such as bakers and liquorice manufacturers. In consultation with Sugar Division it was agreed that these should also be curbed by applying a datum allocation, which from February 1941 onwards would also be at the rate of fifty per cent. (Treacle makers, of course, continued to receive molasses *pro rata* with their sugar supplies, as did makers of brewing sugars.) For a time there was a slight loophole in these arrangements, for small buyers of molasses did not require either a Food Office permit or a Molasses Control licence. From August 1941, however, a new Ministry of Supply Order,[3] aimed, it seems, at checking a black

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[1] S.R. & O. (1941) No. 42. Behind the simple phrasing of this Order, which authorised an increase of 1d. a pound in current retail prices of syrup and treacle, lay a network of financial adjustments between syrup and treacle makers and Sugar Division, consequent upon the surcharge on 'manufacturing' sugar. Their aims were:

(1) to put manufacturing users of syrup and treacle on all fours with users of sugar;
(2) to allow the makers of syrup and treacle an extra margin of 1s. 6d. a cwt. in respect of increased costs of which they had satisfied the Ministry;
(3) to provide for a uniform price increase on all grades of syrup and treacle, in place of an increase that varied with the sugar content.

In effect, the Ministry imposed a levy (which, if statutory, would have required a Treasury Charges Order) on all syrup and treacle.

[2] Some of them used a kind that was imported from Barbados in barrels, and in the first two years of war was still allowed to come in on private account under import licence. From 1942 onwards imports were forbidden, in order to save shipping, and the users were obliged to use substitutes either wholly or to eke out existing stocks.

[3] S.R. & O. (1941) No. 1142.

market in molasses, extended licensing to all transactions. Thereafter it was possible for the two controls (which had always worked in that close and informal harmony which comes from *expertise*) to ensure that there was no duplication of supplies to small firms as well as large.

The other sugar derivatives presented few difficulties to the control. The distribution of *invert sugar*[1] to brewers was controlled by Excise permits, and its price was regulated by a series of Orders to keep it in line with that of granulated (after January 1942, 'manufacturing') sugar and to meet claims of increased production costs. *Caramel*, a burnt sugar used as a colouring agent, was controlled by restriction of its raw materials (sugar, glucose, syrup, molasses, and [in one case] starch) on the basis of datum performance; manufacturers were instructed to restrict their customers similarly. *Candy sugar* and *liquid sugar*, in which one firm held a monopoly sanctioned by the Sugar Refining Agreement, were limited to 70 per cent. of pre-war output, in accordance with the similar limitation imposed on refiners generally. Supplementary amounts of candy sugar were, however, allowed to be made to meet the needs (in the same proportion) of those users who had previously relied on supplies from the Continent.

IV

More troublesome was *glucose*, which although chemically allied to sugar[2] is made not from it but from starch, most often from maize starch. Leaving aside the types used for medicinal purposes, of which by far the greater part was imported from the United States,[3] glucose may be either liquid ('corn syrup') or solid. Of some 125,000 tons of the former used annually in the food industries before the war, three-quarters was in chocolate and sugar confectionery, preserves, cakes and flour confectionery, and 'bakers' sundries'; each used between 4 and 5,000 tons annually. Production of solid glucose, amounting to some 15,000 tons a year, went mainly to brewers, either directly or in the form of 'brewers' sugars'. There was a small but essential non-food use of one or other type of glucose in a wide range of manufactures, from tanning, textiles, and tobacco, to glues, abrasives, and

[1] *Invert sugar* is produced by treating raw sugar with acid, producing a honey-like substance that ferments readily and that, in solution, has an effect on polarised light the *inverse* to that of sucrose. (In the First World War, 'Honeysugar' was marketed as a bread-spread when jam was scarce.) Brewers accounted for more than nine-tenths of consumption; the remainder was used in a variety of manufactured foods.

[2] And like it, liable to Customs or Excise Duty.

[3] The supply difficulty for powdered 'medicinal' glucose or dextrose (anhydrate and monohydrate) was largely overcome as a result of Lend/Lease; but the American industry itself encountered a shortage of raw materials.

electric light bulbs. Some makers of glucose also made its cousin, invert sugar, and the pre-war plans for controlling sugar had duly contemplated controlling these as well.

No sooner had war broken out than acute difficulty arose over raw materials for the industry. Maize, which was used by those manufacturers possessing grinding plant, came under the control of the Cereals Control Board,[1] which requisitioned incoming cargoes. Shipping delays and shortages, coupled with a few unlucky sinkings of maize ships from the Plate, rapidly made it extremely scarce. The Cereals Board agreed on 19th September to fix the price at which it would sell to glucose manufacturers, thus enabling Sugar Division to issue an Order controlling liquid glucose prices;[2] but it was very reluctant to let them have any maize. On 5th October the London Port Area Grain Committee issued a circular to the trade, stating that the sale or delivery of maize for glucose manufacture was 'prohibited', i.e. would be deemed to be a breach of the Committee's terms of sale. On the very same day the Cereals Board had been prevailed upon to find 4,000 tons of maize to keep the glucose manufacturers going; a week later, however, it was reported that no maize could be had for them in the Port of London. After further representations the Board agreed to supply maize, from early November onwards, at the rate of 2,000 tons a week.

The remaining glucose manufacturers, who could not use maize but relied on some form of starch as raw material, were if anything worse off. No starch control had been planned before the war, and although—perhaps in consequence—there were no restrictions on starch imports, they virtually ceased for a time. Holland and Belgium, possibly moved by the diversion of maize cargoes to British ports, prohibited exports of starch; imports from America were held up by high prices, high freights, and the fall in the value of sterling. Cries of alarm from the makers began to reach Sugar Division in the third week of September, but there was not much the Division could do except to press, within the Ministry, for the appointment of a Starch Controller. It did promote a scheme for sending maize for conversion into starch in Holland, which materialised after encountering some obstruction from the Cereals Import Branch at Godstone. The trade itself, thanks to its established connections, was able to secure increased supplies of farina, Holland and Belgium having lifted the export ban. Nevertheless, in December the largest producer of glucose, Corn Products Limited, ran out of starch (which it customarily imported from its American principals) and was forced to close for a week or two. This shortage of raw materials and uncertainty about their price had

[1] For the short-lived history of this body, see above, pp. 513-517.

[2] S.R. & O. (1939) No. 1276; amended ten days later, in consequence of the increase in sugar duty, by No. 1334.

caused Sugar Division to abandon price control early in November.[1]

The supply crisis brought about the appointment of a Director of Starch within the Cereals Control Board organisation; but the control was slow to take shape, and it was not until the Germans invaded the Low Counties and cut off the restored supplies than an Order was issued[2] covering even one type of starch—farina, which is made from potatoes. A comprehensive Starch Order was not brought out until December 1940.[3] Hence when Sugar Division introduced an allocation system for glucose on the same lines as that for sugar, it could do nor more than issue a standstill Order for prices, pegging them at the level then existing.[4] The glucose industry, through its trade association, was allowed to fix production quotas for the seven firms concerned, based as usual on pre-war performance, and glucose users were given permits to buy a proportion of their datum usage, fixed according to the use to which the glucose was put. At first there was no means of policing the production quotas—manufacturers were put on their honour not to accept too many permits; not only did numerous disputes arise, but the whole quota system was felt to be too rigid. In May 1941 therefore, permits ceased to be made out in the name of individual makers; instead glucose users deposited permits with the Glucose Makers' Association, which nominated the supplier. At the same time, a measure of zoning was introduced; all users north of a line from King's Lynn to Dolgelley were to be supplied by firms in Manchester or Goole, those south of it from London. The industry was warned that 'concentration' would be necessary, and invited to submit proposals.

At the end of 1941, however, the members of the Association had still not reached agreement on a concentration scheme, and the Ministry of Food was obliged to take matters into its own hands. In February 1942 the Ministry of Labour and the Board of Trade were informed that no objection would be raised to the stopping of production by four firms, of which the largest was the Tunnel Glucose Refinery at Millwall. The three smaller units, at Goole, Fenny Stratford, and Liverpool, were duly closed during 1942; but no one seemed to want the Tunnel works or labour for any war purpose, and it was not until May 1943, at the earnest request of the Ministry of Food, and on account of an increasing shortage of starch, that they were closed down. Although this shortage could be met to some extent by allocating more maize, glucose users were kept very short during the war; from 1942 onwards allocations for most food uses (other than brewing) ran at 40 per cent. of datum or less.

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[1] S.R. & O. (1939) No. 1600.

[2] S.R. & O. (1940) No. 706, dated 10th May 1940.

[3] S.R. & O. (1940) No. 2144.

[4] S.R. & O. (1940) No. 849. The Glucose (Control) Order was No. 848.

The introduction of full control for starch early in 1941 had made it possible to get away from the unsatisfactory 'provisional' basis for price control of glucose; the decision to put up the price of 'manufacturing' sugar made it imperative to do so. An Order[1] issued at the very end of December 1940 fixed a maximum price for liquid glucose of 45s. a cwt. (about twice the price it had been at the outbreak of war). As the Ministry now controlled both the alternative raw materials, it could adjust their selling prices so as to provide margins that were comparable for maize-using and starch-using manufacturers, having regard to the extra services deemed to be rendered by the former. Maize was to cost them £27 17s. 3d. a ton, maize starch, £33 15s. 6d. The Order had very shortly to be amended to provide a margin for glucose dealers acting as agents for manufacturers, and to allow extra charges for sales in smaller quantities than one hundredweight;[2] thereafter no price changes were made for for the rest of the war.

V

The remaining 'sweeteners' for which control was attempted—*saccharin* and *dulcin*—are synthetic substances having no affinity with sugar and no nutritive value. The principal ingredient of saccharin is toluene, which is derived in very small amounts from the coking of coal, and is mainly used for making explosives. The United Kingdom was very largely dependent on imports of toluene, which in war-time was controlled by the Ministry of Supply; and the amount of saccharin available to consumers turned mainly on what toluene the Ministry of Supply could spare. Saccharin was, like other sugar substitutes, liable to customs and excise duties; these, being based on its sweetening power (taken as 550 times that of sugar), far exceeded its intrinsic value. In 1939, saccharin selling at 13s. 6d. a pound bore excise duty at 36s. a pound; the customs duty was 72s. a pound, and imports in consequence negligible. The chief user of saccharin, accounting for nearly eighty per cent. of peace-time production, was the mineral water industry, which claimed to require a sweetener not liable, like sugar, to ferment. The sole manufacturers were Boots Pure Drug Company Limited of Nottingham, under an agreement with the Monsanto Chemical Company of America that provided for a single selling agency, jointly directed by Boots and Monsanto's British subsidiary, Monsanto Chemicals Limited, to market all saccharin not reserved for further manufacture, *e.g.* into tablets, by

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[1] S.R. & O. (1940) No. 2198.

[2] S.R. & O. (1941) No. 510. This was later consolidated with the Glucose Control Order of 1940, and extended to solid glucose; S.R. & O. (1943) No. 1707.

Boots themselves. The existence of this selling agency, British Saccharin Sales Co. Ltd., provided a ready means of controlling and allocating supplies of saccharin as a raw material. But the monopoly did not extend to soluble saccharin, nor to sweetening tablets compounded of saccharin and some inert substance: and the agency, as events were to prove, was by no means fully informed of the ultimate destination of its product.

Sugar Division, realising that rationing of sugar would increase the demand for saccharin, but having in mind, as it seems, mineral water manufacturers rather than the general public, had very early embarked upon negotiations with the saccharin interests and the wholesale and retail drug trades. These were willing to co-operate in a voluntary scheme for price control, provided that the Ministry of Food would prohibit imports and license manufacture. When, however, Sugar Division brought forward a draft Order to this effect, in February 1940, the Ministry's Orders Committee objected to it: partly on the ground that Treasury assent would be required for the prohibition of a dutiable import, partly because it would create a statutory monopoly, partly because it offered the consumer no protection against adulteration. Only the last of these arguments really had force, for even if the demand for saccharin in war-time should be such as to overtop the barrier of customs duty (even higher now that an extra 1d. a pound had been put on sugar),[1] it was extremely unlikely that would-be importers would get any foreign exchange. By the same token, however, there seemed little point in drawing anti-monopolistic fire by making an Order.

The trade took the news that the Ministry would not, after all, make an Order better than might have been expected; it was agreed to embody the voluntary scheme in an informal agreement between the 'commercial parties' and Sugar Division, on the understanding that the virtual, though not statutory, prohibition of imports would be continued. Saccharin tablets were to be standardised in full-strength (·3 grain) and half-strength (·15 grain) sizes; packets were to be only of 100's and 500's; and wholesale and retail prices were to be *fixed* (not maxima, as they would have been by an Order). This last provision, however, encountered a curious and fatal obstacle. On 10th May 1940 the Board of Trade made an Order[2] extending to saccharin, *inter alia*, the provisions of the Prices of Goods Act, 1939, under which price increases were permitted only to the extent of increases in cost. Boots had been accustomed to sell their tablets at a price well below that charged by the 'independent' pharmacist selling a branded article; they reckoned that if they raised their price,

[1] The *excise* duty on saccharin now stood at 83s. 4d. a pound.

[2] S.R. & O. (1940) No. 685.

which was now 10½d. a hundred, beyond 11½d., they might fall foul of the Board of Trade's local Price Regulation Committees. It was thus impossible for Boots to sign the agreement; and the idea was allowed to lapse.

During 1940 the demand for saccharin steadily rose, and the Ministry of Food had some complaints from would-be consumers that they could not get it. Output in May was already 8,000 pounds a week, six times the pre-war rate. Boots were establishing another factory, which was expected to begin work in February 1941 and which would—provided the ingredients were available—enable production to be doubled. Meanwhile the Ministry's concern was to establish a fair apportionment of saccharin between tablets, mineral waters, and miscellaneous food uses, the last of which were naturally tending to rise as sugar supplies to manufacturers were restricted. In January 1941 a provisional allocation, to be carried out by British Saccharin Sales Ltd., was agreed upon; assuming a monthly allocation of toluene amounting to 15,000 gallons, and producing 44,000 lb. of saccharin, 20,000 lb. would go for manufacture, 18,000 to tablets, 4,000 to export,[1] and 2,000 to build up a reserve. Shortly afterwards, as the result of a proposal (which ultimately proved abortive)[2] to withdraw the sugar allowance granted to caterers, the allocation to tablets was increased, extra toluene being allotted for the purpose. At the same time the saccharin interests undertook an inquiry into tabletting capacity, which they reported in May 1941 to amount to 32,000 lb. of saccharin a month. Even so, reports began once again to reach the Ministry of shortage and black market dealings, and the question of a control Order, which should embody the main provisions of the agreement proposed in 1940, was mooted. The Board of Trade was very willing to relinquish its interest in saccharin, for though its original powers of control were in course of reinforcement by a new Bill,[3] they would still not include power to control the quality of products. Discussions with interested parties, Governmental and otherwise, were amicable, but (chiefly because of the chemical technicalities inseparable from saccharin) took up two months; and when at the end of August the submission reached the Ministry's Orders Committee, it was turned down on the ground that the Ministry of Food ought not to control saccharin merely because it was a food-substitute. Sugar Division was constrained, as an official wrote, to hawk the saccharin question around Departments—the Board of Trade, the Ministry of Supply, and the Ministry of Health.

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[1] This was a nominal figure. Exports, in the conditions of early 1941, were described as 'negligible'.

[2] It foundered on the objections of the Armed Services, who refused, on grounds of morale, to extend it to Forces canteens.

[3] Subsequently passed into law as the Goods and Services (Price Control) Act.

Suddenly, however, the obstacle within the Ministry of Food was removed, by a decision to tackle the whole question of food substitutes.[1] By October a draft saccharin Order was once again before the Orders Committee, and this time it was approved in principle. Two additional points had had to be provided for. The first was what do about a particular brand of tablet made (it was claimed) in a specially refined fashion and sold mainly to diabetics at a higher price; this was to be exempted from the Order on an undertaking by the firm to limit output to 150 per cent. of the pre-war figure and to supply only against medical prescription. The second concerned *dulcin*, another artificial sweetener derived not from toluene but from phenacetin, a drug that despite its name originates not in phenol (coal-tar) but in petroleum. Sugar Division, at this stage, did not know very much about dulcin, except that it was only about half as sweet as saccharin, possibly toxic in large doses, and in normal times could not compete with saccharin because it bore the same rate of duty. Only one firm was known to be making it, mainly in the form of powder for use by food manufacturers; the firm's output of dulcin tablets was small, and at the request of Sugar Division it agreed to discontinue them. A paragraph was thereupon added to the Order prohibiting, in effect, the sale of any tablets containing dulcin. The grounds for this decision appear to have been, first, administrative simplicity; second, an assurance from the Ministry of Supply that dulcin depended on phenol—'regarding which the position between us and America under Lend/Lease is very ticklish . . . we should . . . if anything attempt to curb even the present level of production of dulcin'. This advice naturally outweighed a remark from the Government Chemist's Department that in view of the saccharin shortage it might be well to encourage the production of dulcin tablets instead of prohibiting them; it also obscured from view the further technical point that had emerged during the discussions, namely that a mixture of dulcin and saccharin might be sweeter than an equal amount of saccharin alone.[2]

A firm of manufacturing chemists had, in fact, been marketing tablets consisting of three parts saccharin and two parts dulcin, and in October 1941 had applied to Sugar Division for support in having their Blackpool factory scheduled by the Ministry of Labour as a 'protected establishment'. When told, early in December, that support could not be given because of the shortage of phenol, they retorted that phenacetin was not made from phenol. By the time Sugar Division had verified this by reference to the Coal Tar Control, the Saccharin Order had been issued and the question arose whether the

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[1] Vol. I, p. 310.

[2] This was adduced as a reason for maintaining the duty rates on the two at the same level.

firm should, like the firm manufacturing 'super-saccharin' tablets for diabetics, be allowed to continue after 1st February 1942. There seemed to be no objection on the grounds of raw material, for the Mines Department had indicated that supplies of benzene—from which phenacetin was ultimately derived—were enough to meet reasonable demands. The Division was however, doubtful about the tablets themselves and about the repute of the firm, whose business methods were, rightly or wrongly, heartily disliked by the rest of the trade. Their competitors were not prepared to warrant them as respectable;[1] and the moral disapproval they laboured under made the Division so reluctant to admit their technical claims that a report from the Government Chemist, which certainly bore these out to some extent, was described by a lay official as 'adverse' and made the basis of a recommendation that the prohibition be allowed to stand, subject only to a period of grace for the disposal of stocks. Higher authority, however, was more cautious; the firm had enlisted the support of the Federation of British Industries and of their Member of Parliament, and it was agreed that they must be allowed to state their case before the Ministry of Food's technical advisers. As a result of an interview on 26th March 1942, Sugar Division was constrained to admit the claim, and it only remained to determine the conditions under which the tablets should be authorised. To the disappointment of the Division the firm accepted the conditions—including a drastic reduction in retail prices from 1s. 3d. to 9d. a 100—and the saccharin Order was amended accordingly.

This was not the end of the Division's dulcin troubles by a long way; for it now appeared that the raw material was, after all, scarce. This was now stated to be *para-phenetidine*, which came under the Dyestuffs Control and was made into phenacetin by Monsanto Chemicals Limited alone; it later emerged that the Blackpool firm were buying phenacetin from Monsanto and turning it back into para-phenetidine as a preliminary to making dulcin. In September Monsanto stopped their supplies of phenacetin, on the ground that it was no longer being used for making drugs;[2] and they thereupon suggested to the Ministry of Food that they ought to be given an allocation of para-phenetidine, as more economical. The Medical Supplies Branch of the Ministry of Supply, however, would hear of no such thing; drugs must come before dulcin, particularly if produced in Blackpool. Sugar Division prepared to shed crocodile tears over the death of the saccharin-dulcin tablet; but these proved to be premature. The Blackpool firm reported that they were still able to procure dulcin from other makers,

[1] An aggrieved competitor, whose respectability was vouched for by the extreme expensiveness of his products, described them as of 'mushroom growth and straw reputation'. (They did not confine their sales to retail chemists.)

[2] Phenacetin is an ingredient in the pain-relieving tablets commonly known as 'compound aspirins', of which the Blackpool firm marketed a proprietary brand.

and, moreover, had devised a new sweetening agent that did not use any scarce materials; like dulcin, it was claimed to multiply so to speak) the sweetness of saccharin mixed with it. (This 'new' agent turned out to be *glucin*, which had been patented in Germany as long ago as 1893; and Departments were unwilling to sanction its use unless it were proven non-toxic.) In March 1943 they sprang yet another technical surprise on Departments by announcing the perfection of a process for making dulcin from *para-nitro-phenol*, which they claimed was readily available. This, like para-phenetidine, was a 'dyestuffs intermediate' and the Dyestuffs Control immediately took steps to stop it being used for dulcin. In April 1943 Departments agreed that the ban on both para-nitro-phenol and para-phenetidine for dulcin should be maintained, on grounds of scarcity. Meanwhile the Blackpool firm had made arrangements to use *phenetidine hydrochloride* instead (or as well); the only controlled ingredient they now required was industrial alcohol, which the Molasses Control would not release without a special recommendation from the Ministry of Food.

The prospect thus opened up, of a continuous chase by Departments after an ingenious chemist who always seemed to be one jump ahead, was altered by a change in the Ministry of Food attitude towards dulcin, brought about by development on the main—saccharin—front. In the first place, the Ministry of Supply could no longer spare so much toluene from explosives for saccharin; allocations, which had been as high as 20,000 gallons a month in mid-1941, were reduced by stages to 12,000 gallons a month from April 1942 and to 10,000 gallons in April 1943; a reduction only partly offset by Boots' devising a new process that improved the toluene/saccharin conversion ratio. Secondly, it was decided in the autumn of 1942 that the soft drinks industry, then in course of concentration,[1] must be made to rely largely, if not wholly, on saccharin; this would have to be at the expense of tablets, though it was proposed to maintain the output of these at the same level by the simple expedient of reducing the saccharin content from ·3 to ·2 gr.[2] Thirdly, the Ministry of Food Enforcement Division was increasingly concerned about black market dealings in saccharin, and the Orders Committee, which a year before had done its best to stop the Ministry having anything to do with the stuff, now called for a more stringent regulation of it. Sugar Division did not much like the idea of a permit system for saccharin users, and the British Saccharin Sales Company declared it to be unnecessary and scouted the notion of misuse on any large scale. The Orders Committee, however, was more inclined to be impressed by the evidence of high black market prices—up to £30 a pound—

[1] Vol. I, pp. 331–333.

[2] This was done by S.R. & O. (1942) No. 2455. The 'half-strength' tablet was abolished; but the exemption for 'super-saccharin' tablets was continued.

being paid for saccharin, than by the small proportion of the total saccharin output that could be shown to be involved.

Reluctantly, therefore, Sugar Division, in consultation with the trade, worked out a licence-cum-permit scheme. An order[1] of May 1943 prohibited the use of saccharin and saccharin-dulcin tablets for the manufacture of 'any product' and of saccharin powder, soluble saccharin, and saccharin solution for any food except soft drinks. Manufacture of saccharin and dulcin in any form, and trading in them otherwise than by retail, would henceforth require licences or permits respectively. These were to be issued not through Divisional or local Food Offices, but by Colwyn Bay; at the suggestion of the Government Chemist's Department, which had expressed concern at the poor quality of some dulcin being marketed, minimum specifications were to be laid down for it; the use of phenacetin for making dulcin was also to be forbidden by the terms of the licence. The licensing provisions came into force on 25th July 1943; the prohibitions, on 29th May. So many unsuspected but worthy uses of saccharin were, however, disclosed once the Order was issued that a temporary General Licence[2] had to be issued allowing stocks (other than those in tablet form) to be used up during the next eight weeks. Thenceforward, licensed users were put on a formal datum basis for allocations of saccharin.

To judge by the lack of complaint, and the fact that no further changes of substance needed to be made in the Order,[3] this degree of control over manufacturing uses was sufficient. Perhaps because allocations of toluene were increased from 1944 onwards, the Ministry did not need to undertake the heavy task of controlling tablet sales (as distinct from tablet manufacture). The supply position for tablets was further eased by a more or less obligatory *volte face* over dulcin, resulting from the decision to make allocations of saccharin official. The makers of mixed saccharin-dulcin tablets got a title to saccharin based on previous performance; in logic they had now to be given a title to the ingredients for dulcin, and Sugar Division, which had hitherto connived at attempts to cut off their supplies of these, now stood *in loco parentis* to them in face of other Departments. It extracted a price for this sponsorship—the abandonment of any claim to exclusive rights, which the firm had endeavoured to secure by filing a provisional patent application. Several more firms, one of them the original producer of dulcin from imported raw material, which had

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[1] S.R. & O. (1943) No. 669. A special licence to use saccharin had to be issued to the makers of the Ministry's new drink for adolescent workers, 'National Milk Cocoa'.

[2] S.R. & O. (1943) No. 784.

[3] A consolidating Order, with some minor amendments was issued early in 1944 (S.R. & O. (1944) No. 69), and remained in force till 1949, when the major provisions were revoked (S.I. (1949) No. 945).

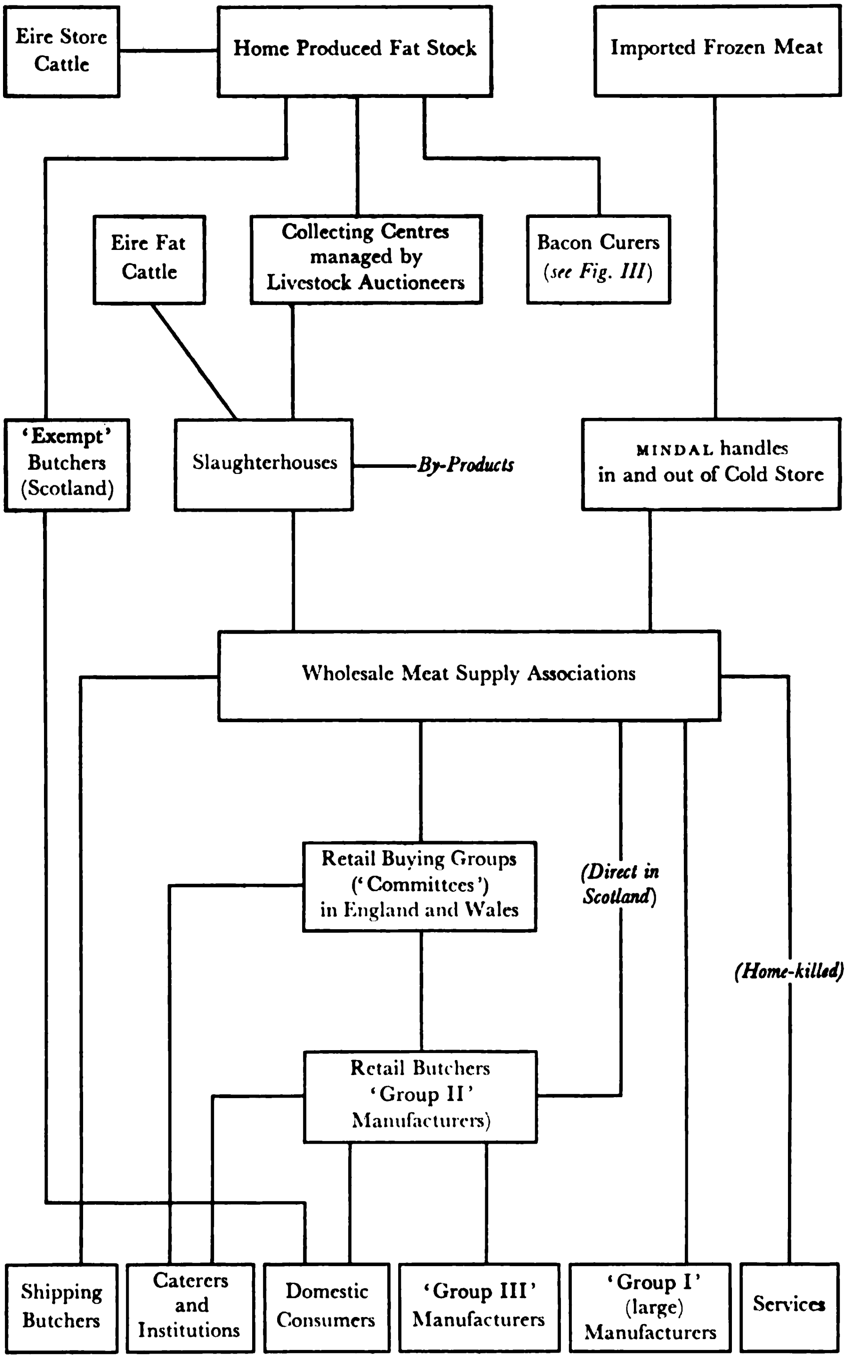
been asked to discontinue making pure dulcin tablets in 1941, received permission to make mixed tablets. Another firm, which had been discouraged when, in the winter of 1942–3, it first attempted to set up as a manufacturer of dulcin, was by the end of 1944 producing it in quantity for allocation by the Ministry to tablet manufacture and other approved food uses, such as pickles and sauces.

The change of front could be defended on the ground that dulcin for controlled use was a different matter from bootleg dulcin, or rather dulcin made with the permission of nobody but H.M. Customs (which, to the chagrin of Sugar Division, had explained that it could not withhold a licence to manufacture from anyone who complied with the statutory conditions). However, once the Orders Committee's original scruples had been overruled, there had been nothing to have prevented the Division from taking the more positive attitude towards dulcin that the Government Chemist's Department had suggested in the autumn of 1941. Misinformation about the substance itself was partly responsible; still more responsible, however, was the fact that the pioneers of the saccharin/dulcin tablet were not in good standing with the drug trade generally. This secondary consideration all but outweighed the primary one, namely the usefulness of the tablet in war-time: yet, if the makers' respectability were in question, it lay within the power of the Ministry—as events proved—to make them behave. Had they been more respectable, less resourceful and ingenious, though in the pursuit of profit, a timely product would have been snuffed out by official disapprobation and the hostility of vested interests.

Part II:
Meat and Livestock

FIGURE II

Meat and Livestock under Control



CHAPTER VIII

The Antecedents of Control

I

MEAT control in the first Ministry of Food began on a note of experiment and adventure. The 'whirlwind trio'[1] of officials from the Army Contracts Department, whom Lord Rhondda brought with him to the Ministry in June 1917, had already in draft outlined a scheme for the control of home-produced meat; it was based on their experience in dealing with wool and hides, and its occasion was a temporary foray by the military into the livestock market, planned for the latter half of that year. Normally the Armed Forces were, for obvious reasons of convenience and cheapness, fed on frozen meat from abroad; and very early in the war the Board of Trade had taken effective control both of overseas supplies and of the refrigerated shipping for bringing them to this country. The lion's share was taken by the military—80 per cent. of meat from South America, less of Australasian mutton and lamb—and what they did not want was passed on through the normal civilian channels without any control of retail prices. Already in September 1915 the Cabinet was being told that military demands at their peak would reduce supplies for the civilian population below normal by an average of two pounds per head per month: 'the Board [of Trade] have issued and distributed widely a notice urging economy in the consumption of meat, and the Board of Education have issued a pamphlet recommending various foods as supplements to a meat diet'. 'The effect on prices has been very serious': wholesale prices of frozen beef had risen by some 80 or 90 per cent. over pre-war, of chilled beef by 70 per cent., of home-killed beef by 50 per cent.

By the early part of 1917 the position had become acute; on 4th April, Lord Devonport imposed a meatless day in catering establishments, but took it off a month later in order to save bread. Scarce though civilian meat supplies were, there were influences at work bent on making them scarcer still. The 'Royal Society experts' were advocating, on principle, a reduction in livestock numbers to balance the reduced supply of feeding-stuffs; like their successors a generation later, they found support from those who saw in a slaughter policy

[1] The phrase is Coller's (op. cit. p. 67); the trio were Messrs. U. F. Wintour, E. F. Wise, and E. M. H. Lloyd. For the memorandum (by Wise) that Lord Rhondda had in his pocket, see Lloyd, *Experiments in State Control*, Appendix 8.

a means of alleviating current shortages. The Board of Trade's stocks of frozen meat had run low; in order to replenish them, it suggested feeding the Army on the extra beasts the scientists wanted slaughtered. In March 1917 the Cabinet approved the plan, and an expert Committee was in due course appointed by Mr. Prothero, President of the Board of Agriculture and Fisheries, to carry it out. What would later have been called the 'target' figure of cattle to be acquired was set at 250,000, or about one-tenth of the normal kill; but as the scheme was only to last from August to December 1917 inclusive, it meant an increase of nearly one-quarter in slaughterings during that period.

The operation required, and got, elaborate planning 'on the ground': slaughterhouses were selected, additional lairage provided, and panels of Government buyers appointed during the summer. A stock of home-killed meat was mooted, but abandoned (except for one experimental store at Cardiff) when it was found that to adapt existing cold stores for freezing down meat would diminish their capacity by one-third. The question of widest import, however, was the price to be paid by the buyers. Sales for the army were to be voluntary, with the big stick of requisition held in reserve; it followed that, if a scramble between army and civilian buyers were to be avoided, the price of all meat (or at any rate all beef) must be controlled.[1] Lord Devonport, shortly before leaving office, had agreed to fix wholesale, and perhaps retail, maximum prices 'somewhat lower than the prices that might normally follow from the army maximum prices for cattle'; and a press notice forecasting price control, though not without reasonable warning, was issued by the Ministry of Food on 7th June. On 15th June Lord Rhondda became Food Controller. He and his aides were well aware—none better—that control of prices would not work without control of supplies, and they did not shrink from the latter. But it would obviously take time to bring into effect, and they were committed to controlling prices almost immediately. Moreover, the scale proposed for the army purchases—77s. a cwt. live weight in August, falling to 72s. in October-December—reflected an inflated price level that had, they argued, no justification in comparably increased production costs. They planned to win approval for control by 'an immediate and drastic reduction of prices', which, 'by making it unprofitable for the farmer to continue fattening his existing stock might even increase the available supply (of meat) during the coming months . . .' They too had hopes of freezing down any surplus meat that increased slaughter might produce: 'a reserve of meat would be more economical than a

[1] This reason, given to the Cabinet in July 1917, is the exact opposite of that subsequently given in the Report of the Army Cattle Committee and quoted by Beveridge (op. cit. p. 141): 'It was not to be expected that civilian consumers would endure having to pay more for their meat quality for quality than the army did'.

reserve of living cattle'.[1] Lord Rhondda accordingly rejected the scale of prices to which Lord Devonport had agreed, propounding a lower one instead; the Agricultural Departments stood out for the former, and eventually a compromise was reached that took the original figures for September and October, and the lower figures thereafter, reaching 60s. a live hundredweight for January 1918. On 19th July the War Cabinet confirmed these prices, which were announced the next day.[2]

Thus came into being the famous 'descending scale' about which controversy raged at the time and thereafter. Protests throughout July and August from farmers and butchers alike were unavailing; on 3rd September the Ministry of Food brought into force the corresponding scale of wholesale prices, and empowered local Food Committees to fix retail prices. Control of supplies was, of course, still several months off, and before it was ready the heavy slaughterings that had been forecast (but that now provoked alarm in the Ministry of Food)[3] had given place to scarcity. By mid-December meat distribution, thanks to controlled wholesale prices, had completely broken down. On Christmas Eve (a day to be associated with another meat crisis a generation later) the Ministry made its first Order controlling sales of cattle, incidentally abandoning the descending scale of prices; three weeks later a similar Order was applied to sheep.[4] In February 1918 meat rationing was introduced in London and the Home Counties; in April it was extended to the whole country. By May the structure of meat control was virtually complete.

The new Food Controller's price policy had thus failed of its main objective: 'the laws of political economy', says Beveridge, 'took their inevitable revenge upon half measures. Dislocation followed and prices were not lowered'. The descending scale 'was in flat contradiction to economic common sense and to the facts of farming', which require that the price of livestock shall rise during the winter months to compensate for higher costs of feeding and to encourage even marketing. Its secondary objective, to produce a surplus of cattle for army needs, was but partially achieved; some 76,000 head only were bought, yielding upwards of 20,000 tons of meat, or 5 per cent. of the total consumed by the army in 1917. The Reports of the Army

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[1] E. M. H. Lloyd, *op. cit.* pp. 164-165.

[2] Beveridge, *op. cit.* pp. 140-142. Lord Rhondda's statement in the House of Lords (ibid. p. 142 n. 2) that the final scale was agreed between all concerned is borne out completely by the documents.

[3] An order (S.R. & O. (1917) No. 1299; Cd. 8907) of 14th December prohibited the slaughter of calves (except Ayrshires) without licence, the sale of home-killed veal except in the form of manufactured meat, and the sale of home-killed lamb between 1st February and 15th June 1918.

[4] S.R. & O. (1917) No. 1336 (Cd. 8951); *ibid.* (1918) No. 37 (Cd. 9859).

Cattle Committee do not say whether this was because the animals were not needed, or because they were not available; a complaint by the Ministry of Food in October 1917 that some army buyers were paying more than the stipulated maxima suggests the latter. The fact that the increased slaughterings that autumn were just as marked or more so for sheep and calves (in which the army was not interested) as for beeves, suggests that they were prompted by the shortage of feeding-stuffs for the winter rather than by price manipulations.[1] At any rate there is little evidence of cattle having been marketed before they were ripe for slaughter, as had been feared in some quarters when the Army Cattle Scheme was being discussed.[2] It may well be, therefore, that the chief effect of the descending scale of prices was to raise the political temperature in which meat and livestock control was introduced.

However that may be, a control introduced in such haste—for six months is no time at all where such things, involving much negotiation, are concerned—was bound to be eclectic and improvisatory in its choice of machinery. A key piece of mechanism, the constitution of the livestock auctioneers as Government meat buyers, lay ready to hand in the Army Cattle Scheme; another, the assessment of demand by tying the consumer to the retailer, was, of course, the prevalent rationing doctrine first applied to sugar.[3] Originally it was proposed to give local authorities, presumably through the Food Control Committees, wide powers over distribution and even over slaughtering, but this proved impracticable. A possible alternative, placing control in the hands of the Divisional Food Commissioners, may not even have been considered; as Coller remarks, 'nobody realised at the time of their appointment how extraordinarily efficient the Commissioners would turn out to be'. Instead, a completely separate Area Meat and Livestock Organisation was created, directly responsible to the Commodity Division at Headquarters. (This, says Coller, was a prolific cause of friction regionally; as for Scotland, 'there was war to the knife from the outset'.)[4] Another feature of

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[1] The maximum wholesale prices for mutton, lamb, and pork were not on a descending scale (S.R. & O. (1917) No. 903; Cd. 8733).

[2] Notably in a letter sent to the Secretary for Scotland by the Highland and Agricultural Society of Scotland in July: 'the provisioning of the Army with home-produced beef must eventually . . . entail diminution of the amount available for civilian consumers. It is clearly desirable to avoid any aggravation of this by wasteful slaughter such as the proposal under discussion seems to entail. . . . it would be better that the inevitable diminution should be partial and gradual, rather than . . . in the form of an actual failure of supplies. . . . It appears to us particularly undesirable that such a failure should occur during the period between November and February, in which the cattle, proposed to be slaughtered now, would normally fall to be consumed'. The Society went on to suggest the restriction of civilian demand for meat as a way of bringing down prices.

[3] See. Vol. II for a discussion of meat rationing generally.

[4] *op. cit.* p. 81.

organisation worthy of note was the grouping of wholesalers into nine wholesale meat supply associations, and of retail butchers into local buying committees receiving a joint allocation of meat and dividing it up among their members.[1]

Although the marketing of livestock was subjected to a standard procedure—all beasts having to be sold at authorised markets to the 'Government buyer'—the same was not true of slaughtering, where three options were allowed. A butcher accustomed to slaughter his own beasts might continue to do so if he held a permit to purchase livestock; a buying committee might do the same on behalf of its members. Secondly, the slaughter might be done by or on behalf of a wholesale association which thus received live animals but sold dead meat. Lastly, the farmer might consign his animals to a slaughterhouse and receive payment for them, not on the estimated 'outturn' in meat and by-products, as assessed by the market graders and converted to live-weight, but on the actual outturn (the dead-weight basis). Clearly, this last basis has marked theoretical advantages; it enables more accurate allocation of supplies further down the chain of distribution, and it removes an element of uncertainty from the financial arrangements, by relating payment directly to value received. The Ministry of Food, in the first period of control, strove to extend it by establishing government slaughterhouses and encouraging establishment of these slaughterhouses by farmers' co-operatives.[2] An incidental advantage was that such slaughterhouses made better use of the by-products. Nevertheless, the live-weight basis appears to have remained the norm; unfortunately for the would-be reformers, it appears to have worked, on balance, to the advantage of the farmer; the graders, it was afterwards declared in the secret official history, were often prejudiced in his favour and gave him the benefit of the doubt. As a consequence, retail butchers buying for slaughter might find themselves short of meat; wholesale meat supply associations, who handled the beasts as Ministry agents, would charge up any short weight to the Central Livestock Fund. In the first fifteen months of control, these grading losses were estimated at over one million sterling.

The institution of a régime of controlled prices meant, of course, that the adjustment of supply to rationed demand required deliberate administrative action, whether at local, regional, or national level.

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[1] An account of the organisation from the creator's point of view will be found in Lloyd, *op. cit.*, especially pp. 171-200.

[2] Mr. Lloyd (p. 191) describes this as 'an important result' of control; but by July 1919 the Meat and Livestock Control was pleading for a reversal of the policy of encouraging co-operative slaughterhouses: 'it is found that less regard is paid to the instructions and financial interests of the Ministry and a much looser system of accounting exists than in other slaughterhouses'.

The unknown quantity was the rate at which cattle and sheep for slaughter would come forward week by week:

> 'At the beginning of the period of control', to quote the secret official history, 'it was deemed possible to devise a system whereby definite official knowledge could be secured of all the stock in the country and its whereabouts by means of a census kept up to date, so that the supplies and their readiness for use could be determined and the stock, so to speak, ordered forward. In practice, however, this did not prove feasible. . . .'

Although farmers were required to give a fortnight's notice of the stock they expected to have ready for slaughter, and although seasonal variations of prices (evened out, so far as the consumer was concerned, through the Central Livestock Fund) was used to encourage regular marketing, the supply of livestock 'constantly fluctuated. . . . To have attempted any systematic plan of rationing meat with nothing but home supplies to draw up on would have been practically impossible . . . It was the existence of a frozen meat reserve that ensured its smooth working in Great Britain'.[1] This reserve was, so to speak, mobile, and could be thrown in at a moment's notice to plug any gap in supply. At first it could be used, also, as a means of keeping down meat prices, which under rationing were uniform regardless of grades or origin; to the rationers, 'meat was meat'.[2] During 1918, however, shortage of supplies and of shipping forced the Ministry to buy heavily in Canada and the United States at prices which showed a loss; in September the price of all meat was raised by 2d. a pound for six months, in order to recoup it.

The policy of averaging meat prices was continued even after the uniform scale had been abandoned in favour of a difference between home-killed and imported; more generous prices for livestock, granted for the season 1919–20, were prevented from affecting the price of home-killed meat (and perhaps making it unsaleable) by a deliberate overcharge on imported supplies. By the autumn of 1919 this policy was on the point of foundering. Cold stores were choked with imported meat bought on long-term contracts[3] and no longer required by the Army, the consumption of which was restricted by its artificially high prices; and there was a glut of home-killed meat nevertheless. Decontrol, the obvious solution, would have meant an end to guaranteed prices for farmers and laid the Government open to charges of breach of faith; continued profiteering on frozen meat

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[1] Lloyd, *op. cit.* p. 199.

[2] Beveridge, *op. cit.* p. 340.

[3] By the Board of Trade, without adequate consultation with the Ministry of Food which had the job of disposing of it. 'The Board of Trade', wrote the Director of Meat in November 1919, 'still treats us as the sink down which all their waste can be poured'.

exasperated the suppliers overseas and was unfair to the poor. After much debate Ministers decided that imported meat should be decontrolled, thus leaving the Ministry of Food to stand the cost of the guaranteed price to farmers. The Minister of Agriculture for England and Wales (Lord Lee of Fareham) was prepared to go further and decontrol all meat at the same time, provided that other home-produced foods were treated in the same way; and the English National Farmers' Union was willing to agree. The Scottish and Irish Farmers' Unions, however, were not; whereupon the Cabinet asked if decontrol could be confined to England and Wales. The Food Controller's reply was that this would be onerous and (as the farmers desiring continued control were those who would be sending forward the largest number of inferior cattle) not appreciably less expensive than maintaining the original bargain in its entirety. At the will of a minority among producers, '. . . . the elaborate machinery of livestock control, costing some £250,000 a year, was kept running till 4th July 1920 and was then ended at the most dangerous period of the year for consumers'.[1]

II

The period of control left little or no permanent mark on the industry. The hopes that the Government or co-operative slaughter-houses would cause the dead-weight system of payment to catch on with farmers, expressed by an Inter-departmental Committee on Meat Supplies (the 'Bridgeman Committee') in October 1919,[2] were already fading when the Linlithgow Committee reported on meat in the summer of 1923. Indeed, less than half of the fat cattle sold in England and Wales in 1922 were weighed at all; nearly all fat sheep and fat pigs, like the remaining cattle, were sold by head; a practice that was held to favour the dealer against the farmer.[3] The Linlithgow Committee was puzzled by the apathy of farmers in face of this practice: 'the weighing of all fat stock before sale is an overdue reform'. 'No other merchandise in the country of such value is disposed of in so haphazard a way'.

The word *haphazard* sums up the objections of a whole generation of reformers to the marketing of livestock, as of so much other agricultural produce. The very variety of the methods by which supplies

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[1] Beveridge, *op. cit.* p. 293.

[2] Cmd. 456.

[3] Cmd. 1927, §§46-55.

might reach the consumer[1] seemed untidy and argued for the presence of too many middlemen and an excessive distributive spread; though the demonstration that these evils actually existed cannot be said to have been convincing even to farmers themselves. At any rate various projects for encouraging sale by grade and dead-weight fell upon stony ground; as late as 1938 less than 3 per cent. of fat cattle slaughtered were sold in this way. The arrangements for slaughtering appeared equally miscellaneous and untidy, particularly in England and Wales, with 16,000 slaughterhouses or more. (In Scotland, Burgh authorities had long enjoyed the power to establish public slaughterhouses and *ipso facto* abolish private slaughterhouses within their boundaries.) A Departmental Committee on Meat Inspection, appointed by the Minister of Health (Dr. Addison) in 1920,[2] recommended, largely on sanitary grounds, that local authorities should promote schemes for the concentration of slaughtering; the Meat Sub-Committee of the Standing Committee on Trusts[3] attributed to private slaughtering certain evils it detected in the disposal of the by-products of slaughter; three years later, in 1923, the Linlithgow Committee endorsed these findings and, while recording the limited success that had attended the farmers' co-operative slaughterhouses started under the war-time control, was hopeful that they might be extended. In 1931–2 a Committee of the Economic Advisory Council exhaustively examined the problem of slaughtering.[4] After studying conditions both in the United Kingdom and overseas, it concluded that, in the towns at any rate, both private slaughterhouses and municipal slaughterhouses merely providing facilities for slaughter (and so only slightly more efficient than the private slaughterhouse)

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[1] The Linlithgow Committee (*loc. cit.*) listed the following variants:

A. On the hoof
- (i) First-hand producer:
  - (a) Sale on farm to Retail Butcher
  - (b) Sale on farm to Dealer, Dealer-Slaughterman or Wholesale Butcher
  - (c) Sale by Private Treaty, or by Auction, at Markets or Fairs
  - (d) Sale to Bacon Factories.
- (ii) Second-hand by Dealer or Commission Agent

B. As Dead Meat
- (i) At Producers' risk:
  - (a) Sale by Producer locally or at Wholesale Markets
  - (b) Sale through Dealer-Slaughterman and Commission Salesman
- (ii) At Risk of Dealer-Slaughterman or Wholesale Butcher.

[2] Ministry of Health: *Report* of the Departmental Committee on Meat Inspection (in England and Wales) H.M.S.O. 1922. From this Report (§28) is derived the figure of 16,000 slaughterhouses, so frequently repeated in subsequent official papers without qualification: 'During the period when the Food Control was in existence, there were no less than 16,039 licensed by the Food Controller, and a considerable number was not licensed and was temporarily closed, so that the total number probably approximates 20,000'.

[3] Cmd. 1057.

[4] Economic Advisory Council, Committee on the Slaughtering of Livestock; *Report*. H.M. Stationery Office, 1933.

should be superseded by regional slaughterhouses in which the whole process was under a single management. (The slaughterhouse at Adelaide was taken as a model.) The Committee recommended the immediate establishment of a National Slaughterhouses Board to prepare plans for, and set up such slaughterhouses, which might be managed by producers' or wholesalers' associations or by joint boards of local authorities; the former would be free to trade in meat as principals, but both types would be obliged also to provide a slaughterhouse service pure and simple. All private slaughtering in the areas covered by the new-style slaughterhouses would be abolished, with compensation, over a period of ten years. These proposals carried implications far beyond the limited problem of slaughtering; they must have meant the complete re-organisation of the wholesale trade around the slaughterhouse network, and the elimination of the numerous alternative channels by which fresh meat might reach the retailer. The Committee recognised that its proposals would encounter trade opposition; in any case they must have been inopportune, coming at a time of national financial crisis.

The Government that was swept into power by that crisis added to the old panacea for agriculture—marketing reform—another, and, it was hoped, more powerful and swift-acting medicine: regulation of imports. A Re-organisation Commission for Fat Stock for England and Wales, set up in accordance with the Agricultural Marketing Acts of 1931 and 1933, recommended this, along with the establishment of a producer-controlled Marketing Board, which would gradually rationalize marketing methods by means of a licensing system. More cautious than the former Committee, the Commission was against a precipitate move towards centralised slaughtering, and its National Slaughterhouses Board would have been advisory only.[1] A Technical Committee on Abattoir Design, which also reported in 1934, envisaged 'service' abattoirs rather than 'trading' abattoirs. Meanwhile the livestock industry was being hit by a severe slump, and immediate first-aid measures appeared to be necessary. In December 1933 it was announced[2] that imports of fat stock from Canada and the Irish Free State (the only sources) were to be restricted; in July 1934 an interim subsidy, pending the elaboration of a marketing scheme, was introduced by the Cattle Industry (Emergency Provisions) Act. The subsidy was administered by an *ad hoc* Cattle Committee.

In 1937 the promised livestock marketing scheme took shape in the

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[1] M.A.F. *Economic Series*, No. 39 (1934). The Re-organisation Commission for Scotland feared that 'if the principle of centralised slaughtering were misapplied, there would be . . . a considerable amount of unnecessary transport to and fro. . . .' (*Report*, p. 28).

[2] Cmd. 4482.

Livestock Industry Act.[1] Producer-controlled marketing boards had lost favour in the intervening years, and the governing body for the industry was now to be an independent Livestock Commission for Great Britain. It would administer the subsidy (which in 1939 was extended to fat sheep), would conduct experiments in centralised slaughtering, regulate and improve marketing, and encourage research, improved methods of grading, and so on. The establishment of the Commission was a precedent to action rather than the action itself; and it had hardly embarked on its work before war broke out.

III

Mr. Bridgeman's Committee of 1919 had been appointed, in an atmosphere heavy with gloom about a possible world shortage, 'to consider the means of securing sufficient meat supplies for the United Kingdom'.[2] The notion that Government action to this end might be necessary derived less from statistical forecasts—though these were not absent—than from fear of the aggressive and, it was believed, concerted policy of the United States packing companies operating in South America and commonly known as the American Meat Trust. Within a few years of their entry into the Plate trade, in 1907, these companies had secured, by alternating price-war and treaty, nearly sixty per cent. of it. The established British companies had been 'beaten to their knees'—to quote an official paper on the subject—and one of their meat works at Las Palmas, Argentina, had been closed in 1913 on account of the shrinkage in trade. In August 1915, however, the Board of Trade, intent on supplies of beef for the Forces, secured its re-opening under an agreement for the duration of the war and six months thereafter. The owners—the British and Argentine Meat Company—operated the works on a profit-sharing basis, and the Government not only saved money—some £650,000—on the meat actually handled, but gained first hand information about costs that could be applied in making its contracts with other Plate suppliers, over whom it held the whip-hand by reason of its control of refrigerated shipping.

The Bridgeman Committee, impressed with these advantages of the Las Palmas agreement, recommended that the Government 'should acquire an interest in one or more freezing works'. 'We regard this proposal as in the nature of an insurance, necessary so long as the United Kingdom is compelled to draw a portion of its meat supplies from sources outside the Empire'. Any profits from this

[1] 1 Edw. 8 & 1 Geo. 6, c. 50.

[2] Cmd. 456, already cited.

interest, the Committee suggested, might be applied to the encouragement of production in the United Kingdom and in the Dominions. The Las Palmas Agreement was thereupon renewed for a year, pending a decision on the broader recommendations. But the control of shipping was due to come to an end in March 1921, after which it might be difficult to find tonnage for the Las Palmas shipments; for the majority of liners serving the Plate were tied by long-term contracts to the 'Conference' of meat packers, dominated by the 'Trust'. Attempts during 1920 to persuade the American companies to agree that sufficient tonnage be allocated to Las Palmas were unsuccessful, and in December the Board of Trade, with the assent of the dying Ministry of Food, actually sought Ministerial assent for promoting a Bill to enable the Government, in case of emergency certified by Parliamentary resolution, to requisition shipping for this purpose. In order to conceal its real target, the Bill would have been drafted to cover all, and not merely refrigerated, tonnage used for food; and this wider proposal aroused the ire of a powerful shipowner who would not, in practice, have been affected. His declaration of war was sufficient to make the Bill 'controversial', and so stifle it at birth. Fortunately it proved unnecessary; the owners of the works were able to find tonnage, and the contract was extended for two years more, to the end of 1922.

Within months, however, of its renewal, the main object of the agreement was knocked away. Already in the spring of 1920 the accumulation of stocks of Australasian meat, both overseas and in the United Kingdom, was causing anxiety, and in May the last Food Controller, Mr. McCurdy, appointed a special committee to stimulate increased sales. A rate of consumption twice that before the war was achieved, but was said to be insufficient to dispose of 'our great accumulations of mutton'. By 31st March 1921 they, together with a smaller quantity of Australasian beef, had been worked off, and the Government was thus quit of the supplies it had bought on long-term contract. By then, however, there was setting in a slump in beef prices generally; the War Office, yielding to political pressure, withdrew its undertaking to purchase its needs from Las Palmas, so that the whole output had to be disposed of on the open market. In common with other shippers of Plate beef, the remnant of the Ministry of Food, now submerged in the Board of Trade, made losses during 1921 and the first half of 1922. As for the contractors who had taken over the now stale Australasian meat, they had difficulty in getting rid of it at any price. By the end of 1921 the situation of two years earlier was repeating itself and the London cold stores were choked with frozen meat.

The political pressure that had been put on the War Office had been mainly on behalf of the Queensland cattle industry; and it was now exerted on a wider front. The Commonweath Government attributed the want of a market for Australian frozen beef to the 'dumping' of Argentine beef in 'a deliberate attempt to oust Australia from the British and the world markets by great interests hostile to Australia and the Empire', and called upon the British Government to put into force the recommendation of the Bridgeman Report that a system of Government control and licensing be applied to the meat industry, so that, *inter alia*, the activities of the 'Trust' might be curbed. This recommendation was thought in London to be more than a little *vieux jeu*. The Sub-Committee on Trusts had dispelled any notion that the American companies were engaged in unfair trading.[1] The Argentine frozen beef had been sold willy-nilly at a loss and anyway fetched a higher price than Queensland beef, which was regarded by trade and public as an inferior article: 'unless and until Queensland can put its beef on the London market at 3¾d. a lb., nothing short of protection will ensure an effective demand'. Thereupon the Australians resorted to export bounties, by Acts passed in 1922 and again in 1923. At the Imperial Conference in 1923 Mr. S. M. Bruce, the Commonwealth Prime Minister, proposed that an Empire Produce Board should be set up to foster the marketing of foodstuffs within the Empire, but won little support; and a similar scheme was put forward by the British Empire Producers' Association in 1924. It so happened that the Committee of Imperial Defence was even then reviewing the problem of food supplies in war, and the question arose whether they were best safeguarded by concentrating on production within the Empire. The answer, given with the authority of a former Permanent Secretary to the Ministry of Food, was an emphatic 'No':

> 'Preparation for war in general requires that we should have as many points of supply as possible in different places. The late war proved the impossibility of procuring transport for accumulated supplies of Australian wheat and meat which had actually been purchased. So far as home supplies are concerned, the War Committee, in May 1916, expressed the view that any increase in the quantity of food raised at home could not avert disaster'.

In short, Free Trade, as well as being the best policy for the consumer—e.g., preserving him from that 'not particularly attractive' commodity, Queensland beef—was also the safest for the State.

What had, in 1924, seemed out of date and obscurantist was in 1932 the fashionable remedy, applied by the Ottawa Agreements. The assurances then given to the Southern Dominions by the British

[1] Moreover, the brothers Vestey, from small beginnings, had built up an English 'Trust' (the Union Cold Storage Company) which was capable of holding its own with Swifts and Armours. At the end of 1922, when the Las Palmas contract ran out, the Vesteys had acquired the British and Argentine Meat Company.

Government echo almost verbatim the Bridgeman recommendations: the meat policy of the United Kingdom was 'first, to secure the development of home production, and secondly, to give to the Dominions an expanding share of imports . . .'[1] Moreover, the assurances were given the teeth of quantitative regulation: imports of foreign (i.e. South American) chilled beef were to be pegged down to the 1931–2 level, and those of foreign mutton and lamb, and frozen beef, were to be reduced to 65 per cent. of the 1931–2 level within two years. In January 1933 an import licensing system was applied accordingly. In May 1933 a Trade Agreement with Argentina established the limitations within which the policy would be applied; chilled beef imports thence were not to be reduced below the 1931–2 level unless this was essential for the maintenance of prices in the United Kingdom, and then only *pro tanto* with imports from other sources. Moreover, a quota of up to 15 per cent. of the total imports from Argentina would be set aside for Argentine undertakings 'conducted primarily with the purpose of securing a reasonable return to the producer'.[2] The United Kingdom Government undertook to give the Argentine Government particulars of all licences issued for importing meat thence.

This Anglo-Argentine Agreement had important consequences for war-time meat import policy. From the British angle, the licensing of imports by individual firms was incidental to the purpose of limiting total imports; from the Argentine angle, it provided a means for securing a place in the sun for a national exporting corporation in competition with the foreign-owned *frigorificos*. Measures were now taken to establish such a corporation; in October 1933 Argentina established a National Meat Board, which in its turn set up, in January 1935, a *Corporacion Argentina de Productores de Carnes* which immediately laid claim to the two-thirds of the 15 per cent. quota that had not already been taken up by native firms. In effect, the Argentine Government had acquired a right to be consulted before any individual exporting firm's quota was changed, inasmuch as this might affect the interest of the Corporacion. Moreover, the Governments had agreed to make a joint enquiry into 'the economic and financial structure and working of the meat trade, with particular reference to the means to be adopted to ensure a reasonable return to the cattle producers'. The report of this enquiry, which was refused detailed information by the major packing companies and in consequence criticised them severely, was completed in April 1938.[3]

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[1] Ottawa Agreements Act, 1932 (22 & 23 Geo. 5 c. 53); First Schedule, Part II, Schedule H, para. 4.

[2] Cmd. 4492, Protocol, para. 3.

[3] Cmd. 5839.

Meanwhile it had become clear that the Ottawa agreements did not provide sufficient protection for the home livestock industry. The reduction in foreign supplies of chilled beef was merely made good by supplies from the Southern Dominions, leaving the home producer as much exposed to competition as before. (A new process introduced in 1934, by which chilled beef was stored in carbon dioxide on board ship, had enabled it to stand the journey from the Antipodes without going mouldy.) In 1935 these Dominions agreed to try and limit exports of chilled beef, as they had already agreed to limit those of frozen beef, to 110 per cent. of those in the year 1931–2; but the measures taken do not seem to have been effective. The United Kingdom was not itself able to apply quantitative regulation to these imports under the law as it stood: the powers conferred by the Ottawa Agreements Act might only be exercised in accordance with the scheduled agreements binding the United Kingdom Government to give the Dominions an expanding share of the British market, while those conferred by the Agricultural Marketing Act of 1933 presupposed the establishment of a producer-controlled livestock marketing scheme. New legislation, as well as the agreement of the Dominions, would be necessary to set aside these conditions. That such legislation was contemplated is apparent from the revised Trade Agreement with Argentina dated 1st December 1936, in which minimum quotas for imports of various types of meat thence were laid down, should quantitative regulation be applied. The Trade Agreement also, however, forecast an alternative that, politically at any rate, might be easier and quicker of accomplishment: the regulation of supplies of beef to the United Kingdom by an international conference that would fix voluntary export quotas.[1]

During 1937 this International Beef Conference was brought into existence, though the formalities constituting it were not completed until 1939, with the adhesion of Uruguay. The scheme aimed at 'an orderly adjustment of supply to demand', 'in the interests of producers and consumers alike'. Nothing was said about price; but it must be presumed that the prospect of higher prices—such as the Danes had got for bacon after imports were restricted—reconciled foreign exporters to the further cuts in quotas that the scheme envisaged, over the first three years.[2] That some sort of fresh equilibrium between foreign and Empire suppliers was sought is clear from the recognition, in the Anglo-Australian trade talks of 1938, that there was 'an upward limit upon the extent to which increased opportunities can be afforded to Dominion producers in the United Kingdom

[1] Cmd. 5234.

[2] Cmd. 5941, 5943. The agreements setting up the Conference were deemed to have come into force on 1st January 1937.

market'.[1] (Not only meat was in question, however, on this occasion.) The Empire representatives on the Conference were to constitute an Empire Beef Council 'for the purpose of considering matters affecting the well-being of the Empire beef trade, including the Empire aspect of any questions that come up for consideration by the Conference'.

The Anglo-Argentine agreement of 1936 also forecast another protective measure—the levying of import duties on foreign beef and veal, at rates approximating 20 per cent. of current values. Here again a rise of prices was foreseen, for the United Kingdom agreed that if the specific duties on chilled and frozen beef had an incidence of 17 per cent. or less, the *ad valorem* duties on boneless beef, canned beef, extracts, and essences should be correspondingly reduced. These duties were imposed by an Act of 1937.[2] Later in the same year the Livestock Industry Act conferred the general powers of import regulation of meat that had hitherto been lacking; and it was not long before these were needed. The effectiveness of the measures against beef imports was demonstrated by increased imports of mutton and lamb from the Dominions; these, who had objected to an original proposal that the International Beef Conference be given jurisdiction over mutton and lamb, were at length persuaded to allow the Empire Beef Council to extend its influence over them. Even so, agreement on voluntary quotas proved impossible, and early in 1939 import licensing was applied to sheep, mutton, and lamb.[3]

The situation of the meat trade in 1939 was thus as follows. Imports of foreign beef and veal, and of all mutton and lamb, were subject to a Board of Trade licensing system fixing quotas country by country and firm by firm. So far as beef and veal were concerned, the system opeated in conjunction with voluntary export quotas fixed by the International Beef Conference, which had to be unanimous;[4] and these quotas were the only means of limiting exports of Empire beef to the United Kingdom. The procedure was anything but arbitrary; the Conference explored the statistical situation with the greatest care and the most studious fairness—a fact that was to have a marked bearing on war-time policy. Neither restrictions nor tariffs relieved the United Kingdom livestock industry, as yet unreformed, of the need of a direct subsidy; but the fall in numbers had been checked, and the share of home-killed meat in total supplies had risen from 41 per cent. in 1922 to 50 per cent. in 1939.

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[1] Cmd. 5805, para. 10.

[2] 1 Edw. 8 & 1 Geo. 6 c. 8.

[3] S.R. & O. (1939) No. 4.

[4] This requirement does not appear in the Note to the Argentine Government (28th June 1937; Cmd. 5941 No. 1) but it does in those to the Governments of Brazil and Uruguay, which were later (*ibid.* Nos. 3 and 5). In these the notice required to terminate the Agreement was, furthermore, reduced from six months to three.

IV

The Food (Defence Plans) Department turned its attention to meat control immediately it was set up. There was a rich fund of experience to draw upon. The meat sections of Professor Gonner's secret official history constituted a detailed blue-print for 'another time'; two erstwhile Directors of Meat and Livestock were available for advice; moreover, the Department had as an assistant director one of Coller's 'whirlwind trio'. Consciousness of firsthand experience, however, seems to have given the Department a less critical approach to the scheme of 1917 than if it had had to rely solely on the written record; its first draft scheme for discussion with interested parties copied the earlier one in detail, passing over in silence the criticisms and suggestions of the official history.[1] The only innovation proposed arose from a deficiency admitted, not in the working of the former control but in the extent of its jurisdiction: this time the Ministry of Food must, it was agreed, control all imports of meat and not be left as a residuary and uncertain legatee of the Services and the Board of Trade.

It so happened that the Bill setting up a Livestock Commission was in passage through Parliament at the very time of the Department's preliminary discussions, and this gave point to the exchanges that ensued with the Ministry of Agriculture about the way in which livestock should be controlled in war-time. The Ministry was at pains to press the need to make the fullest use of Commodity Commissions and Marketing Boards in the work of food control; the Department, if only because it had not yet formulated its ideas fully, inclined to caution and scepticism. In July 1937 the Food Supply Sub-Committee of the Committee of Imperial Defence agreed that the general question should be left in abeyance. But the mere prospect of a Livestock Commission being set up was sufficient to give extra weight to a radical change put forward by the Ministry in May 1937, backed by the expert authority of its officers engaged on the National Mark Scheme for beef. They had looked at the last war system of livestock control, with its mixture of Government-controlled and private slaughtering, and consequent mixed allocation of live and dead meat, and found it wanting. It lent itself to overpayments of various kinds; the retailer's permits might be manipulated; illicit slaughtering (it

[1] The most important of these, that the Area representatives of the Meat and Livestock Control should be subordinate to the Divisional Food Officer (though reporting direct to Headquarters), though having the weighty support of Coller (*op. cit.* p. 81) was later explicitly rejected, though it was agreed that the boundaries of Divisional and Area organisations should be the same. The writer cannot but feel that underlying this decision was fear lest the Divisional Food Officer become an 'over-mighty subject'. Cf. the unwillingness to delegate more than the minimum emergency authority to him (Vol. II p. 278).

was said) took place on a large scale; in sum, it was too complicated, too loose, and too expensive. 'Rigorous control at the wholesale point must be an essential feature of a satisfactory system of State control. . . . it is essential that the livestock and meat should become the property of the Government at appropriate points in the distributive chain between producer and consumer'. The Government 'should take over control of all markets and slaughterhouses, purchase livestock at the markets and undertake the slaughtering and disposal of the meat and offals by wholesale'. The slaughterhouse managers and staff should be appointed and paid by the Government.

'Momentous' is not too strong a word for these proposals; they opened the way to a simpler, as well as stronger, control of meat distribution at all stages. The obstacles to their introduction, however, might seem correspondingly formidable. Government control of slaughterhouses meant a drastic reduction in their numbers, which could not be undertaken without a survey of slaughterhouse capacity. It seemed possible to the proponents of the scheme that public abattoirs alone could handle all the beasts required; but they acknowledged that further investigation was necessary. Apart from the purely technical problem, the abolition of private slaughterhouses 'for the duration' might provoke controversy and must give rise to claims for compensation. One might have expected, therefore, that the plan would have aroused a lively discussion; but nothing of the kind happened. The Food (Defence Plans) Department's advisers, though bridling a little at the criticism of the former control, raised no objections in principle; the corollary of Government slaughtering, payment on a dead-weight basis, was welcomed, though it was thought wise to soft-pedal it in discussions with the trade.[1] The whole drastic revision was quietly embodied in the scheme for submission to the Sub-Committee of Ministers, and passed without comment.

From July 1937 to March 1938 the plans for meat control were all but dormant, and the Department occupied elsewhere; when active discussions with trade advisers were resumed, the proposal for centralised slaughtering had somehow undergone a sea-change. It was no longer, as it had been in the eyes of its original proponents, a king-pin essential to 'rigorous control', but something considerably less. Officials were persuaded, first to agree that it might be difficult to organise at the outset and that provision should be made for Wholesale Meat Supply Associations to undertake slaughtering *ad interim*; then, at the end of April 1938, that they should do so when the full control scheme came into operation. No sooner had this feature been written into the control plan, however, than difficulties arose about it. The separate advisers preparing a livestock control

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[1] In the end it was found to be impracticable, except for pigs (below, pp. 386-389).

scheme for Scotland argued in favour of Government-appointed slaughterhouse managers: 'farmers suspected the dead meat market and . . . a strong man was needed in charge of the slaughterhouse owing to the many loopholes for fraud and for inequitable dealing which could arise'. *A fortiori*, Scottish farmers would certainly not accept a system whereby cattle exported to England were paid for on a dead-weight basis from a slaughterhouse controlled by alien wholesalers. Moreover, it was borne in on officials that in some areas, both of Scotland and of England and Wales, no meat wholesalers were operating in peace-time and that it might be invidious to hand over to a wholesalers' association slaughterhouses hitherto run by retailers. By July 1938, therefore, the Department appears to have reverted to the original principle that slaughterhouse managers should be Government-appointed, though it may have been willing to contemplate exceptions in rural areas.

The Munich crisis, shortly supervening, was responsible for confusing the issue; for the Department had no alternative but to invite wholesale interests to select slaughterhouses for use in emergency.[1] The repercussions were widespread and slow to die out. On the one hand, there were protests from the retailers' association that wholesalers were exploiting the crisis for their own ends and making out that they had the exclusive say in the appointment of the local meat control officials. On 1st November 1938 the retailers' leaders were assured that this was not so; in particular, slaughterhouse managers would be responsible to and paid by the Ministry of Food, and wholesale meat supply associations would only operate in areas where wholesalers were already established. On the other hand, wholesalers at large drew from the crisis instructions the conclusion that they would be left in control of slaughtering; those leaders of the trade who knew that they would not, felt themselves pledged to secrecy. When, early in 1939, the work of inspecting the slaughterhouses likely to be used in war-time began, it seems to have roused alarm among wholesalers; in April the Executive Committee of the Wholesale Meat Trades Association, against the will of those members in the Department's confidence, resolved that a deputation be sent to Mr. W. S. Morrison, the Minister lately become responsible for food defence plans, in order to protest against the Government's taking over slaughtering. Three departmental attempts to put the Federation off only strengthened their determination to see the Minister, and on 6th July a deputation was at length received. It passed off well enough and may have been sufficient to remove the feeling of neglect from which they claimed to have been suffering. At the same time it involved officials in admitting that some highly practical details about

[1] In some instances retail interests were approached and this led to protests from wholesalers.

the slaughterhouse plan were still very much in the air. To queries about slaughtermen—who would employ them, and how would they be recruited? Would not there be waste if wholesalers' staff were taken by the slaughterhouse manager so that they in their turn had to recruit fresh men to distribute the meat?—the only answer that could be given was 'wait and see'.

It is no matter for surprise that this should have been so, for the task to which the Department was committed was a heavy one—perhaps the heaviest of any connected with the commodity control preparations—and the detailed work on it in the field had not really been started until the end of 1938. Not long before the Munich crisis the Livestock Commission had completed the survey of public and other large-scale slaughterhouses, undertaken for its own purposes, but made available to the Food (Defence Plans) Department. For information about the much larger number of private slaughterhouses belonging to retail butchers, the Department had to rely on the retailers' association. (There was, it now realised, no prospect of doing without such slaughterhouses entirely; in the whole of Kent, Surrey, and Sussex, for instance, the only public slaughterhouse was the one at Croydon.) In October 1938 one of the original proponents of centralised slaughtering pointed out to the Department that the choice of slaughterhouses for the control scheme could not be left to the volunteer Area Committees set up by the trade; some sort of inspection would be necessary. As a result the Agricultural Departments agreed to lend members of their grading staff, during the winter slack season, to inspect the slaughterhouses that had been picked out at the time of Munich and also to report on the suitability of the men nominated by the trade to run them.

By strenuous efforts, the inspection was completed by the middle of April 1939, and the provisional list of slaughterhouses handed over to the Livestock Commission, which had undertaken to complete the plans for the assembly of livestock at collecting centres,[1] so that collecting centres and slaughterhouses to serve them might be provisionally linked. (Any advance allotment of markets to slaughterhouses and *vice versa*, having to be based on peace-time information, could only be tentative; for when all livestock had to go through collecting centres the pattern of offerings was bound to be different from normal.) While this work was going on, steps were also taken to complete the selection of slaughterhouse staffs. The grading staff, now designated Area Slaughterhouse Agents, were charged with interviewing those nominated by the trade to be their immediate

[1] The Commission had been asked to allow its staff to undertake the whole of the detailed plans for meat and livestock control, but had demurred on the grounds (1) that many parts of the plans were outside their technical competence (2) that for them to venture into 'matters clearly outside the scope of the Commission's statutory functions would lead to misunderstandings and difficulties'.

subordinates, the County Slaughterhouse Agents, and making further recommendations where the nominees seemed unsatisfactory. (This proved a very necessary precaution; in North Wales particularly some butchers in a small way of business, quite incapable of doing the work, had been nominated: the nominations, wrote an official, appeared to have been drawn out of a raffle.) Thereafter the County Slaughterhouse Agents-designate were to be consulted about slaughterhouse capacity, and the provisional list of slaughterhouses checked and added to if necessary. Finally, the manager and staff of each slaughterhouse were to be selected. When war broke out this work was well advanced; and though no actual appointments to individual slaughterhouses had been made, a standard form of tender, to be used by contractors undertaking slaughtering and /or ancillary services, had been drawn up.

V

Devising a control for imported meat was by comparison simple. From the outset the Department had been clear that the Food Controller must at once become the sole war-time importer, and its first consultation with trade advisers, in April 1937, confirmed that it would be feasible to establish a consortium of importers to act on his behalf. (It also adumbrated two war-time expedients—the substitution of frozen for chilled beef, and the practice of boning before shipment.) Nothing was said at this stage about details; indeed, when, over a year later, in June 1938, the Department put its proposals before a meeting of the leading importers, they were still described as 'only a broad scheme'. The importers would form themselves into an Association 'which would be responsible for all handling at the port and would nominate Port Committees to take charge of the work. At each port, a Port Meat Agent would be appointed by the Ministry of Food who would act as Chairman of the Port Committee'; and the Committee would act in accordance with the instructions of the Director of Meat Distribution at headquarters. The importers thereupon undertook to nominate Port Meat Agents for ten major port areas;[1] and these, having been appointed towards the end of August 1938, were asked to submit nominations for deputies at the smaller ports; these in turn were appointed in April 1939. By an afterthought (as it seems) a Chief Port Meat Agent was appointed for Ministry of Food headquarters. Particular care was taken to 'balance' these appointments between the various importing interests. The powers and duties of

[1] Based on Newcastle, Hull, London, Southampton, Bristol, Cardiff, Liverpool, Plymouth, Glasgow, and Leith. (Changes were made later.)

the Port Meat Agent were not as yet clearly defined *vis-a-vis* the proposed Importers' Association; for that matter the post itself appears to have been conceived by simple analogy from that of Port Bacon Agent, which first appeared in November 1937. (When one of the Department's trade advisers questioned the need for this latter post, the answer was that there must be in the port a Government official who could pass to the trade the documents relating to any goods imported by the Food Controller through that port.)

After the Munich crisis, when a Director-designate of Meat Imports[1] was selected, work began on drafting the constitution of the importers' association, and a committee of importers completed the accounting arrangements and forms to be used in time of war. The Constitution, like that of the bacon importers' war-time association,[2] was modelled on two associations that had served the Oils and Fats Control of the former Ministry of Food—one of brokers, the other of processors. From the latter was drawn the device of an official shareholder, nominated by the Minister, with power to outvote all the others; this, it appears to have been thought, was superior to the simple proviso that the oilseed brokers' association was 'in all things subject to the orders and directions of the Ministry of Food'. Members of MINDAL,[3] as it was generally called, were to take shares, and hence receive dividends, *pari passu* with their imports of meat by weight in the calendar year 1938; the amount and manner of the company's remuneration under control was, in accordance with Treasury instructions, left to be settled later. In order to minimize the stamp duty levied upon registration, the company would have a nominal capital of £100 that would be increased, upon Ministry of Food instructions, should war break out.[4]

The remainder of the arrangements for controlled distribution, sticking closely as they did to 1917–18 practice, were largely a matter of routine, though arduous routine. The professional associations covering livestock auctioneers collaborated, as on the previous occasion, in selecting the hierarchy that was to oversee the sale of livestock at the collecting centres, and in settling the procedure there

[1] Mr. R. S. Forsyth, London representative of the New Zealand Meat Producers' Board.

[2] Below, p. 332.

[3] Meat Importers' National (Defence) Association Limited.

[4] The Company was incorporated on 1st September 1939. In the haste, several misprints occurred in the Articles of Association, which did not come to light for over a year. One was responsible for a subsequent alteration in the Articles. It had been intended to provide, and in the Articles of BINDAL, the bacon company, was provided, that members to the number of twenty, *or* holding one fifth of the paid-up capital, should have power to requisition an Extraordinary General Meeting. But the words embodying the second alternative were left out of the print deposited with the Registrar of Companies; and when the company sought official authority to have them restored, in October 1940, Meat and Livestock Division raised objections to the principle. After some argument it was agreed to amend the articles so that the second alternative was substituted for the first.

and embodying it in instructions. It was agreed that the auctioneers' remuneration[1] should again be pooled; and a leading auctioneer was designated to serve as Chief Livestock Supervisor at Ministry of Food headquarters.[2] So too the arrangements for establishing Wholesale Meat Trade Associations to act as the Ministry's agents presented no major difficulty, and when war broke out their Articles of Association were already agreed upon and in formal draft.

At the wholesale stage, however, an important innovation crept into the area organisation. In the First World War, a key post had been that of Area Meat Agent, 'an expert in the meat trade on the staff of the Live Stock Commissioner'.[3] He it was who had supervised, through his Deputies, the allocation of meat or livestock to retail butchers, and so translated demands for meat in terms of registered customers into requirements expressed as buying permits for quantities. He had also issued buying permits to individual wholesalers and Wholesale Meat Supply Associations, whether for livestock or dead meat at the abattoir. These functions, *mutatis mutandis*, the Food (Defence Plans) Department at first proposed to revive completely; the Area Meat Agent was, in particular, to supervise the operations of the Wholesale Meat Supply Association. During the Department's brief flirtation, in 1938, with the idea of giving these Associations control of slaughtering, wholesale interests represented that the scheme for decentralising Smithfield would be more acceptable to wholesalers if the London W.M.S.A. were responsible, not to the London Area Meat Agent (who might be a retailer) but to the Wholesale Trade Supervisor at Ministry headquarters. This was agreed to, and was more or less automatically applied to other W.M.S.A's; no official pronouncement, however, was made to that effect. When, at the time of the Munich crisis, Area Meat Agents were hastily designated, there was trouble in

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[1] It was, remarkably, to remain at the same level throughout the war.

[2] For the original Auctioneers' Pool, see Lloyd, *op. cit.* p. 181. An unforeseen complication arose because the Auctioneers' and Estate Agents' Institute, consulted by the Department at the outset of its planning, was no longer the only body to which livestock auctioneers might belong. The Incorporated Society of Auctioneers (which had offered its services at the same time) took exception, about the time of Munich, to being left out of consultation, and particularly to the Institute sending circulars on defence questions to selected members of the Society. It was eventually agreed to appoint representatives of the Society (and of the Chartered Surveyors' Institution) to a joint Defence Committee, which was formed early in 1939. Thereafter, however, there seems to have been very little contact between the Department and the auctioneers' representatives, who complained, towards the end of June 1939, that 'County Chairmen of Auctioneers knew nothing whatever about the Scheme for meat and livestock. They were in complete darkness and the Department had taken no steps to give them any light'. They complained, also, that they had not been asked to advise about collecting centres and slaughterhouses, and that nothing had been done to secure the retention of pivotal members of their staffs. Instructions to County Chairmen were sent out at the end of July. The time factor alone would have precluded the Department from consulting auctioneers in the way suggested; in any case, it was not inclined to grant them *locus standi* on the collecting centre—slaughterhouse relationship, or to allow them any control over grading.

[3] Lloyd, *op. cit.* p. 186.

Birmingham because the chosen Agent there (a leading retailer, prominent in the National Federation) interpreted his functions in the old, wider, sense. Wholesalers especially objected to his suggesting that he should control the procurement of livestock. In October 1938 the Department met the protestant Birmingham wholesalers and in the course of discussion an official threw out the suggestion that 'Wholesale Meat Supply Associations might have a representative on the staff of the Area Meat and Livestock Commissioner'. This was taken up on the spot, and in consequence an entirely new area official —the Wholesale Meat Distribution Officer—came into being.

The episode, and particularly the phrasing in which the proposal was made, reveal much about the way in which meat control was planned. One cannot but conclude that the multiplicity of specialist officers, on the area staff at any rate, arose not from considerations of administrative need but from a desire to appease warring sections of the trade—the same spirit that, when the Department came to select Deputy Meat Agents, decreed that one-quarter of them should be drawn from the Co-operative movement. To say this, is not necessarily to say that efficiency was not served by these appointments, but merely that it had, in the political and moral climate in which the preparations were being undertaken, to take second place to the Department's paramount need to carry the trade with it. Throughout, indeed, the Department had allowed its outside advisers to make most of the running. Just as the proposal for centralised slaughtering was put forward, sustained, and carried out by the Ministry of Agriculture's technical experts, so representatives of importers, auctioneers, wholesalers, and retailers had the major say in framing their respective bits of control (and were excluded, as far as possible, from influencing the rest—auctioneers and slaughterhouse selection, to take one example). The process by which the draft control scheme underwent successive revisions at the instance of this or that expert or interest was a piecemeal process; at no time between 1936 and 1939 was the concept reviewed as a whole. Even the most drastic change, centralised slaughtering, was made to bear the aspect of a structural addition rather than an organic alteration. The control edifice resembled a mediaeval cathedral rather than a piece of functional modern architecture; and though this was true in varying degrees of other schemes, the resemblance was more marked in the case of meat because of the fragmentation of the trade and the thoroughgoing nature of the control. As a Divisional Food Officer-elect plaintively remarked in June 1939:

> '. . . it is a job to keep all these committees varying from Ship's Stores to yeast, clear in one's head: meat etc. seems to win by miles as to the people from Major . . . downwards, who will be concerned in it'.

It was, therefore, something of an achievement that, when war started the great majority of these posts, including several hundred Deputy Meat Agents', had been provisionally filled and their instructions drafted.

An important innovation in the control plans was the decentralisation of Smithfield Meat Market. In November 1936 the Home Office Air Raid Precautions Department had pointed out how vulnerable were all the markets controlled by the City Corporation—'no protection of any kind, either against high explosive, incendiary bombs or gas can be improvised . . . . their operation, if London was being subjected to heavy bombardment, would be impossible'—and had suggested that distribution of the goods normally going through them should be transferred to the outskirts of London, as it had been during the General Strike of 1926. In the case of Smithfield there was a later and—thought those responsible for the civil food emergency organisation—a more useful precedent; the Smithfield strike of February 1936, when the market was put out of action and the distribution of meat had to be undertaken through a series of improvised depots. Some inconvenience to traders and customers had resulted, but there had been no shortage of meat and no serious rise of prices; it was clear that Smithfield Market was not indispensable. Indeed, it had, for imported meat, been to some extent superseded by the depots belonging to the great meat companies.

The Food (Defence Plans) Department inherited, so to speak, the discussions that had already begun with the City authorities on this question, and eventually, in October 1937, representatives of the traders using Smithfield and the other City meat markets were brought in. They readily agreed that decentralisation would probably be necessary; the principle on which it should be carried out, namely the feeding of London from an outer ring of depots some fifteen to twenty miles distant, was also accepted. When the Department returned to its meat plans in the spring of 1938, it handed over the task of working out the details of the Smithfield scheme to an *ad hoc* Defence Committee set up by the Smithfield Market Tenants' Association, which was also to be the nucleus of the London W.M.S.A., and on which all sections of the wholesale trade, including the Co-operative Wholesale Society, were represented. Thereafter the decentralisation of Smithfield became an integral part of the plans for wholesale meat distribution in the London area. Even before the Munich crisis, so swiftly did the trade Committee do its work, ten peripheral depots and thirty inner depots (i.e. a total of four for each of the ten segments into which London had been divided for the purpose of meat distribution) had been selected, together with the key staff.

Some overhaul of these arrangements took place during the spring and summer of 1939, and some outstanding questions were cleared up in discussion between the traders and the Department. It was decided that decentralisation should be, not optional, but automatic on the outbreak of war; officials had toyed with the first alternative, but had been advised that this would run the risk of confusion in the trade. It was also decided, or rather re-affirmed, that there should be separate W.M.S.A's for London and the South-East respectively; this departure from last-war precedent was thought to be necessary on account of the extra work that would result from decentralisation. Some of the Department's advisers, however, thought otherwise; certainly the divorce of London and the South-East ran contrary to the normal channels of trade. When it came to making arrangements for meat transport by road under control, the Department was constrained to admit this, and allow the organisers of the Metropolitan meat pool of wholesale vehicles to prepare a scheme for the South-Eastern area also. Elsewhere arrangements for transport were to be made *ad hoc* by the Transport Officers it was proposed to appoint in each Meat and Livestock Area, who would be responsible to a Chief Transport Officer at headquarters. For heavy insulated road vehicles engaged in long-distance haulage there would be a *national* pool, operated by a Defence Association of hauliers on a similar model to the W.M.S.A's. This association would also manage the pooled wholesale vehicles in London and the South-Eastern Counties.

Although some loose ends—notably the question of finance—were known to be outstanding at the the outbreak of war, the Department probably felt reasonably confident about this part of its plans, which it had early entrusted to the practical men of the trade. In fact, the London arrangements had two weaknesses that were to cause trouble. The first was, so to speak, external; they depended for their effective operation upon other parts of the Meat and Livestock Control becoming simultaneously effective. The second was innate, and (it is not too much to say) astonishing; it amounted to the complete neglect of a vital element in the meat transport nexus. Had there been a few months' further respite, this element would probably have come to the attention of the planners and their advisers; as things turned out, they were to be confronted with it as soon as war broke out.

CHAPTER IX

The Struggle Towards Control

I

In August 1939 there can have been no part of the food defence planners' task in which they were more confident than the meat and livestock scheme. A great deal of detailed work had been put into it; almost all the staff had been selected; the various sections of the trade had been squared; there had even been, in July, a 'dress rehearsal' to ensure that those who were to take charge at headquarters knew all the moves to be made when a state of emergency was declared. In the event, this drill proved to have been properly learnt; yet almost everything seemed to go wrong, and it was only after months of tribulation that the scheme could be put into effect. To attribute this to the political factor—to the misgivings and hesitations of Ministers—is to offer an explanation partial and question-begging; for one might expect full allowance to have been made for it. Officials showed themselves conscious[1] of the need not to fetter in advance the discretion of the 'Government of the day'; how then did they come to prepare a scheme so vulnerable, as a whole, to an adverse political decision affecting one of its parts? One can only suppose that they believed that the internal logic of the scheme, the nature of the war emergency, would combine irresistibly to enforce upon Ministers the acceptance of a 'package deal'. The overt doctrine that a future Government might not be bound concealed a covert faith that it must and would be bound.

However that may be, an analysis of the plans for the introduction of meat rationing, and particularly the proposed time-table, shows that they were vulnerable administratively as well as politically. Three stages were envisaged; the first, lasting only a matter of days after the war had broken out, in which normal peace-time trading would continue; the second, in which the Government would have requisitioned stocks of imported meat, restricted dealings in livestock to the approved collecting centres, controlled prices both of livestock and meat, and perhaps begun to concentrate slaughtering; and the third, in which complete control—of slaughtering, wholesaling, and rationed demand—would have been accomplished. This time-table only made sense on the assumption that the second, or intermediate,

[1] *e.g.* Report of the Food (Defence Plans) Department, § 21 (H.M. Stationery Office, 1937).

stage would be exceedingly short; for the control of prices, if it were to be more than a formal gesture of warning, presupposed an excess of demand over supply at the controlled price and hence some method, however rough and ready, of allocation. If two buyers at a livestock auction both bid the maximum price for a beast, who was to decide which should have it, and how? To this question the planners had given no answer; indeed, it does not seem to have been asked. For, had it been, the apparently commonsense notion of proceeding by stages would have been perceived as containing an element of risk and uncertainty, even on the assumption that all would go according to plan and full control be achieved within three weeks of the outbreak of war.

Leaving aside the unpredictability of Ministers, this assumption was ill-founded; on the belief that rationing could begin as soon as the public had got its ration books. In fact, the issue of ration books was only the first in a series of operations that had to be gone through before rationing started, and that had to be spread over nine or ten weeks.[1] This was well understood in the First World War, but the devisers of the second rationing scheme had overlooked it, and those planning the commodity controls naturally took their colleagues' assurances at their face value. The time-table for the meat and livestock scheme, therefore, meant that the lessons of 1917–18 were unconsciously going by the board. 'By this order of 29th August', writes Beveridge, 'the plunge was taken and prices fixed for an article of prime necessity whose supply the Ministry did not control and was not in a position to control for many months'. He might have been writing of August 1939, but for one addition: Lord Rhondda, he says, acted 'with his eyes open'[2].

When war broke out a whole series of Orders was in draft ready to carry out the programme, together with a schedule showing when they should come into operation. As late as 1st September it had been intended so to proceed; thereafter, however, there came an access of caution. Whether by deliberate decision, for want of time, or simply in the confusion naturally engendered by the outbreak of war, the more detailed Orders—restricting the sale of fat stock to collecting centres, and providing for the licensing of importers, wholesalers, and retailers, on condition they became members of associations or buying committees as the case might be—were thrust aside. Only the requisition Orders for imported meat arriving (though not, as had been intended, for stocks also), and for canned meat in stock or on arrival, and the preliminary price control Orders for meat and livestock, prescribing current prices as maxima, were actually issued according

[1] The mechanics of the introduction of rationing are fully explained in Vol. II, pp. 469-477.

[2] Beveridge, *op. cit.*, pp. 143, 149.

to plan.[1] A few days later, a provisional prices Order[2] fixing maxima for fat cattle and sheep was issued, on the ground that the current prices Order was ineffective; and this Order further laid it down that fat cattle and sheep must be sold in a livestock market, *i.e.* not on the farm. This, it appears to have been thought, would enable District Chairmen of Auctioneers to take responsibility for allocating stock 'at prices within the prescribed maxima'. An instruction to District Chairmen on 10th September explained that 'it would be impossible to carry out this Order if such stock were offered for sale by auction', and that therefore the animals should be valued by a Certifying Authority (under the livestock subsidy scheme) or other qualified person in accordance with the prescribed maximum prices, and thereafter 'allotted to the usual buyers at the market according to their usual requirements'. (An addendum to this instruction issued six days later explained that stock might, however, be put up to auction if the buyer refused to pay the graded price.) 'It is not expected that this method of dealing with fat stock will continue for more than a few weeks'.

On 10th September the Ministry of Food was still expecting that rationing could begin on 9th October; but the process of disillusion was about to start. The progressive revelation of administrative difficulties was complicated, and to some extent masked, by the reluctance of the War Cabinet to sanction rationing. In retrospect it is clear that the machinery would not in any case have been ready to function before mid-December, which, by common consent, meant that rationing could not have started till after Christmas. Had auctioneers realised that this was so, they would never have agreed to undertake allocation under the provisional prices Order. Evidently the procedure could only be expected to work under conditions in which price control was unnecessary except as a formality and the need to qualify for the livestock subsidy was sufficient inducement to farmers to keep within the law. These conditions might, perhaps, have been expected to hold good for a few weeks at the seasonal peak of livestock offerings; after that, control would be undermined, just as it had been after the end of the autumn glut in 1917.

By the first week in November there could be no doubt that this was happening. Complaints were most numerous about pigs, which might still legally be sold on farms; the auction marts, where controlled prices prevailed, were said to be denuded of pigs (except where, to protect their own interest, auctioneers were conniving at the sale of fat pigs as stores above the controlled price). But the trouble was spreading to sheep and even sporadically to cattle; in Anglesey, indeed, the pre-war system of purchase on farms by dealers from

[1] S.R. & O's (1939) Nos. 1131, 1076, 1040, and 1127 respectively.
[2] *Ibid.* No. 1132.

Liverpool and Manchester was said simply to have persisted, and the majority of cattle presented for certification to have already been sold. On 14th November, at Lincoln (reported the County Chairman of Auctioneers):

> 'many pens of sheep that were graded were sold by the Producers openly before I, as auctioneer, got to them, at much higher prices than the graded prices. . . .
> When farmers ignore your warning, laugh at you, and sell stock in front of everyone at higher prices than the maximum, I think it is time to call a halt'.

The Ministry of Food, he went on, had made matters worse by announcing the prices that were to be paid when control came in: 'is it likely that a farmer is now going to send sheep into the market and take 11½d. a pound for them, when he knows that within a week or two he is going to get 1s. 1d.?' On 18th November a deputation from the Livestock Auctioneers' Defence Committee had told the Minister that failing the introduction of full control, there should be a return to normal trading.

The Ministry had announced the control prices on 11th November in the belief that it would be able, shortly, to take all steps short of rationing, for which Cabinet approval had not been forthcoming. No sooner had it done so, however, than another obstacle was encountered. Although Mr. Morrison's colleagues had approved his proposal to introduce full control, they had made it clear that they did not like the drastic reduction in the number of slaughterhouses, and the Minister had decided that, while retaining the principle of concentrating slaughtering, a milder form of the scheme must be prepared. The prospect of a further delay in introducing Government purchase of livestock was unwelcome alike to the Ministry of Food and to the Agricultural Departments, and attempts were made to devise a stop-gap scheme whereby this could be done by itself. To each of the attempts some objection could be found, and one was common to them all; the prices promised to farmers were such that the Ministry of Food could not be sure of disposing of its purchases without incurring a loss. The loss would be incalculable, moreover, unless every animal passing through the government buyers' hands could be either identified or followed through to the point of slaughter, lest it be offered to him more than once. Means could not be devised for this in short order; the Ministry, being thus unable to go forward promptly, had to retreat and accept the advice of the livestock auctioneers. On 22nd November Ministers reluctantly agreed[1] that

[1] Vol. I, p. 118.

home-produced meat and livestock must go free until the full control scheme should be ready.

II

The Minister's decision about slaughterhouse concentration cannot have come as a surprise to Meat and Livestock Division, for even before the war higher authority had been wary of going too fast. At the 'dress rehearsal' in July 1939 those immediately responsible for the meat scheme had been reminded that it might be easier to close a slaughterhouse than to reopen it. This wariness was naturally increased when, as soon as war broke out, a stream of protests and representations about the scheme began to flow in to the Department. These were various, both in source and motive. There were owners of small private slaughterhouses who feared that their right to slaughter might be forever extinguished as a result of control;[1] there were retail butchers who objected to fetching meat from a distance and whose representatives had warned the Department before the war not to reduce the number of slaughterhouses too far; there was the Co-operative Movement which sought a detailed justification in each and every case where a society's slaughterhouse had not been provisionally selected for use under the scheme; most important of all, perhaps, there were the local authorities. On 5th September, for instance, the Town Clerk of Doncaster wrote to complain not merely that the Co-operative slaughterhouse and not the municipal slaughterhouse had been chosen, but about the way in which the choice had been made; the Markets Committee '. . . much to their surprise, were informed that two or three inspections of the slaughterhouse have been made by representatives of your Department . . . the Committee think that in common courtesy they ought to have been apprised of these visits in order that full information might have been given. . . .'

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[1] These fears were enhanced by the coming into force of Section 57 of the Food and Drugs Act, 1938 (1 & 2 Geo. 6, c. 56), under which every private slaughterhouse would be subject to annual licensing by the local authority. The retail butchers were afraid that the issue of licences after the war would be prejudiced by the fact of non-user (and therefore non-licence) during the period of control, and asked that Section 57 be suspended for the duration. The Ministry of Health, however, pointed out that this would not mend matters: under the older law, a slaughterhouse would also require a licence to re-open after a period of suspension, and the grant of such a licence would have, in the interests of public health, to be subject to inspection of the premises by the local sanitary authority. Indeed, the Act of 1938 specifically enjoined local authorities to have regard to the fact that the premises were in use when the Act came into operation. All that could be done, therefore, was to put on record the Minister of Food's view that local authorities, when they came to consider licensing premises disused during the war, 'will, in cases where it is appropriate, give full weight to the fact' that use had been discontinued solely by reason of the Government control of slaughtering.

Doncaster[1] was especially incensed because the Corporation had offered to establish an experimental slaughterhouse under the Livestock Industry Act, and so felt itself the more entitled to considerate treatment; but a sense of injury was widespread among local authorities even sometimes when their slaughterhouses had been selected. For the Department, taking the view that a slaughterhouse manager under the scheme would need to have practical qualifications to supervise the whole process, and would not be simply a collector of tolls, had in more than one instance passed over the local authority's own man in favour of a local butcher without so much as asking leave to do so. It had, in fact, taken a short way with local authorities owning slaughterhouses—it had not, for instance, attempted to explain its proposals to the Association of Municipal Corporations—and this was the more likely, perhaps, to arouse resentment as dictation from Whitehall, because most municipal slaughterhouses were in the North of England and in Scotland. The loss of income from tolls might be no small matter, particularly if the authority had raised a loan (with Government sanction) to build a slaughterhouse; and there was no countervailing advantage such as the private slaughterer might hope to gain from the sale of dead meat.

As early as 21st September, therefore, the Minister, surrounded so to speak by the wreckage of the fish scheme, and fresh from a meeting with Mr. A. V. Alexander about Co-operative slaughterhouses, minuted officials that he would like to consider the meat scheme as a whole before any abattoir closed: 'We should proceed with caution'. On 27th September the representatives of retailers told the Ministry that the proposed number of slaughterhouses to be used, some 450, was far too low; they did not think the number could be got much below 1,000 and there was danger of transport breaking down, especially in winter. On 29th September, Area Meat and Livestock Officers were instructed to review the slaughterhouse list urgently. On 6th October the Minister held a full-dress meeting with his advisers, at which the whole scheme was reviewed; he decided to go ahead with the slaughterhouse scheme, but gave instructions that local machinery was to be set up to deal with local complaints about both slaughterhouses and collecting centres.

The idea of local slaughterhouse tribunals was at once seen to offer a possible way out of the political difficulties facing the scheme, not

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[1] The Ministry of Food agreed to substitute the municipal for the Co-operative slaughterhouse, largely on the ground that it had not realised that all the stock from the collecting centre would have to cross the Great North Road to get to the latter. The Chief Constable of Doncaster declared that he could not take responsibility for what might arise if a herd of cattle or sheep was held up by a military convoy. It was later learned, as a result of the Co-operative Society's protest at this change, that stock were accustomed to cross the Great North Road by means of a tunnel. However, the decision was not reversed a second time.

the least of which was that of compensation. When one official wrote, on the occasion of an enquiry from a small authority owning a small slaughterhouse in South Wales about compensation to its 'slaughter-house workman who will be discharged':

> '... I should like to ask if any steps are being taken to "loosen up" a little on the number of slaughterhouses. It can make no difference in efficiency (or not much) if say 800 or even 1,000 were allowed, instead of 600 [the figure to which reconsideration had already raised the number],[1] and if the extra 200 or 400 were selected to meet the grievances of powerful public bodies and other institutions, it might make a lot of difference to the Minister's task and to Parliament's reception of the scheme. ... '

Meat and Livestock Division promptly replied that 'these tribunals can be used for the process of "loosening up" if that is considered good policy and unless other proposals for increasing the number of slaughterhouses are proceeded with. These tribunals might be used to good effect both by Minister in Parliament and by the Department in dealing with complaints'. It was decided to go forward with their establishment in spite of the Area Meat and Livestock Officers' all but unanimous advice that this was unnecessary and would only be taken as a sign of weakness. Headquarters held, on the contrary, that the tribunals would vindicate the 'general principle of administration that, where practicable, the right of appeal should be available to those who consider themselves aggrieved by an act of the Executive. This is not only sound in principle but it is also expedient. . . .'

However, the promise of tribunals was not enough to satisfy the Minister's colleagues, when it was put to them on 10th November; the Secretary of State for Scotland, in particular, showed apprehension about the attitude of the local authorities there: 'I am sure they might be very troublesome if many of the slaughterhouses under their control were to be closed'. This view, though not borne out by the observations of the Ministry's officers on the spot, appears to have had a decisive effect; it was agreed to include all municipal slaughter-houses throughout Great Britain in the scheme, which 'would remove all objections in Scotland'. The majority of such slaughterhouses in England and Wales had, in fact, already been scheduled for inclusion, either in the first place or—particularly in the North-West—during the 'loosening-up' process that had been initiated at the end of September. In Scotland, however, no less than 99 had now (it was thought) to be added to the original 54.[2] A few more privately owned slaughterhouses

[1] By this time it was being borne in on those immediately concerned that, on purely technical grounds, 600 was probably a bare minimum.

[2] This turned out, however, to be an exaggeration.

were also brought in, as a result of discretion which was now given to Area Meat and Livestock Officers to deal with complaints without reference to Headquarters. A slaughterhouse—even though municipally owned—was to be used only if its condition and equipment were considered satisfactory or were rendered so by the owner; and a handful of public slaughterhouses failed to qualify. The list was closed on 15th December 1939, one month before full control was due to begin. The number of slaughterhouses used on the first day of control numbered 801; seven more that had not been in readiness were added shortly afterwards. Of the total, 246 were municipally owned, 119 of them in Scotland, and 522 privately owned; the remaining 40 were so-called 'export' slaughterhouses, used, for example, for Scotch beef sent to the London market.

Although an announcement that tribunals would be set up had been made just before Parliament rose for the Christmas recess, they were not in fact established until May 1940. There was much debate within the Ministry about their composition and powers; the original intention to have representatives of interested parties with an impartial chairman, nominated by the Lord Lieutenant of the County, was jettisoned in favour of committees of three independent members. The Chairmen and 'appointed members' of the County Agricultural Wages Committees, who might be presumed to have the requisite local knowledge, appeared to be suitable, and permission was sought from the Ministry of Agriculture to approach the Chairmen to serve. It was granted, provided the approach was 'on a personal basis', for the Ministry of Agriculture did not want to touch pitch: 'from this Department's point of view it is undesirable that there should be any linking-up between the . . . slaughterhouse tribunal machinery and that of minimum wage regulation, which in itself is the subject of a certain amount of criticism'. So too the services of the Secretaries of the Agricultural Wages Committees were refused, though on the ground that they were overworked already. Meanwhile it had been decided that one of the two remaining members should be a representative of organised labour (for which nominations were sought, and invariably accepted, from the T.U.C.) and the other a business man (nominated by the Area Meat and Livestock Officer). Finding all these people naturally took some time, and it was not until 30th April that the task of sending out invitations to serve was completed.

The question whether the tribunals should be advisory merely, or whether they should be given mandatory powers like their prototypes the Wages Committees, was more readily settled. A natural preference for making them advisory was reinforced by the practical consideration that otherwise they might be rigidly confined to saying 'yea' or 'nay' to the particular complaint before them, instead of making a more general and helpful recommendation for (say) altering distributive arrangements, and by the legal point that the Minister might not delegate his powers to an independent authority. It was agreed, however, that as a general rule the Minister 'would adopt their advice without delay and without a detailed review of the circumstances of an individual case'; and this was made clear to the tribunals at the outset.

The procedure devised for the tribunals was calculated to ensure the maximum dispatch and informality. Appeals—technically, 'applications for additional slaughtering facilities'—went on a prescribed form to the Area Meat and Livestock Officer, who endeavoured to settle them out of court. If he did not consider the application well founded, and if he were unable to get it withdrawn, the case would go to the Tribunal which might or might not decide to call witnesses from each side; if oral evidence were so taken, the hearing would be on an appointed day and in public. The recommendation to the Minister, however, would not be made public. The fact that judgement might be given on written evidence alone aroused some protest from the retailers' federation, when it became known:

> '. . . in cases', wrote their Secretary, 'where oral evidence is heard the Trade know the nature of the objections to their application. . . . but where a decision is come to on the written evidence the Trade are in the dark as to the point submitted in opposition to their proposal.
> 'I must say when the late Minister [Mr. Morrison] promised that these Tribunals would be set up it was never in our minds that they . . . would judge a case on written statements. . . . '

The Ministry, however, refused to alter the procedure, on the ground that it would be wasting the tribunals' and everyone else's time to insist on oral hearings of applications that might be (and frequently had been) no more than frivolous. (In 1942, however, the Chairman of the South Scotland tribunal, which was then called upon to act for the first time,[1] took exception to the Ministry, as an interested party, handling the evidence on both sides; he appointed an independent clerk to the tribunal, with the concurrence of the Area Meat and Livestock Officer, and a surprised Ministry Headquarters was constrained to acquiesce.)

As it turned out, the number of cases dealt with by tribunals was very small. By the end of 1940 a total of 35 applications had been formally submitted. 13 of them were withdrawn before hearing, 12 rejected on the written evidence alone, and 8 rejected after full public hearing; in the remaining 2, the Area Meat and Livestock Officer

[1] Only two tribunals had been appointed for Scotland where the amount of business was expected to be negligible. When, however, a decision to discontinue the automatic use of all municipal slaughterhouses was taken the tribunal for Southern Scotland found itself with a number of appeals.

agreed to the application before it could reach the tribunal. Officials declared that this was 'a striking vindication' of the scheme for concentrated slaughter; but to that verdict must be added a rider. What was vindicated was not the 400-odd slaughterhouse scheme of September 1939, but the 800-odd scheme of December. In the course of the 'loosening-up' process so many concessions had been made that no reasonable man who accepted the principle of concentration could ask more. The tribunals, which had been thought of in the first place as means of making the concessions, thus started off deprived of their intended function, and served merely to verify the lengths to which the Ministry had gone to placate opposition.

How far it had gone beyond what was necessary to efficient working of the scheme—in other words, how many additions to the original list of slaughterhouses would have been necessary had there been no agitation—is a question not easy to answer in general terms. Evidently, the wholesale appeasement of the Scottish local authorities was politic and nothing more; but though the same was true of a few slaughterhouses in England and Wales, it looks as though the concessions made there were on the whole justified. No doubt on paper the original slaughterhouse list provided ample capacity, supposing that labour and other resources were infinitely mobile and the flow of stock for killing reasonably even. In practice it always proves difficult in wartime at any rate to get anywhere near the theoretical capacity of any processing plant (cf. sugar-refining rates of melt, or the refining of edible oils). It seems unlikely that the Ministry of Food could have managed to deal with killings at the level of the first year of war—to say nothing of the glut that opened the second year—on no more than 450 slaughterhouses of the size and type available. Nevertheless by 1943 the number of slaughtering *centres* (some with more than one slaughterhouse) had been brought down almost to this figure.

One important change had been made during the autumn of 1939 in the way in which the Government-controlled slaughterhouses were to be run: the manager was still to be a Ministry of Food employee, but the actual work of slaughter was to be undertaken not by direct labour but by contractors. It was explained to the Minister, who approved this change at the same time as he approved the principle of centralised slaughtering, and to the Treasury, that this had been made necessary by the difficulty of arranging rates of pay, squaring the slaughtermen's trade union, and recruiting men, all at short notice. The idea of putting out some slaughterhouse work to contract was not new; standard forms of contract had been drawn up before the war[1] and contracting was referred to in the instructions to area slaughterhouse agents and slaughterhouse managers. Slaughterhouse

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[1] Without, however, the Treasury having been consulted. Above, p. 170.

agents had been intended, it seems, to enjoy discretion whether to let contracts or employ direct labour; but in any case slaughterhouse managers were to exercise close supervision over the work of the slaughter gangs, and it was for this reason that some local authority employees had been passed over for appointment. The decision to put out all slaughtering to contract had the incidental, though not apparently intended, result of diminishing the responsibility of slaughterhouse managers; even so, the Ministry found it impossible always to leave the local authority's man in possession.

This did not mean that the contracts were put out to competitive tender, which might have led to warfare between wholesale, retail, and co-operative interests. The last-named naturally became the contractors for their own slaughterhouses; elsewhere the local associations of wholesalers or retailers, 'according to the character of the slaughterhouse', were invited to nominate contractors. The Ministry's own creatures, the Wholesale Meat Supply Associations, were expressly debarred from contracting, whether directly or indirectly—a ruling that so offended one (but only one) Area Meat and Livestock Officer's notions of efficiency that he resigned forthwith. (This was not the only time that outside recruits to the Ministry, particularly away from Headquarters, found it difficult to appreciate 'political' compromises; and in fact the Ministry had shortly afterwards to depart from its ruling in another area.)[1] Likewise, only those local authorities that had previously undertaken slaughtering were allowed to take on the contract.[2]

Payment was made per head, on a scale estimated in the first instance and accepted by the Treasury subject, as in all such cases, to a costings investigation; this showed that the initial rates were too generous, particularly for cattle, and during the first year of operation they were twice revised downwards.

Payment for the use of slaughterhouse premises depended on their ownership. Private slaughterhouses were requisitioned by the Ministry of works and a compensation rent paid; a few on railway property were leased. Export slaughterhouses, the use of which was mostly seasonal, were not requisitioned; instead, a premium on the standard slaughtering rates was paid the owners, who were also the contractors, to cover the use of the premises. Slaughterhouses belonging to local authorities had to be treated quite differently. They were not, as a

[1] South Scotland, where the retailers and all but a few local authorities declined to contract, efforts to form a joint body of livestock traders and wholesalers broke down because the two sides could not agree, and as a hasty resort the whole of the slaughtering in the area was handed over to an *ad hoc* company formed by the wholesalers who were of course, already organised in the W.M.S.A.

[2] The contract covered: droving, care and feeding of stock awaiting slaughter, slaughtering, dressing, handling of offals, supplying labour to place meat and offals on the scale, and keeping of minor records. Checking of weights and keeping the more important records were entrusted to the Ministry's own staff.

matter of policy, subject to requisition by the central Government, and it would in any case have been difficult to calculate an appropriate rent for their use, as their income was normally derived from tolls. The Ministry of Food took the view that the concentration of slaughtering would *ipso facto* increase the numbers slaughtered in municipal abattoirs; so that if the pre-war tolls were to be paid by the Ministry this would provide local authorities with a handsome income that would enable them to meet any capital expenditure that might be required to equip their slaughterhouses in accordance with Ministry requirements. On the average, this view proved to be tenable for England and Wales—though a few municipal undertakings made very heavy losses in war conditions and a few made exceptional profits;[1] for Scotland, it was recognised as being untenable so soon as the decision was taken to use all suitable public slaughterhouses, none of which might therefore expect to enjoy an expanded turnover. Scottish authorities, therefore, were told that the Ministry would consider an increase in dues based on the actual cost of providing extra services. Whatever the basis of payment, a separate agreement covering the circumstances of the particular slaughterhouse had in every case to be negotiated, and it was not until early in 1941 that this process was completed; in the meantime, the Ministry paid local authorities the existing tolls.[2]

III

While the Ministry struggled successfully towards getting the framework of livestock control established, one part of the original plan was operating, or attempting to operate, in conditions for which it had never been intended. On the eve of war the signal had duly been given for the decentralisation of Smithfield; the ten outer and thirty inner depots were manned and made ready to operate. At once it became apparent that a vital piece of planning had been overlooked: though arrangements had been made for transporting meat away from the depots, there was no integrated organisation for getting it into them. Evidently there could not be, so long as the collecting, slaughtering, and forwarding parts of the livestock scheme were not in operation; and the fact that—quite apart from the delays

[1] A good many authorities were accustomed to lose money on the slaughterhouse in peace-time. Two—the Burgh of Inverurie and the City of London—were, on the other hand, not empowered to subsidise the slaughterhouse undertaking out of the rates, and special arrangements had to be made for them.

[2] In one or two instances in England, and a considerable number in Scotland, the Ministry was able to make an arrangement whereby it partially reimbursed local authorities for the services cf one or more members of the slaughter house staff. This generally effected a considerable saving in cost.

that occurred in practice—these were scheduled to come into operation after the Smithfield plan, of itself indicates how far-reaching had been the oversight. The traders who devised the decentralisation scheme, and the officials who approved it, had not realised that in moving Smithfield they would be disturbing that 'highly complicated and delicate mechanism', the railway system. They had supposed, or rather taken for granted, that provided their outer depots in particular were within easy reach of a railway line—any railway line—no difficulty would be found in forwarding supplies to them by train. Like most laymen in transport matters, they had no idea of the extent to which smooth railway operation depends on the existence of 'regular and well-defined flows of traffic.'[1] One of these flows—especially powerful in the autumn season—was from Scotland to the London goods termini, and the removal of Smithfield was not, by itself, sufficient to stop it. Eight days after the outbreak of war the District Goods Manager at Broad Street L.M.S. Station reported what had happened there:

> 'It was assumed that with the closing of Smithfield Market, meat traffic would cease to flow to Broad Street Station. . . . Scotch meat, both mutton and beef, has been coming forward during the whole of last week and yesterday. . . .I was advised that no less than 69 loads, mainly containers, would reach Broad Street in the early hours of this morning. Instead of delivering this meat to Smithfield, a mile away, . . . we had to deliver the containers to places such as Romford, Woodford Green, Enfield, Leyton, Winchmore Hill, Harrow, Bedfont, Ealing, Kingston-on-Thames, Mitcham, Epsom, Croydon, Catford, Greenwich, and Bexley Heath. This has necessitated our taking motors off other important work. . . . '

The London W.M.S.A., he continued, 'seem to be as surprised as we are when such a large quantity reaches Broad Street'.

A week later, on 18th September, the four railway companies gave notice that they could no longer undertake all this extra cartage from the London termini. They could serve fourteen of the thirty inner depots, but the W.M.S.A. would have to arrange cartage to the rest. As for the outer depots, the companies flatly declared that, even under full control, delivery to them was 'not a practical proposition', for

[1] This and the preceding quotation are taken from C. I. Savage, *Inland Transport* (in this series) p. 192. His analysis of the railway problem in time of war is indispensable reading for any would-be planner of commodity control. In fairness it must be added that the railways tended, until actually confronted with a specific operational requirement, to be at once sanguine and secretive. When asked, in August 1939, to appoint liaison officers for the Smithfield scheme, they do not appear to have expressed curiosity, let alone alarm, about it.

The railways pointed out in October 1939, apropos of the Smithfield scheme, that they had not been consulted about the movement of livestock from collecting centres to selected slaughterhouses, or of meat under rationing. Here again the pre-war planners seem to have taken railway services more or less for granted.

they were not on main lines. The W.M.S.A. was reluctant to abandon all idea of bringing these depots into use; it wanted them, particularly, as places in which whole vanloads of, say, imported sheep's kidneys and lamb's livers, or carcases of varying weights, could be sorted so as to give each inner depot a proper variety of meat. A proposal was mooted for five 'railhead points' around London, from which the outer depots might be fed; but the companies raised insuperable operational objections, which were endorsed by the Ministry of Food's Transport Division. The breaking-up and shunting of long-distance meat trains that would result, the impossibility of getting the empty containers returned, as was customary, the same day, and the need to handle meat in the black-out, all meant that they could not contemplate unloading meat trains except at the London termini equipped to handle them or—in emergency—at other inner London stations. Indeed, the companies asked that Smithfield be restored, as the longer hours of darkness as winter approached were making delivery from terminus to inner depots more difficult to work. However, this does not seem to have been seriously considered by the Ministry, and was not pressed.

The W.M.S.A's difficulties about sorting were next proposed to be overcome by establishing five inner London railheads to handle the imported meat which, under shipping diversion, would be landed at Liverpool instead of in London river. These (Acton, Park Royal, Bishopsgate, Spitalfields, and Maiden Lane) would take the place of the outer depots. The plan was accepted by the railway companies, who were willing to allow short-distance road-borne meat to be handled at the railheads. But when the W.M.S.A. learned that (as railway property was not subject to requisition), it would have to become the companies' tenant, it belatedly lost interest in the proposal and found reasons for abandoning sorting, which would have been the depots' main purpose. MINDAL, under control, would be able to separate carcases by quality; the Ministry had said that there was no need to sort them by weight, to meet some consumers' preference for small joints; therefore the railhead depots would be a waste of money. Early in 1940, however, it was agreed that four of them should be fitted up with the minimum equipment for use in emergency.

This left the outer depots, the staff of which, as an indignant correspondent was already writing to the Minister in October 1939, had 'done nothing since the first week of the war only play darts', in the air; but the Ministry and the W.M.S.A. still held that they might be wanted in the event of bombing, and they were accordingly kept requisitioned on a care and maintenance basis. When the bombing did come, however, they were not brought into use; the railway companies preferred, as they had forecast during the discussions of the autumn of 1939, to improvise alternative unloading places for meat as and when required, rather than to make drastic permanent alterations in their running schedules. Thus it became evident to all that the outer depots would never be able to serve their original purpose of a kind of inland transit shed.[1] Two of them had, in fact, already been 'lent' to the War Office, and another to the Ministry of Aircraft Production, and it was now agreed to waive any right of recovery. Of the other seven, three were retained as alternative inner depots and two more as buffer depots for groceries, etc.; the remaining two passed out of Ministry of Food control.

Clearly the logistics of the original decentralisation scheme were faulty. The conditions governing the movement of meat in peace-time, their capacity for variation in war-time—a crucial factor in not only this part, but the whole of the meat and livestock control scheme—had simply not been studied. This error of omission is highly characteristic of much pre-war planning in the civilian sphere; it was an error not likely to be made by a military planner, and not repeated by the mature Ministry of Food, with its command of skilled and not reticent transport advice. The question arises whether, had the railway companies been only consulted at the outset, they could not have advanced against the scheme operational arguments so impressive as to have prevented its being embarked upon at all; and whether, in the event, this would have mattered. A firm answer is hardly possible; but Billingsgate fish market, no less vulnerable than Smithfield, was able to function throughout the war, so that the advantages of the permanent dispersal of the latter to thirty inner depots were not obviously decisive. One might argue, nevertheless, that given a régime of full control and rationing, they did outweigh the inconvenience of the extra cartage.

In the conditions of the autumn of 1939, however, the transport problem was the most transient of those affecting the London W.M.S.A. There was an acute shortage of imported meat, resulting from the introduction of shipping convoys;[2] unexpected, though also unavoidable, it caused loud complaints from butchers in working-class areas of London whose customers did not want or could not afford home-killed meat at a higher price. It was said, no doubt with truth at the outset, that depot managers were making allocations of imported meat conditional on acceptance of the home-killed. Shortly, however, there developed a shortage of home-killed also at the depots; there was 'free-trading' by wholesalers around the closed Smithfield and at the big Islington abattoir (which, in the absence of control,

[1] Cf. the proposal for inland sorting depots (Vol. I, p. 209), which, says Mr. Savage (*op. cit.* p. 253) 'provided no relief to inland transport—they only added to its burden'.

[2] In mid-October the shortage was so serious that an approach was actually made to the Admiralty to see if the fast meat ships might be released from convoy to sail independently; but the Admiralty replied that this would be too risky and the point was not pursued.

was still working normally), and various devices were being used to evade the maximum prices orders. 'It is no exaggeration to say', wrote the W.M.S.A., on 7th November, 'that more Fresh Meat is being sold outside the London W.M.S.A. than through it'. The number of 'mushroom firms' was increasing rapidly, and more retailers and groups of retailers were establishing direct contact with dealers on country livestock markets. The Association asked that it be given the right to handle all meat slaughtered at Islington or arriving in London by rail; but the Ministry was doubtful whether this was practicable, and the matter was still under consideration when it was decided to decontrol home-produced meat over the Christmas period. By this time, however, the severest shortage of imported meat had ended[1] and there seems to have been little trouble in London—or indeed anywhere else—in the few weeks that remained before the introduction of full control.

IV

These weeks were hectic for Meat and Livestock Division, for after the roll of slaughterhouses was closed, on 15th December, the work of linking them to collecting centres had to be gone over and revised; the Wholesale Meat Supply Associations outside London given their marching orders;[2] and the preparations for rationing (itself approved only on 6th December, and not to be mentioned in public until after Christmas) set afoot. Moreover, there was still one major amendment to be made before control came into operation; it had been decided to scrap the proposal, inherited from the earlier war, for a single price schedule covering meat of varying origin and quality. 'Pooled' commodities were unpopular; the disappearance of the cheaper grades that they entailed was thought to bear hardly on the poor; the heavy guns trained on the Ministry of Food from Admiralty House had concentrated on the pooling of meat prices.[3] On what should be substituted for pool prices there proved to be some difference of expert opinion. It was agreed on all sides that there should (except for veal, of which only the home-killed variety would be retailed in any quantity) be a distinction between imported and home-killed meat; and as there are extreme variations in quality in

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[1] Releases in the second half of October had fallen as low as 25 per cent. of normal; by the end of November they had been raised by stages to 50 per cent. (60 per cent. in London) and for Christmas week were put up to 70 per cent. (80 in London).

[2] The activity of MINDAL had formally begun on 11th December, heralded by a special press release headed 'MINDAL, at your service'.

[3] 'Mr. Winston Churchill', wrote an official from personal witness later, '. . . .had been extremely critical of the proposal to ration meat at all but this particular point drew from him most sarcastic comments'.

the latter, it was also proposed to have first and second-grade prices for beef and mutton. Representatives of the retail trade, at a meeting on 21st December, showed a majority against this suggestion, and 'higher authority' within the Ministry agreed that it should be dropped. Immediately after Christmas, however, the expert Retail Trade Advisers emphatically asked for the question to be re-opened. It was pointed out that only one representative from Scotland had been present at the meeting and that the trade there would most likely favour differentiation—which, for one moment, it had been proposed to allow in Scotland only for mutton and lamb. The adoption of a flat price would mean—it was said—that retailers would jib at taking cow and bull beef, or ewe and ram mutton, at a price that would be substantially higher than that of imported carcases that were generally superior in quality. These arguments prevailed, and the decision was once again reversed.

An instruction to the meat and livestock officers 'in the field', sent out eleven days before control was due to start, recognised that the new price structure 'introduces difficulties into the administration of the scheme and calls for assistance from every section of the trade'. The main difficulty appeared to be the shortage of imported meat for civilian consumption; it would, so far as possible, be directed to the areas where it was most needed—*i.e.* customarily asked for—but the need for transport economy might limit the extent to which this could be done. The people actually engaged in allocation at local depots should use their discretion, subject to the agreement of all concerned, to vary the issue of different types of meat to butchers according to their customers' requirements. 'The continuance of the arrangements . . . will depend on the success that is achieved in making a larger proportion of the cheaper varieties available for those sections of the community that cannot afford the more highly priced varieties'. Experience that autumn in London had indeed shown that the impossibility of doing this had been a major cause of outcry against control.

The immediate burden, however, fell most heavily on a handful of Headquarters officials who had now to prepare not one but three revised retail price schedules to cover the different methods of cutting meat in vogue (*a*) in London and the Home Counties[1] (*b*) in the rest of England and Wales (*c*) in Scotland. These had to take into account the current, *i.e.*, decontrolled prices for home-produced meat and the need to recoup losses recently incurred on imported meat, and they also had to embody a decision on the retailer's margin, about which discussions had been going on with the trade since the beginning of October. Treasury sanction for the Ministry's proposals, that the

[1] For beef only.

maximum margin should be equal to 27½ per cent. of the pre-war selling price, was not forthcoming until 3rd January, and the prices had to be published on the 12th, three days before control began. In nine days, therefore, Meat and Livestock Division had to go through the following process:

1. Collect specimen retail prices of fresh meat from the 21 Area Meat Agents.
2. Strike 'a fair average' of these.
3. Calculate from this average what the butcher would realise for the whole carcase of each type of meat.
4. Construct a wholesale price by subtracting the permitted margin (itself derived from a separate set of retail prices).
5. Fix wholesale prices for imported meat in harmony with the result.
6. Add on the permitted margin and so obtain the retailer's theoretical return from a whole carcase of imported meat.
7. Apportion this result between the various cuts.
8. Embody the whole in schedules to an Order.[1]

In this, as in other respects, the Division had endured all the frustrations of four months' delay without reaping any of the advantages.

[1] S.R. & O. (1940) No. 46. There was a single schedule covering offal, and another for kosher meat killed according to the orthodox Jewish rules. Provision for the Jewish community was a complicating factor that ran right through meat and livestock control.

CHAPTER X

The Beginning of Bulk Purchase

I

When war broke out, negotiations were promptly opened with the meat-exporting countries for supplies on long-term contract, in accordance with the oft-expressed intentions of the Food (Defence Plans) Department. No detailed import programme for meat had as yet been formulated, nor had there been set down, by way of guidance for the negotiators, a considered statement of the factors that might limit their discretion.[1] Such limitations were, it seems, expected to be neither many nor serious; the cursory pre-war discussions had been mainly concerned, for all commodities, with the possibility of economising foreign exchange by buying a higher proportion of supplies within the Empire, and for meat this was not possible unless total supplies were reduced. The opposite possibility was not canvassed because no immediate shortage of refrigerated shipping, which would compel concentration on shorter hauls, was expected; on the large assumption that the Admiralty would not take ships for war-time purposes. Indeed, the Department was proposing to counteract a shortage of cold storage space by using laid-up refrigerator ships.

Not only would the outbreak of war—it was thought—not impose tangible restrictions or changes upon overseas supplies; it would release them from the intangible network of conditions represented by the International Beef Conference and the various trade agreements. 'Any quota restrictions', wrote an official of the Department just before Christmas 1938, 'would, of course, be suspended on the outbreak of hostilities'. He was writing in reference to a proposal, which was not pursued, to place orders for extra supplies of South American canned and frozen meat, over and above the Beef Conference quotas, in 'an acute precautionary stage'; but it is odd that those in the Board of Trade proper concerned with these questions did not take him up on the general point. For the quota system represented not merely a restriction on the total supplies that might be imported from South American countries, but a means by which these were shared out between countries and companies. Any varia-

[1] Cf. the passage quoted in Vol. I. p. 45: 'Each buying Division, prior to the commencement of its activities, must know the aims of general policy as applied to this particular sphere and . . . the limits within which it can exercise discretion'.

tion in it would—having regard both to specific treaty obligations and recent practice—evidently require the assent of all interested parties.

In fact, however, the exporting countries were confronted with what looked like a *fait accompli.* On 5th September 1939 representatives of the Argentine Government and shippers were invited to the headquarters of the new broom in Great Westminster House and told, by way of preface to the Ministry's bulk purchase proposals, that all quota restrictions had been removed; this was repeated to the Uruguayan interests on the 11th, to the Brazilians on the 21st, and immediately relayed to the respective capitals.[1] On 21st September also, however, a Ministry of Food spokesman, replying to the Argentine delegate, confirmed, at what was to be the final meeting of the International Beef Conference, that the policy of the United Kingdom, circumstances permitting, was to 'retain the normal distribution of purchases'. This was explicitly put forward as a gloss on the original statement, which thus was made to mean no more than that any limitation on total imports might now be considered removed; the British wanted all the meat they could get, if the price were right. So interpreted, the statement might be considered innocuous by the exporting countries, who were not to know that it reflected, not a policy decision—which had neither been taken nor even sought—but simply a policy assumption. Later, when events belied the interpretation and undermined what lay behind the assumption—the belief that there would be no shortage of shipping—there ensued recriminations which were only to be ended by an explicit eating of words. Quotas, so far from being abolished, were in fact to give more trouble in the first year of war than all the rest of the South American negotiations put together.

At first, however, the Argentine negotiations—in terms of quantity by far the most important—appeared to be turning on the more obviously important questions of price, amount, and duration. To the Ministry of Food's original proposal for an annual contract, at the sterling equivalent f.o.b. of average c.i.f. prices for the year 1938, the Argentine Meat Board replied by offering 200,000 tons, over the next four months, against payment in pesos; at a price (f.a.s. moreover, instead of f.o.b.) which, at the rate of exchange proposed to be fixed, would be equivalent to 4d. a pound for beef of 'chiller quality', as against a pre-war average of rather less than 3½d. *Prima facie* this increase does not appear excessive, having regard to the depreciation of about one-sixth that had taken place in the value of sterling when war broke out; the Ministry of Food, however, reacted to it most drastically. There was, it held, no justification for any increase in meat prices, nor for the increase in the buying price for live cattle

[1] In Foreign Office cables marked 'No Circulation' and, therefore, unknown to the Board of Trade department that dealt with commercial treaties.

that had been forced upon the *frigorificos*. The Argentines were told that the British public had been rendered poor by the fact of war and could not afford high prices; there was talk of buying a smaller quantity and imposing a lower meat ration; it was put about in Buenos Aires that refrigerated ships were to be diverted from the Plate route.[1]

After further exchanges with Buenos Aires, an acceptable counter-proposal emerged: Argentina agreed to ship, over a period of sixteen weeks from October 23rd, 119,000 tons chilled quality frozen beef at 3⅞d. a pound, 31,000 tons 'German' quality frozen at 3½d., 20,000 tons 'French' quality at 3¼d., and 30,000 tons frozen lamb at 5⅝d. The 'German quality' beef had not been mentioned in the early stages of the negotiations; the Argentines had been willing, it seems, to sell it at the same price as the French quality, as part of a 'package deal' in which their price of 4d. was accepted for chiller quality. They withdrew this part of the offer on learning that, though the British Government was negotiating on behalf of the French—whose requirements the 51,000 tons of cheaper beef represented—separate arrangements would have to be made for payment and shipment. For their part, the French did not want the German quality, and the British had hopes of retaining it to relieve their current shortage of imported meat; the French need, however, in the end proved to be greater.

Once the Argentine contract was out of the way, little difficulty was experience with Uruguay and Brazil. Neither country was prepared to accept an annual contract, each giving as its reason the uncertainty of the foreign exchange position. The Uruguayans were chiefly concerned to reduce the customary premium (·42 pence per pound for chilled beef before the war) enjoyed by Argentine supplies, and the Ministry agreed to pay but 3/16d. less than Argentine prices for chiller quality beef, and ⅛d. a pound for lamb. The Brazilians, for their part, were willing to accept the 1938 prices as originally offered by the Ministry to all three countries. The Uruguayan contract was to run, like the Argentine, for sixteen weeks; that with Brazil, where the killing season began later, from January to April 1940. Neither country raised difficulties about continuing the pre-war proportion of allocations between the different freezing works.

Argentina likewise raised no objection to applying the pre-war proportions to shipments of meat for the United Kingdom; but a great tussle arose about those to France. The Ministry of Food had proposed that the quotas for all shipments, regardless of destination, should be in proportion to the actual shares enjoyed by the various

[1] An instruction was issued to suspend sailings to the Plate, but it is not clear whether it was ever carried out. As yet the Ministry of Shipping had not taken control of liners, and the Ministry of Food was acting through an *ad hoc* Freight Committee on the Baltic Exchange.

interests in the calendar year 1938; but this was disputed both by the Argentine Government and two of the smaller Freight Committee companies. These, the Sansinena Company and the Smithfield and Argentine Meat Company, declared that their shipments to Continental destinations in 1938 were below what they were entitled to. Freight Committee quotas related to River Plate shipments as a whole; the two smaller companies did not operate in Uruguay and so had been excluded from certain Uruguayan shipments to the Continent. They claimed that the Argentine Government and the 'big three' shippers had conceded this point, after long negotiation, with the result that they had been promised a larger quota in future; the 'big three', on the other hand, told the Ministry that this concession had been forced on them by the Argentines and anyway was only for one specific deal. The Ministry would have liked to keep out of this inter-company squabble, and might have been able to do so had it been isolated. The Argentine Meat Board, however, was equally indisposed to accept the 1938 figures. In pursuit of its pre-war policy of increasing the share of the producers' co-operative—the C.A.P.—in shipments to the Continent (those to the United Kingdom being limited to 15 per cent. by treaty), it declared that all shipments over and above the 1938 rate were to be regarded as abnormal, and 40 per cent. of them, that is to say 13,500 tons of meat for the contract period, was to be reserved for the co-operative. This arrangement would have been to the advantage of the two companies already in dissent, as they processed the co-operative's meat; and provided it were accepted, the Argentine authorities were prepared to leave the Ministry of Food to decide whether or not to vary the quota proportions of normal shipments in favour of the two companies.

The Ministry postponed judgement for three weeks, while it took informal soundings with the Board of Trade staff previously concerned with these matters. It learned that the British Government had hitherto been considered to have no *locus standi* in relation to Continental shipments: 'it is not a matter in which we have felt we were entitled to interfere'. But it was likewise under pressure from the 'big three', and particularly from the Vestey group, who urged that the Argentine move was an afterthought inspired by the prospective beneficiaries, and but one further stage in the erosion of the rights of the established companies—British and American. On 25th November, therefore, the Argentine Meat Board was told that the Ministry stood by the original proposal it had made at the beginning:

> '. . . we can think of no fairer basis. We do not see any reason why because Great Britain is at war the British and American companies should have their proportions disturbed whatever may be the relative volume of imports as between one year and another'.

Tempers were beginning to rise by this time; the Argentine reply was a long counter-blast in which a series of grievances—some real, some imagined—against the conduct of the British negotiators were set before the Minister. The Argentines professed themselves unable to understand why they had not been told from the beginning that there would be a separate contract with the French, and why the Ministry should now be strenuously defending the interests of the big packers, who had been so severely criticised in the joint Anglo-Argentine official report of 1938: 'In truth we were somewhat astonished that the point of greatest interest to the Ministry should be the Companies' quotas'. They went on bluntly to suggest that sinister influences were at work in the Ministry.

This last was perhaps a false move, likely to arouse righteous indignation and stiffen resistance to what was by no means a bad case. There is no evidence of sinister intent in the Ministry; only of insufficient feeling for the recent past. The outbreak of war had brought about a complete hiatus in Anglo-Argentine meat diplomacy, when the Board of Trade had promptly abdicated in favour of the Ministry of Food, and the International Beef Council had been suspended. The Ministry had started its negotiations, and continued with them, as if the procurement of meat for the British and French were a simple commercial transaction that should stand apart from previous conduct or from the changes in, for instance, the sterling-dollar exchange rate or the prices of British exports on the Argentine market. The Argentines can hardly have been aware of the extent of the hiatus, and in any case found the attitude unsympathetic. As the British Ambassador wrote from Buenos Aires towards the end of February 1940:

> '. . . there is a war on, a fact which these people will not realise. They will not understand that, because the prices go up in England, on account of war risks, war insurance, and other war reasons, there is no reason for raising prices here on cattle or meat'.

In January 1940 the Ministry of Food had evolved a compromise proposal on company quotas; let half the consignments to France be treated as the Argentines wished, and the remainder as if they had been exports to the United Kingdom (with a 15 per cent. quota for the producer interests). This was defended by arguing, first, that the increased French requirements were a windfall resulting from the war and therefore ought not to be treated like the normal trade with the Continent (even supposing one accepted the Argentine contention, which some companies did not, that a 40 per cent. quota had been applied to it); secondly, that much of the meat actually being shipped to France would, but for the shortage of shipping, have come to the United Kingdom instead and ought to be treated accordingly. However, the Argentines simply let this proposal lie on the table, preferring apparently that the British should in fact get their way over quotas—for all this time the allocation of refrigerated shipping to the different works was being done on London's instructions—to giving way on the principle. As a result, the first agreement[1] with the Meat Board was not followed up, as had been intended, by separate contracts with the shippers embodying specific quantities of meat.

II

The Argentine complaint on frozen beef was that the Ministry was standing pat on the 1938 company proportions; on canned corned beef, trouble arose because the Ministry attempted to depart from 'the normal distribution of purchases' so far as *countries* were concerned. When, early in November, it had first approached the exporters about corned beef, it had been faced with virtually identical tenders from Argentina, Uruguay, and Brazil. But these tenders were shortly followed by an inquiry from the Brazilian Embassy, through the Foreign Office, recalling the definite statement that quotas had been abolished; how then could the Argentines claim (the Brazilians asked) that any corned beef supplied to the United Kingdom should be in the 'treaty proportions'. To this the Ministry, forgetful it seems of the assurance later given to the Argentine Commercial Counsellor,[2] replied that 'there was no reason why the Brazilians should not quote for the whole amount' they were able to supply. After a display of reluctance to undercut Argentine interests, Brazilian canners (who were, of course, virtually the same companies that were operating in Argentina and Uruguay) agreed at the end of January 1940 to supply 17,500 tons at a slightly lower price (sixpence three-farthings for the 12 oz. tin instead of sevenpence) than had been originally quoted; this the Treasury, which a little earlier had declared itself 'positively anxious' to buy in Brazil, regarded as 'a very satisfactory bargain'. It should, the Ministry had said, together with supplies that might be obtained from Uruguay, 'make us practically independent of Argentine sources of supply for the rest of the year'.[3]

[1] It was always referred to as a 'contract', and its form drawn up accordingly. This, however, was a diplomatic legal fiction; the Argentine Meat Board had no power to supply meat—in which it did not trade—and could not have been sued for non-fulfilment.

[2] Above, p. 195.

[3] The Treasury assumed that a contract for Brazilian frozen beef, entered into at the same time, would have a similar happy result. This added to its natural indignation at learning that the Ministry had extended the Argentine agreement for four weeks without consulting it: 'Treasury agreement to the Brazilian programme was given in the belief that these purchases were alternative to others in the more difficult currency, and that no further purchases were being made in the Argentine at the moment'.

Such an attitude was not calculated to improve the atmosphere in which to negotiate a second bulk contract for frozen meat with Argentina, when the first expired towards the end of February. The Ministry of Food and the Treasury approached these negotiations in a slightly belligerent mood, engendered by a satisfactory rate of current arrivals, higher stocks, and success in the long-drawn-out struggle to get meat rationing adopted. The Ministry wanted considerably less meat—8,000 odd tons a week for its own and French requirements, or less than two-thirds of the nominal rate of shipments under the first contract; and it wanted to pay the same price as before. Immediate acceptance of these terms was not to be expected: on 21st February the Argentines suggested, and it was agreed, that the existing contract should be extended for four weeks to give time for discussion. They were, the Embassy in Buenos Aires reported, intent on a 'show-down' with the British Government about its attitude to meat purchases generally; of which newspapers of the calibre of *La Prensa* and *Le Nacion* had recently become critical. On 6th March, the Argentine Ambassador in London duly produced an official *aide-memoire* traversing the principal complaints against British buying policy: the question of company quotas for chilled beef, the level of imports proposed under the new contract, which would, he pointed out, be below the quota guaranteed by the Roca-Runciman agreement, uncertainty about the fulfilment of the similar quota for corned beef. These were set against the unfavourable terms of trade for Argentina: her agricultural exports were fetching only 15 per cent. more than pre-war, whereas imported textiles averaged 18 per cent. more, and coal 90 per cent.

The Argentine *démarche* did much to clear the air, for it produced the first systematic discussion between British Departments of the limits that the treaty obligations, both formal and implicit, imposed on freedom of action in war-time. The Board of Trade set out, for a Ministry of Food still confessedly hazy on the subject,[1] what these limits amounted to. The United Kingdom was not formally obliged to import specific quantities of meat from the South American countries, but only to allow them to be imported under conditions of quantitative regulation: 'I do not think that quantitative regulation in the sense intended exists at the present time. It is nevertheless to the spirit of the instrument that we must look and . . . we are under a moral obligation to import up to the quantities named if they can be shipped', or if that was not possible, to apply import reductions *pro rata* to all three countries. The Board of Trade, resuming its pre-

[1] 'I am very glad to have your clear statement about the general trade position vis-a-vis the Argentine and the other South American countries, which certainly gives us a much better picture than we had previously had. I am afraid that I personally know nothing about the "beef conference" . . . ' (Ministry of Food to Board of Trade, 1st April 1940).

war rôle as the protagonist of 'equitable treatment' of such questions, agreed to take over the settlement of the company quota dispute. The fall of France was to supervene before any agreement could be reached; but in the meantime the way was open for renewed negotiations with the Meat Board. (The first contract had been prolonged for a further four weeks on the same terms; but the Argentine Government occasioned some complaint from shippers by allowing an exchange rate of only 13·50 pesos to the £ in place of the special rate of 14·36 hitherto granted. As the Ministry of Food had resolutely declared that exchange rates were not its business, it had no grounds on which to make an official protest.)

No written agreement for the period proposed to be covered by the second contract—ending on 31st August 1940—was ever reached. The Exchange Requirements Committee would not allow the Ministry to offer for more than 9,000 tons of Argentine meat a week (including 500 tons each of mutton and offal) for British and French requirements combined. To take more might, on account of the shortage of cold storage space, preclude any reduction in the meat ration, such as had been canvassed from time to time on general shipping grounds. (Presumably no-one had mentioned this idea to the Prime Minister, who a little later on was to press for an increased meat ration.) The Argentines for their part jibbed not so much at the reduced total quantity as at the smaller proportion of chiller-quality beef which the Ministry professed itself able to take; and again they let the Ministry's 'final' offer,[1] for 4,500 tons a week chiller-quality, and 3,500 French-quality—prices to be the same as before—lie on the table. (They might have been accepted if the Board of Trade had allowed C.A.P. to take a 40 per cent. quota on the French-quality beef—but this would have been grossly unfair to the companies and was refused.) Shipments continued on the basis of the former contract; when France fell steps were taken to discontinue the production of beef for that market.

The state of diplomatic tension that had been brought about at any rate in part by the Ministry's previous policy was not, however, allowed to revive. The events of the summer of 1940 made it possible to use the argument of *force majeure* more convincingly; and on canned corned beef the Ministry made a gesture towards Argentina that caused 'great pleasure'. In April 1940 it had decided that a sizeable purchase of Argentine corned beef would be useful as well as politic; and in May, after only a short argument, the Meat Board had agreed to a sale of 18,750 tons at the same price as that paid to Brazil. (It waived a claim for the traditional premium on Argentine supplies, on written assurance that the Ministry would not take this as a

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[1] It was not really final. The Ministry was prepared to take as little as 2,600 tons in French quality.

precedent.) The Meat Board took the opportunity, however, to extend to corned beef the 15 per cent. quota enjoyed by C.A.P. for frozen meat under the 1936 Treaty, so causing indignation among the companies and confusion among Departments. The Board of Trade took the view that canned meat was not covered by the treaty; the pre-war regulation of imports had been by voluntary arrangement, not by import licence, and so did not constitute 'quantitative regulation' as laid down in the clause. The Ministry of Food, on expert advice from one of its officers who had been associated with the International Beef Conference,[1] felt that to take a stand on this point would be quibbling; if there had been import licences for corned beef before the war, the Argentine producers would certainly have been entitled to their 15 per cent., and though they had not claimed anywhere near that amount under the voluntary system there seemed no good case for penalising them for their past forbearance. Moreover, the Argentine Embassy was clearly prepared to treat any attempt to interfere with the allocation as an infringement of national sovereignty; the amount of corned beef to be bought was so much above normal that the companies would not immediately suffer; and the Argentines had, by the fall of France, lost a large (though temporary) market for frozen beef. The Ministry therefore told them that, on the understanding that so long as war continued no further adjustments were attempted in favour of the producers' organisations, it would agree to their enlarged quota.[2] (The Board of Trade, while agreeing that the decision may have been wise, expressed regret later that the terms of the Ministry's letter were such as to compromise 'our [i.e. the Board of Trade] interpretation of the original Agreement'.)

Meanwhile the Treasury enthusiasm for purchases in Brazil had cooled, in the absence of a payments agreement such as it had been able to conclude with Argentina. As early as 4th April 1940 the President of the Board of Trade was warning the new Brazilian Ambassador to London that 'the Treasury would feel it very difficult to authorise Departments to make purchases from Brazil to the extent that would otherwise be desired'. Negotiations for an agreement were, however, protracted; and in July the Foreign Office found it

[1] But who had not been consulted earlier.

[2] As over the frozen beef quotas in 1939, the companies (who had protested vigorously to Lord Woolton in May against the Argentine proposal as 'an encroachment on rights which have been hardly fought and won') could not maintain a united front for long. One was disarmed by learning that the C.A.P. proposed to use one of its factories for making corned beef to fulfil the increased quota—a factory, moreover, which had apparently been closed at the time the original quota list for frozen beef was drawn up and hence had been precluded from exporting to the United Kingdom during the pre-war period of regulation. 'Though I stand by my views as regards private enterprise', wrote the Company's chairman to the Minister, 'when a Government comes along and offers help in this way we are in no position to refuse it. . . . '

necessary to dispel the 'misunderstanding' that had been created in Brazilian minds by the Ministry of Food's summary disposal of quotas. The correspondence with the Embassy at that time, said the Foreign Office, resulted from an enquiry about corned beef—'a commodity in respect of which we have no effective Treaty obligations to other countries'—but 'where we have Treaty obligations, including any obligations to Brazil, we propose to observe them so far as we are not prevented from *force majeure*. . . .' The statements of the previous autumn should, therefore, be considered as superseded. This explanation might seem unduly involved, seeing that one of the superseded documents had specifically stated that 'all quotas regarding meat, both frozen and canned, were cancelled at the outbreak of war'. Certainly the notion that corned beef was a special case had not been in the mind of its author, and any later implication to the contrary was misleading; why then did the Foreign Office go out of its way to make it? The answer, one must suppose, lies in the value attached by the Board of Trade to the difference between voluntary and statutory import regulation. To say that corned beef quotas were abolished was to admit that they had existed, and so to deny the validity of the Board of Trade's distinction. Of practical importance the reservation had none by this time; for the Anglo-Argentine agreement about corned beef company quotas (which, of course, must have become known to Brazil and Uruguay immediately) implied the maintenance of the country quotas if it were to have any meaning. The best epitaph on the whole of these meat negotiations was that of a Ministry of Food official in June 1940: 'clearly contracts after September/October will have to be made according to an agreed plan with B.o.T. and F.O.'.

III

The bulk purchase negotiations with the Southern Dominions encountered serious difficulty on one point only—the quantity of meat that the Ministry of Food should bind itself to take. In pre-war discussions with them on this topic the phrase commonly used had been 'the whole of the exportable surplus'; on one occasion in June 1939 this phrase had been glossed as 'all that Australia and New Zealand could put on board'. A distinction had, moreover, been drawn between commodities to which it applied—meat, butter, eggs, and cheese—and wheat, of which it was 'improbable that the whole surplus would be required'. On 5th September 1939 negotiations were duly opened for annual contracts, and the texts of the agreed telegrams dispatched to the Australian and New Zealand Governments included the words 'entire exportable surplus'. It was with some chagrin, therefore, that the Dominions representatives learnt, in the first place apropos of the butter contract, that these words did not, for the Ministry of Food, bear what might seem to be their plain meaning—the excess over the exporting countries' domestic requirements. What British officials intended and had, they now declared, intended all along, was something that might more accurately have been described as the 'importable surplus', that is to say, as much as could be shipped during a given period. A reservation of this kind would have been natural, having regard to the difficulties encountered in shipping Southern Dominions' supplies in the earlier war; but it is difficult to believe that it was brought up seriously in the pre-war discussions, if only because of the sanguine view then being taken of shipping prospects.[1] The indications are rather that a latent caution was re-activated by the prospect of an actual contract involving higher authority and the Treasury.

However that may be, the Dominion Governments were taken unawares, and found the British attitude very damping at a time when they were trying to put their agriculture on a war footing. The Australian High Commissioner referred robustly to 'over-zealous officials being small-minded and troublesome with regard to the quantities'. This was aimed at the Treasury, where officials were taking the line that contracts should in all cases be for fixed quantities 'representing not more than 90 per cent. of your own considered estimate of the probable supplies available during the remainder of the season, having regard inter alia to the quantities actually shipped in corresponding periods of previous years'. Mr. S. M. Bruce tackled the Minister of Food, the Dominions Secretary, and the Chancellor of the Exchequer in turn; on 13th October he and Sir John Simon reached a compromise by which the contracts with Australia—and hence, of course, with New Zealand—would be for a fixed quantity (in Mr. Bruce's words)

> 'that would cover the full surplus available for export during the present season over and above our home requirements which in fact would mean our obtaining the contract we maintain we are entitled to, without the United Kingdom being committed to the dangerous principle which could be used as a precedent of buying unspecified quantities'.

In addition, it was agreed that the United Kingdom could under-

[1] The only written evidence that could be adduced in support of the claim that it had been put to Dominions representatives before the war was a reference to the possibility of varying the usual terms of payment (after delivery f.o.b.) in favour of the exporter, were shipment 'abnormally delayed'. Delay, however, is not quite the same thing as complete inability to provide tonnage.

take to purchase any extra quantities, over and above the amount in the contract, that could be shipped.

The way was now clear for the resumption of negotiations with both Dominions. Their estimates of available supplies went some way to justify the Ministry of Food's caution: that for New Zealand in particular, being swelled by a carryover from last season of 47,000 tons, was upwards of 360,000 tons, 100,000 tons more than her record exports in any one year, and the Australian figure of 250,000 tons was also very high. The firm figures eventually put in the contract were 300,000 tons and 240,000 tons respectively, with the proviso about extra quantities; on the other hand, the Ministry of Food made it clear that it was not likely to be able to take so much in 1940-41. The prices, generally speaking, were to be International Meat Trade Association 1938 averages adjusted from c.i.f. to f.o.b.; thus the Ministry undertook to pay any extra freight and insurance charges arising from the war. It also undertook to contribute towards the additional costs of storage in the country of origin that might arise from shipping delays, 'in accordance with arrangements to be agreed . . . in the light of actual experience'.

The intention had been that the bulk purchase should apply to all shipments of meat leaving on or after 1st October 1939. This presumed, however, that the Dominion Governments would by that time have brought into force their respective control measures—in Australia, export licensing of individual shippers who would be paid through the Commonwealth Government; in New Zealand, Government ownership of meat at the point it was put on board ship. In point of fact these control arrangements were not ready until the end of November, and so it was agreed with the Dominions that quantities shipped privately during the interim period should count towards the contract totals and should be paid for direct to the owners at the equivalent of the contract prices. The owners in this instance were not the shippers overseas but their London houses or agents, from whom the Ministry requisitioned the meat on arrival. Unlike the South American interests, these had not been parties to the inter-Governmental negotiations, and as soon as they heard officially, in mid-December, that they would only get the contract prices instead of the slightly higher prices that the Ministry had agreed to pay for requisitioned meat, they protested loud and long. For years—as it turned out—the Ministry refused to give way; the sum in dispute amounted to £300,000,[1] the importers had been told that the requisition price would not be paid on meat included on bulk contracts, and (it was argued) the omission of the Dominion Governments to take their control measures earlier was a technicality that ought not to

[1] Almost all of it was in respect of Australian shipments.

stand in the way of the Ministry's clearly expressed intentions. Of course, if the importers did not like this decision, they could always seek arbitration under the Compensation Act; when—thought Meat and Livestock Division—they might very well get less than the bulk contract price.

The intransigence of Meat and Livestock Division, however, was matched by that of the importers, who eventually instituted legal proceedings by way of Petition of Right. The Ministry made as if to fight the case, but its legal advisers had always felt less sure of their ground than the Commodity Division, and they pressed for a settlement out of court. Whatever the moral rights and wrongs of the case, the crucial legal point was that the Dominion Governments had no right or title to meat shipped in the interim period and hence could not have sold it to the Ministry; hence it fell to be paid for at the agreed requisition price. The importers, though confident of success, were not anxious to incur the odium of a law-suit. In July 1942 the dispute was at length closed by the payment of 65 per cent. of the amount claimed, plus accrued interest. The Treasury agreed that no attempt should be made to recover this sum from the Dominion Governments.

IV

The emphasis that has here been laid on the secondary problems of procurement is in accord with the facts of the first year of war. Once the first dislocation had been got over, and the problem of French demands attended to, there was no shortage of refrigerated shipping for meat in 1939–40. The Ministry of Food said as much in February, by way of arguing against cuts in its import programme;[1] and, surprisingly enough in view of the jeremiads (and the very real inconvenience) of the autumn of 1939, imports of meat in the first year of war exceeded the pre-war average (1934–8) by upwards of 100,000 tons. Roughly this excess was the amount put into reserve in cold-store during the year. But though supplies and consumption were, on the average, more or less normal, it would be wrong to infer, as Mr. Churchill had done, that meat rationing was no more than a vexation. In the first place, Services demands, on an extravagant ration scale (12 oz. per head per day, four-fifths of which was taken up) had to be provided for, reducing the net amount available for civilians by, perhaps 150,000 tons, all in beef. Secondly, war conditions were already tending to increase civilian demand for meat. Thirdly, the meat being imported was not in the pre-war proportions of beef to

[1] Vol. I, p. 73.

mutton/lamb. The extra 50,000-odd tons from New Zealand was all mutton,[1] and extra mutton had also been sent by Argentina; it would be impossible to unload this on to the civilian population without rationing, except at considerable financial loss. In short, meat rationing during 1940, for all its imperfections as a system, performed a necessary economic function.

In August 1940 the Ministry, with the support and encouragement of the Prime Minister, was continuing to frame its plans for the second year of war as if this state of things could go on. The 15 million ton import programme framed on the morrow of the Dunkirk evacuation would have meant meat imports of 950,000 tons only and a 1s. 4d. ration; but Lord Woolton gave explicit instructions that he was not, even by implication, to be committed to it. The meat imports proposed for 1940–41 were, on the contrary, to be sufficient with home production for a 2s. 2d. ration (three-quarters taken up) for four months, and a 1s. 10d. ration (four-fifths taken up) for the remaining eight; 1,170,000 tons in all. (The Exchange Requirements Committee, apparently in ignorance of the Prime Minister's rulings on food during the first week in August,[2] refused sanction, on the 9th, for more than a million tons.) The vexed problem of country quotas was likewise settled by taking the 1938 imports (which had totalled 1,040,000 tons) as a basis in all cases—except that the allocation of the Southern Dominions' share between them was left over for later discussion. In sum, it was agreed to treat the problem of the supply of refrigerated shipping as if it did not exist. The Admiralty (to say nothing of the enemy) was shortly to demonstrate that it had other ideas.

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[1] In July 1940 the Ministry had agreed to take 50,000 tons over and above the 'contract quantity' of 300,000.

[2] Vol. I, p. 75.

CHAPTER XI

Early Problems of Control

I

The start of livestock control on 15th January 1940 went off as well as could have been hoped. There was naturally a multitude of minor adjustments to be made, but nothing that could be called a hitch. The worst obstacle to smooth working from the outset—if also a cover for any deficiencies—was a prolonged spell of wintry weather, lasting well into February, that hindered transport both of animals and of dead meat. Entries of cattle and sheep were below expectations—the latter being held back for the seasonal price rise at the end of January—and offerings lower still. (The twelve-days' notice required of intention to sell—a 'major irritant', Sir Keith Murray calls it[1]—was always apt to be treated by farmers like the regulations covering entries for horse-races, with the difference that no forfeits were payable for non-appearance.) Area Officers were thus seldom sure how much home-killed meat to expect, and hence how much imported meat to indent for; MINDAL, not unnaturally, wanted a minimum 48 hours' notice of requirements, and when this could not be given a district might go short of meat for a time and complaints resound. In any case no proper basis for allocations could be looked for until rationing came into operation; originally scheduled for 5th February, it was not in the end put into force until 11th March.

When rationing did come, it brought with it a number of unexpected difficulties; for its paper machinery had been taken over bodily from the 1917 scheme without being re-designed to meet the different requirements of that devised in 1936–39, which in its turn had been amended in numerous details without regard to administrative consequences. The first difficulty arose over the issue of retail permits by Area Meat Agents, instead of—as in the case of all other rationed foods—by local Food Offices. This had been both necessary and practicable in 1918[2] because the permits were mainly collective permits issued to buyers, whether of meat or livestock, on behalf of retail butchers' Buying Committees, and only an expert in the trade could translate registered customers at so many shillings and pence

[1] *op cit.*, p. 100.

[2] For the first few months of meat control in 1917-18 'buying certificates' had been issued by Food Control Committees.

per head into terms of live sheep and cattle. Under the new scheme, however, permits would be written for wholesale value and dead meat, the technical knowledge of the Area Meat Agent would not be called upon, and the relevant information, namely the butchers' registered and other customers, would be in the hands of the local Food Office. Moreover, the pre-war decision to give the butchers individual permits, because they would (it was thought) like them better, had been taken without regard to the clerical burden it would impose upon Area Meat Agents.[1] Even before rationing started, those in the more densely populated Divisions were groaning audibly under it. The Area Meat and Livestock Officer at Southport reported that 15,000 permits had had to be sent out by his Area Meat Agent; extra staff had had to be recruited, typewriting work put out to an agency, and the staff from other area departments turned over to permit issue: 'the extra work . . . put our entire organisation out of order for practically a fortnight and I can see no alternative but for similar dis-organisation again this month'. A suggestion was made that the work should be turned over to Deputy Meat Agents, only to be swiftly rejected on the grounds that they were not the right type of officials to do it. (They were drawn from the butchery trade, and clerical work was not their strong point.) Logic suggested either the abolition of individual permits or their issue by the local Food Office; though the Commodity Division and most of its local officers would have preferred the former, the latter course was chosen.[2]

Permits were, of course, intended to serve as a basis for allocation; but two decisions made at this time had, apparently unwittingly, undermined their usefulness for this purpose. The freeing of meat meals from the coupon meant that supplies for caterers buying at retail were added to, instead of being included in, permit quantities based on sales to registered customers; and the fixing of a nominal ration of 1s. 10d., when it was intended to issue only 1s. 6d. worth of meat per head of the population, meant (as the intention was necessarily kept secret from the local staff compiling the permits) that the butchers' paper entitlement, taken as a whole, was some twenty per cent. greater than the meat control would (or could) let them have. Inasmuch as the permits indicated the relative amounts of trade done by different butchers and in different districts, they were a guide to allocation—a sort of movable datum line—and to that extent useful. But they did not of themselves constitute an effective ceiling on butchers' demand for meat. When, in the autumn of 1940, the ration was raised to 2s. 2d. a head, avowedly as a temporary measure, and

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[1] The form of permit (M.B.P.1) was manifestly a survival from the earlier control, for it made alternative provision for purchase by weight or by value.

[2] It would not have been possible to abolish individual permits in Scotland without altering the system of allocation there—by W.M.S.A's direct to butchers. Below, p. 216 ff.

permits were revised upwards accordingly, Area Meat and Livestock Officers were quick to recognise the position as unreal: 'I could not help thinking', wrote one of them, 'that the Minister had his tongue in his cheek'.

At Ministry Headquarters, however, thinking was not so clear cut, for the commodity control and the rationing administration had yet to reach full understanding of each other's problems, and it was not indeed until April 1943 that they succeeded in devising a meat-rationing system that satisfied the requirements of each.[1] The immediate purposes behind raising the ration—to ease the autumn glut of home-killed meat without reducing unduly the flow of imported meat and so adding to the congestion in cold stores, and to legalise some of the evasion that was known to be going on—would have been well served by merely accompanying the rise with an increased issue of meat against permits written for a 1s. 10d. ration. (They could not have been completely served except by temporary de-rationing, which was rejected as too dangerous.) The Ministry might then have been spared some of the embarrassment that came in December, when the ration began a downward slide at the very beginning of an eight-week, 'two-and-twopenny', permit period. The moral code of the rationing system would, however, not have tolerated a permit that was not ostensibly related to the level of rations in force, and such a thing would certainly have been difficult to explain to the trade, the public, and the Prime Minister.

These difficulties of comprehension within the Ministry were not, in the conditions of 1940, fundamental to the problem of meat distribution. The salient fact was that the amount available, though not enough to permit a free market at anywhere near the pre-war price, was too much for a system of uniform rations to work smoothly and equitably. Before the war, meat consumption had varied between limits that, wide anyway, were most wide when expressed in monetary terms; when value rationing came in, all it did was to trim off the peaks without at the same time filling up the troughs. At any level of supplies above that at which practically every consumer was bound to demand his full ration, a surplus was sure to arise for which there was no legitimate outlet. An economist might argue that the way out of this difficulty was to permit the free exchange of ration currency; let the ration be fixed at, say 1s. 6d. a head, the ascertained equivalent of what the Ministry of Food meant to issue, and leave the rest to economic forces. One writer at least at that time, Mr. G. L. Schwartz, put forward a strong case in logic for applying this principle to rationed food generally. Certainly it would have got rid of the fictitious basis for permits, while enabling variations in consumption

[1] Vol. II, p. 687 ff.

levels within the rationed total. Moreover, as people could not be prevented from swapping rations anyway, it would have brought the law into touch with reality. The only thing to be said against it was that it would have been morally repugnant to officials and to a large section of the public, and at variance with the letter of the Rationing Orders. For all these, a ration was not an average basis for allocation, but a maximum that no individual might lawfully and decently exceed. Any unwanted rations ought to be clawed back, if possible, into the common pool. In short, rationing was not to be treated as if it were simply an economic device. This doctrine meant that the rationing machine as such could contribute little towards solving allocation problems in 1940; their solution had to be arbitrary. At the time, this did not matter much; but when supplies ran short, the want of a rational system provoked acute difficulties.

II

Another part of the allocation system caused some anxiety and uncertainty during the first year of control: the retail butchers' Buying Committees.[1] These too derived from the earlier war, when they had been used, even before meat rationing, as a means of simplifying control at the retail stage. They had served to limit the number of transactions, and hence the amount of paper work, by reducing the number of permits that had to be issued; they also undertook the task of regulating supplies to individual butchers, which, particularly where all or part of the supplies might be in the form of live animals, required nicety and above all local knowledge. Both these functions were to be less important in the Second World War, for butchers were to get individual permits valid only for dead meat; but there still remained a useful job of adjustment that Buying Committees could do and that—in view of the jealousy between wholesale and retail interests—it might be politic to let them undertake. With the full agreement of the trade, therefore, the control scheme laid down that the first duty of Deputy Meat Agents, when appointed at the outbreak of war, should be to set up these Committees, to which every retail butcher (except those exempted in remote areas) would be 'required' to belong. Among the control Orders prepared in August 1939 was one purporting to make membership of the 'proper approved

[1] The word *committee* was a misnomer; it seems to derive from a confusion between the whole membership and the elected officers acting on their behalf. Some of the local bodies adopted more suitable designations, such as *pool*, *buying group*, or simply *association*; one at least—Whitehaven and Ennerdale—referred to itself as the *meat control*.

Retailers' Buying Committee' a condition of dealing in meat by retail.

When war broke out instructions were duly issued for the Committees to be formed; but the Order did not go forward automatically and within a few days doubts were expressed whether it was necessary to have one. Could not the same object, it was asked, be served by making membership a condition of each butcher's licence from the Food Control Committee? This evoked objection, not from the lawyers, but from the 'divisional and local' side of the Ministry, who could not see why all butchers must be compelled to join Buying Committees just because it would be inconvenient if a minority of them stood out against doing so. In October 1939 an argument from administrative convenience was not one to be pressed; as 'higher authority' remarked when asked for a ruling, it 'will not cut much ice in the H. of Commons in its present mood'. Hence, although reference to the secret official history appeared to show that membership had been compulsory in the earlier period of control, the proposal to make an Order was shelved. No case had been reported of any butcher refusing to co-operate, and it seemed pointless to invite parliamentary and public criticism.

The decision thus taken on grounds of expediency meant that one aspect of the problem had been side-tracked—namely whether the Ministry was empowered to compel butchers to join the Committees. *Pace* the secret official history, there seems to be no evidence of any legal sanction behind the obligation to do so in the former period of control; and any attempt to enforce the payment of dues to such a body would have been *ultra vires* the Food Controller, like the milk levy that was declared illegal in the Wilts United Dairies judgement in 1922.[1] The powers of the Minister of Food, even after the passage of the Defence Act of 1940, were still insufficient for him to compel milk retailers, in 1943, to join local war-time associations. Retail Buying Committees were likewise unincorporated bodies without strictly defined powers, and the objections of the Ministry's Legal Adviser on that occasion—'It is one matter to compel a trader to carry out the provisions of a scheme . . . It is quite another to compel an individual to enter into contractual relationships with other traders'—appear equally valid in their case.[2] In fact, the Committees were more truly voluntary than the Commodity Division or the butchers realised. The various instructions about them issued by the Ministry, and eventually embodied in a confidential 'Handbook on Retail Distribution', had not even a latent Statutory Rule and Order behind them: they were no more than authoritative expressions of opinion. Had retail butchers been as militant a body of men as, say

[1] Vol. II, p. 177. It is likely that the secret official history was drafted before the Wilts United Dairies case.

[2] Vol. II, p. 236.

fish-friers, the Division might have found itself in trouble on this account.

There was no doubt, of course, that the Division would have to make stipulations about the way in which Buying Committees should work; they were, in fact, a part of meat control, and the trade would and did expect guidance. Indeed, in some respects it appears remarkably docile; accepting without protest, for instance, the ruling that all the costs of Buying Committees, including the wage of a paid allocator if employed, should be met by a levy on their members instead of by the Ministry. (It is true that the average rate of levy was supposed to be taken into account in determining the butcher's margin of profit; but by this device the Ministry was making the trade shoulder any exceptionally heavy costs of allocation resulting from local conditions.) The Ministry even refused to reimburse the costs of Committees during the 'waiting period' from September 1939 to January 1940, when they had been 'all dressed up with nowhere to go'. At the outset of control the Ministry limited itself to the minimum of stipulation about the way in which Buying Committees were to operate. They were to pay the Ministry's agent, the Wholesale Meat Supply Association, *en bloc* for the meat allocated against their members' permits, subsequently re-allocating it and receiving payment from each individual trader. They were to arrange security for such payments, whether by deposit of cash or bankers' guarantee on behalf of each member. Space for the physical process of re-allocation would be provided by the wholesale depot; if, however, Buying Committees thought fit, they could (at their own expense) set up a special depot for the purpose, in which case the Ministry would only accept responsibility for transport as far as that depot. Each Committee was 'entitled' to make a levy upon its members on a basis 'agreed by the Committee', for instance, so much per shop or per £ of turnover; subject to the approval of the Deputy Meat Agent and, if need arise, of higher authority.

In the first few months of control the general feeling was that these rules needed to be extended and given legal force. The trade itself complained of uncertainty in the financial arrangements, of wide variations in the levy, and of want of provision for the refund of excess levies. The elected officers of some Committees were said to be behaving arbitrarily towards both the butchers, their constituents, and the Deputy Meat Agents, who were being refused access to their meetings and records. In May 1940 a joint Committee, representing the Butchers' Federation, the Co-operative Congress, and the Ministry, was set up to draft model rules for *buying groups* (as it now proposed they should be called); the idea of a Statutory Rule and Order for them was again mooted, and in June Area Meat Agents in England and Wales were asked to report urgently the names of any Committees that were thought unsatisfactory. Their response, however, indicated that everything was now going smoothly; pressure from the trade ceased; and the idea of a root-and-branch reform (and of a change of name) was allowed to drop. In October 1940, the Ministry issued a number of 'suggestions' that should be put to Buying Committees by Deputy Meat Agents for their 'guidance': accounts should be inspected by Deputy Meat Agents and audited by a professional accountant; a levy of 1½d. in the £ on a member's purchases should be sufficient; individual salaries paid to officers of the Committees should not exceed £5 a week, without reason being given; funds should not be held in excess of the reserves required to meet the members' commitments to the W.M.S.A.; reserves might be invested in War Bonds or the Post Office Savings Bank.[1] No doubt most groups complied with these suggestions; a number, however, did not. This did not always come to light for a long time—indeed may never have come to light in some instances—and so long as the case revealed no substantial irregularity the Ministry made no attempt to enforce its views, even by persuasion, upon Committees. Thus the Chichester Committee, in 1942, was found to have been lumping its accounts in with those of the local Butchers' Association; the services of a qualified auditor were frequently dispensed with;[2] and as early as 1940 allocators in the London area were receiving not £5, but £15 a week. (This was justified by the need to prevent bribery.)

III

The point on which the anomalous status of Retail Buying Committees gave most trouble, perhaps, was that of insurance of meat, more especially against war damage. The Ministry insured the meat so long as it remained in its possession, that is to say until the W.M.S.A. parted with it; the question was to determine, for the sake of both convenience and equity, at what stage and to whom legal ownership passed. The simple answer first given, to the Brighton

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[1] The Treasury and the National Savings Committee had gone into the matter of the groups' possible investments exhaustively during the summer of 1940, and the Post Office Savings Bank agreed to waive, in their case, the £500 limit on deposits. (This concession was withdrawn in 1947.)

[2] In 1948 the Ministry received an indignant letter from a Buying Committee in rural Wales, which had been spending £5 5s. a year on auditors' fees since 1940 and had now discovered that neighbouring Committees were not employing qualified auditors. The reply had to be that there was 'no statutory obligation to comply with this suggestion. The Ministry has no objection to an alternative arrangement provided that properly certified accounts are rendered at the recognised intervals'.

Committee in February 1940, was that insurance was the responsibility of the Committee once it had bought the meat, *i.e.*, upon the bulk allocation; but there was a number of reasons why this would not suffice. In the first place, bulk allocation was unknown in Scotland, and in London and Birmingham took place only on paper; the meat passed directly from W.M.S.A. to retailer. Secondly, the Ministry undertook, at the option of Buying Committees, the transport of meat to the individual butcher's shop; the risk in this case would be the carrier's, but the Ministry might be in a better position to prefer a claim than the butcher, who might not know what had been loaded on the van: and in any case the carrier could not be held liable for Acts of God or of the King's enemies. Thirdly, there might be an interval, through no fault of a Buying Committee, when the meat lay in a wholesale depot awaiting individual allocation and/or transport and might be more conveniently covered by an extension of the Ministry's insurance. Last but not least, there was a bundle of queries about war risk insurance and Buying Committees: whether they were entitled, or bound, to insure, and under what scheme; whether there might not be overlapping insurance between them and those of their members who had been obliged or had undertaken to cover themselves against war risks.

The settlement of all these questions was complicated, moreover, by the amendment from time to time of the law relating to war risk insurance. The Ministry took the line that in self-protection it could not provide cover once the meat had passed out of its agents' possession; but it did concede up to twenty-four hours' grace from the time of allocation, to allow for the goods to be loaded; and it clung to this position[1] in spite of all the efforts of the trade to shift it. The only concession it would make, and that not openly, was to accept responsibility beyond the twenty-four hour limit in cases where no transport was available; or, to put it another way, to work on the assumption that W.M.S.A's. should not normally make an allocation unless the transport would be forthcoming. The Buying Committees' war risk insurance was, of course, a matter for the Board of Trade, and the Ministry did no more than act as an 'honest broker'. In November 1941 the Board of Trade issued a circular to the effect that as meat purchased by a Buying Committee became its property until it passed to the retailer, it was compulsorily insurable if over £1,000 in value. The retailers' federation appealed to the Ministry to support the view that meat was never the property of a Committee as such, but only of its several members (and hence covered by their insurance);

[1] A case at Wallasey in 1941, where meat loaded on a lorry and subsequently (it was said) left in the depot overnight and destroyed by enemy action, led the Ministry to consider allowing 24 hours' grace in all circumstances. It withdrew its offer to pay compensation in this case, however, on learning that the lorry had been left not in the depot, but somewhere else.

but the Ministry's lawyers refused. In their view, the meat was the property of the members jointly, and the allocation of it to butchers a release of rights:

> 'when you are buying a drink in your own members' club you are not really buying it at all but paying for the rights relinquished in the drink by other members, since the drink was purchased on behalf of the members in common'.

This argument was, however, not put to the Board of Trade until 1944, when the desire of certain insurance companies to secure extra War Risk business stirred the question up again. It then appeared that the Board of Trade's 1941 ruling—which had been given without consultation with the Ministry of Food Legal Branch[1]—was based on the misapprehension that Retail Buying Committees re-sold the meat to their members. It appeared, however, that though Committees might not be liable under the original insurance scheme, they were 'carrying on a business' within the meaning of the War Damage Act of 1941 and 1943 and were therefore insurable under this, different, scheme. It was agreed between Departments that, so late in the war, it was not worth while disturbing arrangements of long standing for the sake of legal propriety; the trade made no difficulty when it was pointed out that the scheme they were under was in some small respects more advantageous to them.

In Scotland all these problems had been avoided by a different organisation, drawn up by the Food (Defence Plans) Department's trade advisers there largely on their own responsibility and assented to by officials at the outbreak of war. It preserved the pre-war channels of trade to a greater extent than the English scheme, inasmuch as individual wholesale firms retained their identity as agents of the Scottish W.M.S.A's. and their contact with their retail clients. In consequence the W.M.S.A's. had no hestitation in shouldering the credit risks of the scheme, and the retailers in accepting individual allocation by the wholesaler. The primary function of the Retail Buying Committees in England was therefore absent; and though the Ministry of Food at first wanted to preserve the name in Scotland, it eventually agreed that the term 'Vigilance Committees'[2] should be used; this expressed the Committees' remaining task, to watch allocation on behalf of their members. In the summer of 1940 Ministry Headquarters, which was imperfectly aware of the circumstances in which the original arrangements had been made,[3] was inclined to

[1] The Board of Trade had asked the Ministry's London Divisional Office, which had given an answer 'off the cuff'.

[2] It is worth noting that Vigilance Committees were genuinely committees, representing the body of butchers. and not a misnomer for the latter.

[3] The first Director of Meat and Livestock, Sir Francis Boys, had resigned at the end of 1939, and the decision could not be traced on any file.

call them in question, mainly on financial grounds; for it was evident that the Scottish butchers were escaping part of the costs of allocation, represented by the retail levy, and the wholesalers did not see why they should bear these costs. In September 1940 it was decided to give Scottish retailers the option of setting up their own Buying Committees or paying a contribution to the W.M.S.A's. With only a little grumbling, they agreed to the latter course. A provisional contribution of 1d. in the £ was instituted on 1st December 1940; an expert panel was set up to determine a final figure, and perhaps inevitably, having regard to the difficulties of assessment, fixed on 1½d. in the pound, the Ministry's 'normal maximum' for England and Wales: 'it cannot be admitted that in Scotland operational costs should be on a higher scale'. The revised contribution came into force on 1st February 1941.[1] So content were the Scottish butchers with these arrangements that many Vigilance Committees tended to wither away; a proposal in 1943 to withdraw Ministry recognition from those that were not functioning revived some, but only temporarily.

In the summer of 1941 the Ministry, partly because the Scottish arrangements and similar ones elsewhere (Birmingham, for instance) were functioning so smoothly, briefly considered whether Retail Buying Committees should not be abolished as superfluous. A tentative approach to Area Meat and Livestock Officers, however, revealed that all except one felt that the Committees performed useful functions, were economical in operation, and were well liked by butchers. (The exception was London, where the W.M.S.A. had allocated direct to butchers in the autumn of 1939 and, it was thought, could do so with advantage again.) In face of these views the proposal to abolish them was not pursued; though from policy rather than conviction. The favourable replies from the Area Officers did indeed indicate that an untidy and informal system had been made to work, and even to work well, thanks to the co-operation of the trade. The doubt must remain whether a control plan for meat embracing the concentration of slaughtering and consequently sales to the butcher of dead meat exclusively, would ever have contemplated such a system had it not lain ready to hand, inherited from the fundamentally different, because 'mixed', system of the first Ministry of Food. The superior logic of the Scottish procedure is evident; what is not so clear is whether hostility between wholesaler and retailer would have allowed it to prevail in England and Wales.

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[1] Similar adjustments were necessary in three English Meat and Livestock Areas (N.W., Midland, and London) where the W.M.S.A's were found to be doing work which should properly have fallen on the retailers.

IV

Another question that required urgent settlement as soon as war broke out was that of meat products—sausages of all kinds, meat pies, brawn, galantine—which shaded into the cooked-meat trade. Several different interests were affected: there were the specialist manufacturers, large and small; there were the pork butchers, whose trade in pork by-products was at least as important as that in fresh pork; the general butcher also was accustomed to make sausages and other made-up goods, whether from the trimmings and unsaleable portions of meat bought for his counter trade, or from 'manufacturing quality' meat bought specially for the purpose. The raw material was likewise various. There was imported 'manufacturing meat', which seems to have been the main source for the large manufacturers; there were cast cows and unwanted calves ('bobbies') from the dairy herd, ewe mutton, and pork from sows and boars; there were slaughterhouse and bacon factory offals. Although the exact contents of some of these manufactured products were a bit of a mystery,[1] there can be no doubt of their value, especially in war-time, in using up materials that must otherwise have been wasted. In the later years of the war, the Ministry of Food was to take a great interest in them for this reason.

Before the war, however, little was known in the Food (Defence Plans) Department of the complexities of the manufacturing trade. Just as the Department had regarded pork butchers mainly as retailers of fresh pork, to be forced into the Procrustes' bed of a meat rationing system based on consumer registration,[2] so it thought in terms of sausage and meat-pie factories rather than of the general butcher—or even the pork butcher—who made up these goods in his shop. Its first consultations, which did not begin until April 1939, had been with representatives of the larger firms, who put forward the suggestion that supplies of manufacturing meat should be confined to firms qualifying either as specialists selling by wholesale, or as above a minimum size, measured by turnover or labour employed; a tempting suggestion, because it offered to make control easier to police. The Department saw political dangers in this plan, which were confirmed when it consulted the cooked-meat interests; it was told that the distribution of factory sausages would be no compensation to the small trader who could no longer make his own. (The Ministry of Food was later to learn that the costs of sausages made by the retail

[1] This was the word used to describe haggis in a minute of August 1943. According to the same minute, luncheon sausage 'is commonly known as the dustbin of the manufacturer'.

[2] Vol. II, pp. 668-674.

butcher were markedly lower than those of the large manufacturer; for the former went in relief of overhead charges that had to be borne anyway.) It therefore decided that the small manufacturer must be provided for, at any rate to begin with:

> 'during the first three months of a war there would be no serious shortage of meat, but facilities for cooking meat in the home might be curtailed. This would lead to an increased demand for meat products'.

When war broke out, this decision of principle had not been embodied in the machinery for meat allocation; there was still no definition of a 'meat manufacturer'. On 15th September the Ministry of Food announced that under control, meat would be issued, on a basis of datum performance, to manufacturers whose premises were registered under the Factories Act of 1937; these were to apply to the Area Wholesale Meat Associations for a prescribed form on which to return particulars of their usage in the calendar year 1938. But it rapidly became apparent that this hastily chosen way of defining a manufacturer would not do. On the one hand, the South of Scotland W.M.S.A. reported that it was being inundated with requests for the form from retail butchers claiming to be qualified under the Act of 1937; on the other, there turned out to be numerous butchers and small manufacturers not so registered, either because the work was done only by members of the firm or because the time spent on it weekly by an employed person was too short. To deny such firms a manufacturing licence would clearly impose great hardship, for even when the manufacturing part of the business was small, it contributed very largely to a butcher's profit. Some examples were given in a report reaching the Ministry from Leicester, through the Home Office factory inspectorate:

> '. . . a "one man" business often produces 3 cwt. of sausages a week. Even at 6d. a lb. this brings in £8 16s. a week, nearly all clear profit. . . .
> 'Another firm consists of two brothers who do not employ anyone. They make, weekly about 350 lb. of sausages, 150 lb. of pork pies, 60 lb. of hazelet, 50 lb. of polony and 70 lb. of potted meat. It will obviously be disastrous to them if the licence cannot be granted. . . .'

The Ministry had no hopes of being able to deal, at headquarters, with a mass of nominally qualified applicants many of whom were not accustomed to buy 'manufacturing quality' meat by wholesale, nor could it put large numbers of legitimate and genuine enterprises out of business on a technicality. From discussions which were protracted until almost the eve of the introduction of control in January

1940, there emerged a three-fold classification of manufacturers:

> *Group I.* Large manufacturers using half-a-ton of meat a week or more in peace-time. These would receive allocations computed by Ministry Headquarters, drawable on the Area Wholesale Meat Supply Association.
>
> *Group II.* Retail butchers and caterers by wholesale not included in Group I. These would receive meat for manufacture by way of an addition to the buying permit for 'ration quality' meat. For convenience' sake in computing the permit quantities, which were the equivalent at wholesale price of the retail value of meat the butcher might sell, this addition was set at 2½ per cent. on the retail value, making a total wholesale value of 80 per cent.
>
> *Group III.* Small manufacturers normally buying at retail. These would be treated like small caterers, buying on order forms issued by the local food office; their requirements would eventually be included in the permit of the retailer with whom they were registered.[1] Group III manufacturers who normally bought at wholesale might be given permission to continue doing so.

These arrangements entailed a purge of the interim list of manufacturers entitled to buy direct from W.M.S.A's, which caused some heartburning among those purged. All meat allocated against permits issued by the Area Meat Agent, including the 2½ per cent. 'manufacturing allowance', was *ipso facto* 'ration quality' and priced accordingly; so that if a uniform price were fixed for, say, sausages, the gross margin earned by Group II and Group III manufacturers would be substantially less than that of their bigger competitors in Group I. The device, chosen simply because it was ready to hand and had been employed in the first period of control, of lumping in the manufacturing allowance in this way, had more to it than met the eye of those responsible. The Ministry was being more generous to the general butchers who made up the bulk of Group II than it supposed. First, and least important, those of them who supplied Group III (or, later, Group IV) manufacturers got, automatically, the 'manufacturing allowance' in respect of the retail value of their customers' entitlement. Secondly, the average retail margin at the prices current when control started was about 24 per cent. instead of the 22½ per cent. that had been assumed in fixing the wholesale equivalent shown on the permit—though this was not, of course,

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[1] The initial allowance to Group III manufacturers was also identical with that to caterers (which, of course, many of them were), namely 60 per cent. of their datum performance in January 1940. The datum performance was at first expressed in terms of weight converted to value at a flat rate of 1s. a pound; from May 1940, however, the value of purchases in the datum period was taken. See Vol. II, p. 666-668.

A fourth group, the erstwhile pork-butchers deprived of any but manufacturing meat, was added when pork was 're-rationed' in January 1941 (Vol. II, pp. 673-674).

known at the time—and therefore an 80 per cent. issue allowed a tolerance of 4 per cent. retail value, not 2½ per cent. Thirdly, the pricing of the separate cuts of meat at retail allowed for a supposed 'cutting loss' of 5 per cent.; an ingenious butcher might find means of converting at least part of this loss into saleable manufactured goods.[1] In sum, the real manufacturing allowance may not have fallen much short of the 10 per cent. on turnover that had been allowed in the First World War. This arrangement offered opportunities for abuse, *e.g.*, by butchers without a sausage machine; but on balance there is good reason for thinking that it was an advantage for meat rationing generally, as providing a necessary tolerance in the mechanism. To have issued the precise mathematical equivalent at wholesale of the butcher's entitlement would have been to presume that every carcass issued to him, and every part of it, was in fact saleable against the coupon.[2] This presumption was, in fact, made in principle by the Ministry, though there can hardly have been a single butcher in the country who would not have objected; the manufacturing allowance covertly, even unconsciously, rebutted it.

V

Before the war it had been agreed—again in consultation with the representatives of the large manufacturers—that the meat content and maximum price of sausages, pies, and other products should be specified by Order; and this policy had been reiterated in discussions with the trade during the autumn of 1939. In general a 50 per cent. meat content, subject to a 2½ per cent. tolerance up or down, had been proposed. In mid-December, with full control and rationing in the offing, Meat and Livestock Division moved to put the policy into effect, and at once ran into difficulties. A draft maximum prices Order was referred back to the Division by the Orders Committee, which had some doubts about its applicability to cooked meats sold for consumption on the premises; and the manufacturers, not unnaturally, were reluctant to advise the Ministry on the maximum prices to be charged for the standard products without more information about the nature and quantity of the ingredients to be made available. For sausages alone did price control appear to be urgent, on the ground that they were made and sold on a large scale by retail butchers; accordingly maximum retail prices for sausages and sausage meat were scheduled in the general Order[3] controlling meat

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[1] For these points, below, pp. 289-293.

[2] The 'cutting loss' was not presumed to allow for unsaleable portions, but only for 'invisible loss arising from drying, cutting up, trimming and scaling'.

[3] S.R. & O. (1940) No. 37.

prices. A proposal to prescribe wholesale prices for sausages and sausage meat by a separate Order did not get beyond the Orders Committee: 'it was felt that the wholesale price would be adjusted by the maximum retail price'. The Orders Committee had in fact betrayed anxiety about the whole problem of controlling sausage prices; it had been particularly reluctant to accept the wording put forward by the Commodity Division, specifically referring to 'sausages containing 50 per cent. of meat', on the ground that so close a specification would be difficult to enforce.

This wording had been used in the posters that the Division had already in print, and its trade advisers objected to a variant appearing in the Order itself. 'We realised, however, that the position in regard to sausages with a meat content other than 50 per cent. was left very open', wrote an official a few days later. The point about enforcement would have been well taken even if the assumption upon which the posters had been drawn up, namely that a '50 per cent. sausage' would be the only legal kind, had been still valid. But the Division, even before the general Prices Order had been approved, was moving towards a different notion, namely that there should be rationed and unrationed meat products, with 50 per cent. meat content as the dividing line; and this notion eventually crystallized, at the end of February, in a comprehensive plan for three standards each of sausage, luncheon sausage, paste, and galantine, of which the highest, having a meat content of 70 per cent., or more, should be rationed but free of price control, and the others *vice versa*. As the unrationed goods were to contain a maximum of 50 per cent. meat, there would have been no difficulty in distinguishing between them and those on coupon. By the time this plan, slightly modified after consultations with the trade, had reached the Orders Committee, shortly before meat rationing was at length due to come into effect, a complication had arisen about cooked joints of meat, which it had also been proposed to ration. It was pointed out, not by an administrator but by the lawyer drafting the rationing Order, that the value of the ration for cooked meat could not very well be the same as that for raw meat. The problem was that of cooked ham (which had first been rationed at a lower weight than when raw) in a more complicated form; in equity the ration of cooked meat should reflect the shrinkage in cooking together with the higher price (unless, as in the former war, cooked meat had been rationed by weight). Perhaps partly in deference to the fact that cooked ham, by reason of the glut of bacon, was already off ration, the proposed cooked-meat ration was discarded, and with it, as corollaries, the rationing of 'Grade A' sausages and any control of the remaining manufactured meat products.

On 18th March an Order[1] was made specifying, and controlling

[1] S.R. & O. (1940) No. 394.

both wholesale and retail prices of, all three grades of sausage and sausage-meat, which, however, were now differently defined: Grade A was 70 per cent. meat of more, Grade B, below 70 and over 45 per cent., Grade C, below 45 and over 30 per cent. Anything below Grade C was unlawful. Separate schedules were laid down for 'pork' and 'beef' sausages (neither of which need be made exclusively of that meat) and for the kosher beef product. The problem of enforcement by analysis remained; but the open anomalies that had existed since January were removed. There the matter was to rest until the supply crisis of the following winter provoked a fresh examination of manufacturing meat policy.[1]

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[1] One small anomaly survived these transactions. The retail price Order introduced at the outset of full control (S.R. & O. (1940) No. 37) had been so drafted that it was capable of being construed as applying to cooked meats as well as raw. An amending order (*ibid.* No. 326) had made it clear that this was not intended, unless the cooked meat were definitely scheduled. Chitterlings (the edible small intestine of the pig, familiar to readers of Urquhart's translation of Rabelais), which apparently are always retailed cooked, and which had appeared without qualification in the original Order, were so scheduled (along with dressed tripe). The retail price of chitterlings, 8d. a pound, had been related to a wholesale price of 3d. a pound for the raw article; but the Ministry now decontrolled the wholesale price of offals (S.R. & O. (1940) No. 327) in order to ensure their rapid sale in the summer months.

The main source of supply for the specialist dealers in chitterlings (who were mainly in and around Bristol), were bacon factories which, as the spring glut of pigs came to an end, put up their wholesale price to 4d. or more. As chitterlings lose about half their weight in cooking, the retailers found their profits disappear and a lengthy correspondence opened between them and the Division, which acknowledged (to itself) the justice of their complaint but was reluctant to amend the Order. Could not they, it asked, get their chitterlings from the animal gut cleaners, which, it was assured, would be willing to sell them much cheaper? Could not the Bacon Division put pressure on the factories to reduce their price? The Bacon Division disliked this suggestion very much; and one retailer, somewhat testy by this time (November 1940) explained that the gut cleaners' chitterlings were (*a*) wholly insufficient in quantity (*b*) unsuitable for his purpose as they were neither 'inverted' nor stuffed as were those from bacon factories. Price control of chitterlings was eventually revoked in January 1941 (S.R. & O. (1941) No. 12).

CHAPTER XII

The Year of Crisis, 1940-41

I

THE second year of war resembled in many of its outlines the corresponding period of 1917–18. There was the same autumn glut of livestock, followed by acute scarcity; there was the same campaign for a policy of deliberate livestock reduction, supported by the same arguments and with the same ultimate outcome. The unfolding of the crisis, and of the 'slaughter policy' debate that became inextricably mixed with it, was recounted earlier in this work, as were the consequences for the meat rationing machinery.[1] Closer investigation of the commodity side of the business, however, throws some fresh light on the way what might have been an orderly surrender to the pressures of war was made to look like collapse. There was, of course, a strong element of illusion present, in that the 1s. 10d. and 2s. 2d. rations had never to be honoured in full, whereas the 1s. 2d. ration had to be; but this, though it deceived the Minister and his colleagues, and perhaps the rationing side of the Ministry, had not been overlooked by Meat and Livestock Division in its forward planning. It told the Exchange Requirements Committee in August 1940 that a shortfall of 150,000 tons, or say, 15 per cent., on the annual imports required to maintain a 1s. 10d. ration would mean a ration of but 1s. 4d.

The Division knew, that is to say, that the nominal ration was all the time poised on the edge of a steep drop; and this explains its resistance in August to the pressure from the Prime Minister and his 'statistical circus in Richmond Terrace'[2] for an increase. The resistance was undermined partly by the autumn glut of livestock and partly by fear of putting too much meat in the vulnerable London cold stores—'what we should now say', wrote an official later, 'was a panic measure—natural enough at the time though . . .' The ration went up on 30th September; less than four weeks later it was already clear to the Division that stocks of imported meat were being eaten into; 'we are importing [frozen beef] at the rate of 8,000 tons a week

[1] Vol. I, pp. 173-181; Vol. II, p. 675 ff.

[2] This reference to Professor Lindemann and his colleagues in the Prime Minister's statistical section was provoked by a rash statement from them that the Ministry was using refrigerated ships for storage. Perhaps due to a misunderstanding of the difficulties of discharging ships under conditions of diversion, the statement is typical of the sections of war-time Whitehall that owed no allegiance to an operating Department. Cf. the Scientific Food Committee's attempt to assess fats supplies (below, p. 452).

from all sources, including the Dominions, and putting out 11,000 tons', of which nearly 4,500 tons was for the Services. The situation thus was precarious; as indeed might have been inferred, but was not, from the Ministry of Food's explanation to the Food Policy Committee, on 29th October, that there was no need to worry about the turn-round of refrigerated ships because the weekly consumption of imported meat would, shortly, exceed the average arrivals.[1] The Division realised by this time also that its shipping prospects had worsened and that a switch of tonnage from the Southern Dominions to the Plate might be necessary; '[I] feel sure now we shall in due course want full Argentine share 409,000 tons of one million ton meat import programme', ran a teleprinter message of 24th October.

The stocks-conscious Sugar Division, in similar circumstances a year earlier, had bombarded higher authority with representations and had eventually introduced the essentials of a rationing scheme without waiting for Ministerial sanction.[2] Meat and Livestock Division likewise, on 1st January 1941, began issuing no more than the equivalent of a 1s. 1d. ration against butchers' permits, but it had not spent several months vainly trying to teach the facts of life to Ministers. On the contrary, it was not till the end of November that a serious note of alarm began to be sounded, apropos of downward revisions in the import programme, and not until 4th December that the Food Policy Committee was warned that the ration would have to come down in the New Year. On 29th November a confidential warning had gone out to Area Meat and Livestock Officers—'I cannot . . . at the moment tell you what the ration will be when we reduce it, but it will certainly not be higher than 1s. 10d. and may well be lower'—in which the Division admitted that 'Logically, we should have reduced the ration the moment the rush of English meat was over, but this was so shortly before Christmas that for various reasons it was decided to postpone the reduction till after the holidays'. Round about the same time a warning of what might be coming was sent to the Prime Minister.[3] Thus far there had been no suggestion of urgency, still less of crisis; the ration still stood at 2s. 2d. and it was intended to keep it there until after Christmas. On 10th December arrangements for the holiday fortnight, beginning on the 16th, were sent to Area Officers; there would be the normal 75 per cent. issue of butchers' permit quantities, which would ordinarily suffice to meet public demand.

[1] Vol. I, p. 174.

[2] Above, p. 23.

[3] On 29th November Mr. Churchill minuted the Minister of Food asking why the import of bananas had been stopped. In reply Lord Woolton referred to the Admiralty's having taken refrigerated ships 'without any consultation with me'. He added, 'If food imports are to be reduced to 15 million tons per annum. . . . we shall be obliged to reduce the meat ration below its present level (2s. 2d. per head) and below the former level (1s. 10d. per head)'.

By this time there were already indications that something was going wrong. On 5th December MINDAL had indicated that its stock position 'was extremely bad' and that it might be in difficulties over Christmas; releases of imported mutton and lamb, for the week beginning 9th December, were reduced to 50 per cent. or less of the quantities area officers had indented for, provoking 'many complaints' from industrial canteens relying on this type of meat. During that week reports reached Colwyn Bay on all sides that the MINDAL branches would be unable to produce the amount of imported meat that, with home produced supplies at their expected low level, would be required to make up the 75 per cent. issue over Christmas.[1] Hasty investigation showed, moreover, that although the meat might be scraped together, it would be impossible to transport it all in the nine working days available. The most that could be done (it was thought) was to move 35,000 tons, which would allow for a 65 per cent. issue. On Friday the thirteenth of December, higher authority in London was asked to agree to an immediate reduction in the ration to 1s. 8d. (of which 85 per cent. would be issued), but jibbed at going below 1s. 10d. The Prime Minister's approval was immediately sought and obtained for a reversion to this level: 'indeed', he was told. 'after Christmas we may have to go lower than 1s. 10d'. Even so, the emphasis in explaining why this step had to be taken was still put on transport difficulties and low offerings of livestock.

By then it was emerging that the real crux of the matter was the level of stocks in cold store. On 17th December a lengthy memorandum on the prospects for 1941 was circulated to the Food Policy Committee, forecasting a ration of 1s. 4d. from the first full week in January and making the point that it would be imprudent to draw further on stocks;[2] on 19th December, the Committee approved the memorandum 'in principle'. On the 20th the trade staff responsible for imported meat, who had hitherto regarded MINDAL as alarmist and were counting on the arrival of 'fairly heavy' shipments before Christmas, suddenly took fright on being told that home-killed supplies were down to 9,000 tons a week; they could not, they said, spare more than 18,000 tons imported, making up a total of two-thirds of the 1s. 10d. ration (instead of the four-fifths normally issued). That same week there were two heavy air raids on Liverpool, the port that (with London closed) accounted for one-half of total meat imports, and while no meat ships were damaged the rate of discharge was reduced to two-thirds of normal; at the same time it was disclosed that the prospective stock figure for January, which had been given

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[1] Any deficiency of home-killed meat had to be made up by a larger tonnage of imported, as the latter was cheaper and the ration based on value.

[2] Vol. I, p. 174.

to Ministers as 42,000 tons, would really be only about half that amount if ration meat alone was considered. (The remainder was meat held in reserve for the Services, manufacturing meat, unrationable offal, and frozen bacon-pig carcases.)[1] Clearly no more could be spared from stocks, even though it should mean issuing only three-fifths of a 1s. 10d. ration (equal to one-half the existing '2s. 2d.' permit quantities). Meat and Livestock Division made ready to do this, while urgently seeking the Minister's consent to a nominal ration of 1s. 4d.

The point of crisis had been reached at the weekend before Christmas; and thanks partly to the approaching holiday, partly to the geographical separation of the Division in Colwyn Bay from the Minister and his advisers in London, and partly to the technicalities of the problem, some confusion of counsels arose. The Foreign Office was (it was said) 'very strong on' the unfortunate effect a reduction of the ration would have abroad; the Ministry's own Economics Division, intent on a policy of deliberate livestock reduction in face of feeding-stuffs shortages, held out the bait of a 'short term slaughter policy' as an alternative. The Commodity Division retorted that this would be 'disastrous, fantastic, and incapable of fulfilment on anything like the scale contemplated'; nevertheless it could not be immediately scotched, let alone killed. In consequence the firm recommendation justified by the supply position was watered down before it reached the Minister, and there emerged a ration of 1s. 6d., honoured to the extent of 75 per cent.—'an administrative act', wrote Lord Woolton, 'which I don't understand; the public must get 1s. 6d. worth for its coupon'.

This drew from officials an admission that, even when all allowance had been made for slack in butchers' buying permits, a 75 per cent. issue was not likely to meet all demands. Indeed, trouble was already developing in the field; on New Year's Day it was reported that many London butchers were exhibiting notices that the ration had been reduced to 1s. 1d., and queues of emergency-card holders were reported from several towns in the Midlands. The standing maxim of British food control in two wars reasserted itself: 'we simply must honour the ration'—'we must not maintain the ration at 1s. 6d. if we cannot honour it', wrote a high official. 'This . . . is more important than mere meat. If once we let the public think that our rations did not mean anything, that there is a minimum and a maximum and all kinds of complications of that sort, the ground will slip away from under our feet'. On 8th January the ration 'for the current week', i.e. beginning on 6th January, became, by a stroke of the pen,

[1] This point had been brought up as early as 10th December, but its importance does not seem to have been realised then.

1s. 2d. in place of 1s. 6d.[1] There were numerous troubles ahead, but at least Ministry, Government, and public knew where they stood.

It was the inefficiency revealed by this episode that largely brought about the Minister's decision, a little later, not merely to put in an 'outsider' from his own business as Controller of Meat and Livestock *pro tem.*, with direct access to him, but to reorganise the whole Supply Department of the Ministry on 'business' lines, with responsibility for each commodity firmly placed on Trade Directors' shoulders.[2] Yet if one element rather than another in the meat and livestock control is to be held primarily responsible for embarrassing the Minister, it must be the trade men in imported meat who had taken chances with the stock level. There was some inclination among officials, even when shouldering the blame, to place the emphasis rather differently—'fundamentally our mistake . . . has been always trying to meet to too great an extent the wishes of certain Ministers. . . . The ration ought never to have been increased to 2s. 2d. at the time it was . . . It ought to have been reduced at the beginning of December . . .'—and it is true that even as late as 30th December deference to political considerations led to advice being tendered to the Minister that was not as unequivocal as the supply situation required. The 2s. 2d. ration, however, did not make as much difference, for good or evil, as everyone outside the Division supposed: less than 1s. 7½d. worth of meat needed to be issued against it, as against about 1s. 6d. worth for the 1s. 10d. ration, and it would have been difficult to avoid increasing it at a time when the Ministry was refusing to take all the animals farmers were offering. Again, the calculation that the 2s. 2d. ration could be held over Christmas was not wrong at the time it was made. The misfortunes of the Division arose from a failure to see the red light in time and to change its policy accordingly.[3]

II

The worsening of its shipping prospects and stock position naturally reacted on the Ministry's overseas negotiations. Those with Argentina

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[1] This, of course, made no difference to the actual amount of meat issued (50 per cent. of 2s. 2d. permit values). As there was some confusion about the nominal value of the ration even in the submission to the Prime Minister on this score—it was put at 1s. 6d. for the previous week, beginning 30th December, instead of 1s. 10d.—it may be as well to put on record that the official life of the 1s. 6d. ration was not two weeks, but two days—6th and 7th January 1941. The chart on p. 402 of Vol. I requires correction accordingly.

[2] Vol. I, p. 217.

[3] Some attempt was made at the time to shift the blame on to MINDAL, but this was rebutted vigorously and, in the writer's view, convincingly.

had been merged, throughout the autumn of 1940, in discussions on wider commercial policy of which the Board of Trade was naturally in charge. The amount of the Ministry's purchases, not only of meat but also of cereals and linseed, was looked on as a bargaining counter for extracting concessions in the matter of exchange rates and conditions; minimum and maximum quantities (for frozen meat, 286,000 and roughly 400,000 tons *per annum* respectively) were put before the Argentines, corresponding to the amounts that the United Kingdom really needed and those she was willing to buy if conditions—and, of course, price—were right. The amount of leverage that could be exerted clearly depended on British ability to keep requirements down to the lower figure, and so on the refrigerated tonnage position; and on 22nd August 1940, when these proposals were first put forward, shipping was still being regarded as 'adequate'. Indeed, extra vessels had been sent out on the long haul from New Zealand, to lift mutton and lamb surplus to the quantities in the first year contract. The proposals caused dismay in Buenos Aires; the Argentine Government professed to see itself short of sterling to meet its overseas commitments if no more than the minimum programme were bought by the United Kingdom. On 1st October it produced counter-proposals under which the minimum and maximum quantities for frozen meat would amount to 377,870 and 457,700 tons respectively. The latter figure the Ministry of Food thought impracticably high—it would not 'allow us to fulfil our obligations to the Dominions unless there should be a shortage there'; the 'absolutely essential' imports were still put at 286,000 tons, but the Board of Trade was warned, on 15th October, that these might have to be increased 'in so far as shipping difficulties forced us to shorter hauls. . . . The Argentine . . . would probably benefit by increased shipping difficulties so far as our essential imports were concerned, e.g. wheat and meat of all kinds. . . .'

Nine days later, the need to conclude meat contracts with all the South American countries was pronounced urgent, in view of the developing shortage of frozen beef; and as the general negotiations with Argentina were still hanging fire, the Ministry of Food began talks with Uruguay and Brazil. Here too the smaller quantities it offered to buy, and the reduction in some prices it proposed, evoked disappointment. The Ministry would have liked to temper this by firm offers to buy extra canned meat, for which its second-year-of-war programme was being increased in view of the fresh meat prospects; but the Treasury was slow in giving its approval to this (and a cognate programme for the joint product of corned beef, beef extract). A good deal of prodding was necessary to make the Treasury understand that frozen meat, canned meat, and beef extract were all interlinked, and that it was unsound to try and hold up purchases of corned beef from Brazil in order 'to reflect honour and glory on the

Willingdon Mission[1] and extract undertakings about the treatment of British capital'. The Treasury had recently been pressing the Ministry of Food to buy in Brazil, and having blown hot in August was blowing cold in November. If every major purchase (the Ministry pointed out) 'is made conditional upon the despatch of a mission or reconsideration of a financial agreement that has already been discussed . . . we shall make very slow progress with the business of securing essential foodstuffs'.[2] The Treasury opposition was eventually withdrawn, on 26th November, having caused four weeks' delay at a critical period for meat supplies.

Meanwhile negotiations for a second annual contract with the Southern Dominions had been completed, but for one point on which New Zealand was standing out—the quantity for which it would be proper to make a firm contract. The Dominions had been told at the outset, in August 1940, that the Ministry saw no prospect of being able to lift more than 500,000 tons over the year (October to September), for want of shipping. (It had been agreed between United Kingdom Departments that the 'treaty proportions' from South America should be observed before any more was taken from the Southern Dominions.)[3] A further 45,000 tons was added for bacon-pig carcases to be cured in Britain. The Ministry had proposed to split the 500,000 tons in the 1938–9 proportions—225,000 to Australia, 275,000 to New Zealand—and to this the Australians agreed with little more than a token show of reluctance. New Zealand, however, took the view that the 1939–40 proportions should be taken, which would mean, leaving the Australian figure the same, that the New Zealand contract figure would have to be increased by upwards of 15,000 tons. Otherwise the British would be contracting to take more from Australia, but less from New Zealand, than they had contracted in 1939–40. To this the Ministry replied that it was an illusion, brought about by adding in to the contract figures the tonnage of bacon-pig carcases which had been based, not on past performance, but on what each Dominion said it could supply.

This deadlock was still unresolved when, at the beginning of December, the worsening of the shipping situation made it necessary not merely to scale down total meat loadings, but to transfer vessels to the shorter haul from the Plate. For a few days there was talk of a possible compromise which would have stopped short of the maximum switch of tonnage; on 4th December the Argentines were at length offered a *minimum* annual figure of 330,000 tons. This, though

[1] Lord Willingdon led a goodwill Mission to South America in the autumn of 1940.

[2] 'I am particularly peevish about canned meat' (wrote the Ministry official immediately concerned to a superior officer) 'because when . . . and myself suggested that we ought to tie up the Brazilians with a proper Payments Agreement . . . the Bank of England and the Treasury virtually snubbed us and told us to mind our own business.'

[3] Above, pp. 194-203.

an advance on 286,000, represented no more than the amount the Ministry would have had to take if the cut in total meat loadings had been applied entirely to the South American countries. By mid-December it was clear that no compromise was possible; on the 18th Lord Woolton saw the Dominions High Commissioners—'the general position was one of considerable concern. He had almost used the word "gravity".'—and told them that only about 390,000 tons, instead of the 500,000 tons originally programmed, could be lifted from Australasia. Fifteen ships would have to be diverted to the South American route, giving a net gain in imports of 33,000 tons. (The High Commissioners were not told that this amount was about one-third of the extent to which stocks had been run down that autumn, and indeed, the Minister was as yet unaware of this.) By mid-February the position had deteriorated further, and the High Commissioners were warned that only 325,000 tons was likely to be lifted.

The Ministry had begun early in January to work on plans for a more elaborate switch, involving the reduction of butter imports from the Southern Dominions to the extent required to maintain only a 2 oz. weekly ration all the year round, the substitution of U.S.A. lard, or failing it, oilseeds, for the lost butter, and the transfer of the refrigerated space so released to the Plate. It was thought that, by giving up 100,000 tons of butter, at most 90,000 tons of meat might be obtained: as the Director of Butter and Cheese saw it, 'we exchange one-third of our total Butter supplies for between one-third and two-thirds of a penny on the weekly meat ration'. Put like that, the exchange seemed to him hardly worth while; especially as, unless lard could be had, it would mean taking the risk of breakdown in the already hard-pressed and highly vulnerable oils and fats industry.[1] Moreover, the proposals for a deliberate slaughter policy at home, which just then were being pressed by their supporters with seemingly irresistible vigour, raised the question of what to do with extra imported meat if it arrived. There was talk of slaughtering an extra million animals over eight months; unless the ration were raised to 1s. 4d., said the statisticians, there would not be enough cold storage space for all the things the Ministry would want to put into it later in the year. The bacon ration was also involved, on account of the 'baconer' carcases that the Ministry had been importing from the Southern Dominions and thought it might now have to replace—if it could—with United States bacon. As an official put it early in February, 'We are still in a bit of a muddle with this inter-related problem of refrigerated tonnage—meat—butter—baconer carcases—U.S.A. bacon—U.S.A. lard—the distribution of fats. I hope we will get it settled'.

[1] Below, pp. 453-456.

The butter-to-meat switch was in essence a variation of the general theme, which was the routeing of refrigerated tonnage; it might have been undertaken, in theory, either as well as or instead of a transfer of meat loadings from Australasia to the Plate. There were, of course, powerful political reasons against going the whole hog, but it now appeared that there were technical reasons too. The ships on the Australasian route were built to carry a mixed cargo of meat and dairy produce and could not otherwise be loaded both 'full and down'. By March, therefore, the Ministry was concluding that about 110,000 tons of meat, about 120,000 tons of butter, and about 170,000 tons of cheese, might be imported from the Southern Dominions in the third year of war. On 20th March the Minister approved proposals for adopting this course at once; meat was not to be loaded except in the proportions required by cheese and butter loadings, and as over threequarters of these were from New Zealand, the meat quotas hitherto observed would have to go by the board. (Australia would, however, continue to ship meat for the Services in the Middle East.)

The changes, though not as drastic as had been thought of at one time, still promised grave consequences for the economic life of the Dominions; moreover, they were but some among many that the Ministry of Food could not itself deal with. It had, in fact, been recently decided that the general problem of unshippable produce in these Dominions should be dealt with under the aegis of the Cabinet Committees on Surpluses, set up in the summer of 1940 and served by a special department in the Ministry of Economic Warfare. Negotiations with the Dominion Governments during the spring of 1941 led to the formulation of a series of principles for dealing with surpluses, announced in separate White Papers for Australia and New Zealand. Broadly, the United Kingdom Government undertook, as before, to buy all it could ship, and to share equally with the Dominion Government the cost of acquiring and holding reserve stocks up to agreed amounts.[1] The White Paper arrangements were not to cover the second-year of war agreements that, but for the argument about the New Zealand quota, would have been settled before the crisis. The Ministry of Food would have been willing, in fairness more particularly to Australia, to make contracts for the original amounts of 249,000 and 296,000 tons with Australia and New Zealand respectively. The Treasury objected that this would be too generous and reverted to its principle, enunciated nearly eighteen months earlier, that the Ministry ought to contract firm for only ninety per cent. of what it hoped to be able to ship.[2] The Australians,

[1] Cmd. 6287, 6288 respectively. The Treasury had hoped to get the phrase, 'shared equitably' adopted, but gave way after discussions in which the Australian Prime Minister, who was then in London, personally took part.

[2] Above, p. 204. The Treasury's argument lost some force in the Ministry because officials there were unable to find evidence of the 'ninety-per-cent.' principle.

however, were willing to settle for a figure of 198,000 tons, which in fact was rather below what the Treasury would have conceded; and this was agreed upon in mid-April. New Zealand was thereupon offered a contract for 248,000 tons, being the proportionate figure she had rejected for so long, and with some reluctance agreed.

By this time it was emerging that the immediate prospects for refrigerated tonnage did not really justify all the drastic measures that had been put to and approved by the Minister, and that had caused so much concern to the Dominions. Some relief was promised from the arrangement for releasing troopships regularly at Durban to return by the Plate, that had been made as a result of the Prime Minister's intervention.[1] Apart from that, however, too hasty a conclusion had been drawn from the forecast for the third year of war. Because the average amount of space expected to be available over that year would admit of only 110,000 odd tons of meat being lifted from the Southern Dominions, it did not follow that liftings need be so low in earlier periods when the marine losses on which the estimate was based had yet to take place. *Ex hypothesi* it would be March 1942 before the rate of imports might be presumed to have sunk to that level. The Minister's decision had, in fact, barely been taken before the experts in Freight Division were pointing out that it created 14,000,000 cubic feet of surplus space 'on which instruction is awaited'. Even after some of this had been used to supplement tonnage already on the Plate route, so as to lift all available supplies there, there would still be substantial amounts available for the Australasian run. Expected *arrivals* thence (*i.e.* shipments minus losses) in the United Kingdom, for the year beginning 1st April 1941, were now put at 325,000 tons; as a further 50,000 tons would be shipped to the Forces in the Middle East, and of necessity more than half the total liftings would fall into the first six months of the period under discussion, which were the second six months of the 1940–41 contract year, the earlier prognostications had evidently been too gloomy.[2] In the event, rather more than the total contracted for was shipped; New Zealand was left nevertheless with a substantial carryover (which led to discussion about whether or not it fell to be dealt with under the 'White Paper' arrangements), Australia with none. Nevertheless the remoter future, with the pool of tonnage gradually being drained away by sinkings, looked grim.

III

The 330,000 tons of frozen meat that the Ministry had agreed in

[1] Vol. I, p. 164-5.

[2] The earlier figure of 325,000 tons for the second year of war, given to the High Commissioners in February, was for liftings, not arrivals, and included the Middle East shipments.

December 1940 to take as a minimum from Argentina during the second year of war in fact represented no more than the rate at which shipments had been made from September to December, before the shipping switch had been decided upon. There was some increase in the rate of liftings during January and February, but not until March did the full effect of the measures that had been taken to divert and release refrigerated tonnage become apparent. For the second six months of the agreement—which like its predecessor was never formalised[1]—shipments were pushed up to a nominal rate of about 43,500 tons a month. This figure, which was agreed month by month with the Argentine Meat Board, was the calculated equivalent of the shipping space available, assuming the normal stowage factor of, say 95 cubic feet per ton. Urgent measures had, however, been taken to improve this factor by arranging for 'chiller quality' as well as 'manufacturing quality' beef to be boned before shipment. The technical and economic possibilities of shipping boneless beef had been explored by the Argentine authorities, at the request of the Ministry of Food, during the summer of 1940, but the test shipment of 500 tons suggested by the Ministry had never taken place. Understandably, the Meat Board was not anxious to pursue it unless it meant a larger number of slaughterings for export or would mitigate the effect of an unavoidable shortage of shipping. Neither condition was fulfilled at the time of the inquiry, but by the beginning of January 1941 the second was evidently operative, and a total of 2,500 tons was ordered as urgent test shipments from the three South American countries. Before these could arrive, the Ministry asked on 22nd January, that the shippers should bone out half their chiller beef 'forthwith'; in addition it placed a large order for 'manufacturing' boneless beef. This meant, of course, a considerable increase in the amount of meat shipped—the *average* stowage rate falling from 95 to 88 cubic feet to the ton—and the increased quantity corresponded to an even larger amount of meat 'bone in'. In effect, the Ministry was asking South America to supply 20 per cent. more meat in every ship.

The peak season of killings in Argentina runs from November to February, and from the outset of the negotiations for the third contract period, in August 1940, the Meat Board had urged on the Commodity Division that—whatever the total quantities to be shipped were eventually agreed upon—it should load as much as possible during those months: 'we consider it absolutely necessary for the economic side of the cattle industry in Argentina'. The Division, as it later admitted, was not very well informed on this last subject, and the Argentine plea made little or no impression on it; meat

[1] Presumably because it awaited the formalising of the general Trade and Payments Agreement (which apparently never came about).

negotiations were in any case subordinate at that time to the aims of other Departments. Its demands for increased supplies of meat reached their height, therefore, when the season was already past its zenith and when, for want of another outlet, numerous cattle of chiller quality had been put into cans. By June 1941 some shortage of cattle for freezing was reported by the shippers; but the Meat Board continued to assure the Division that shipping space could be filled at the same high rate, and expressed indignant surprise at its proposal to send only 30,000 tons of space for September. (This would be the first month of a new contract; supplies were likely to be low, but tactical considerations were also involved.)[1] In the event, and despite the 'slipping' of a considerable amount of tonnage into later months than that for which it was scheduled, so that some of the 'August' ships did not present themselves for loading until September, a serious shortage of meat for shipment occurred.

In mid-August there was a minor crisis in the Plate; eleven ships were reported to be 'working slowly' or awaiting cargo. The Liner Division of the Ministry of War Transport, rather too promptly for the Ministry of Food's liking, took steps to ease the position by diverting outgoing vessels to Australasia and other destinations, and loading general cargo in refrigerated space; more than half the scheduled tonnage for August and September (110,000 tons) was removed in this way.[2] There was considerable recrimination all round: the shipping authorities complained that they had lost over 70 ship-days through the sudden shortage of meat; the Ministry of Food hinted that other causes, such as the need for ships to undergo overhaul and repair, might be in part responsible, and in any case explained that it had been let down by the Meat Board; the Argentines blamed the situation variously upon the Ministry, for demanding too much meat out of season, and on the *estancieros* who, they said, holding up supplies of cattle in the hope of a higher price in September when the new contract was due to start, and in any case preferred to sell on the home market where prices were higher. The accidental coincidence of the beginning of a contract period with the seasonal trough in cattle supplies did, of course, lend itself to manoeuvres that would have not been possible in the flush season when cattle had to be marketed or else went out of condition; but whether any deliberate effort to influence future contract prices was taking place is doubtful. It seems likely that the Meat Board itself misjudged the rate at which the combination of greater loadings and improved stowage factor would drain away supplies, just as the Ministry of Food, both in that

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[1] Below, p. 249.

[2] One ship actually in the Plate was diverted to New Zealand; the Ministry considered this a waste of time and of coal, and that it would have been better to let her wait even two or three weeks.

season and the next, underestimated the extent to which 'chiller' cattle had to go for canning in the flush period.[1]

The cattle so canned were not necessarily lost to the Ministry of Food, for the supply crisis had brought about a realisation that the civilian ration would have to be underpinned with corned beef and that orders could no longer be restricted to Services needs. Whereas in early December 1940 the Ministry was still talking in terms of a minimum of 35,000 tons from Argentina, by the 24th Treasury authority had been secured to buy 80,000 tons (at a slightly lower price, except for stock in hand), and by January the Ministry was offering to take 100,000 tons, to which the Meat Board agreed in February. By April the Ministry was talking in terms of 150,000 tons of corned beef and mutton *per annum* from Argentina, the maximum possible that the works could handle after making allowance for the 30,000 tons normally taken by the United States; by May the Argentines were indicating that shortages of tinplate might hinder them in fulfilling the contract quantity (though at the same time indicating that certain packing companies could offer supplies extra to their quotas at a higher price—which the Ministry immediately refused). In the end, mainly through *force majeure* affecting a particular packer, the quantity supplied was some 15,000 tons below the 100,000 firmly contracted for; moreover, the shortage of canner cattle was said to be such that only 50,000 tons could be offered for the third year of war. As the Ministry had taken 45,000 tons from Brazil, and smaller but still sizeable quantities from Uruguay and the Southern Dominions, it felt able to contemplate this prospect with equanimity.

By the end of the second year of war, indeed, the imported meat position had completely recovered from the crisis. Stocks had been built up again by holding down the ration—in the spring of 1941 it had been as low as 1s. per head per week—and, in effect, making the consumer pay back the excess he had had the previous autumn. By May, however, it was possible, indeed advisable, to consider taking offals out of the ration; by mid-June fears of a shortage of cold-storage space led to the 1s. 2d. ration being restored; by mid-August the Division was reluctantly considering whether the ration would not have, for the same cause, to be put up to 1s. 4d. and coming almost with relief to the conclusion that it would not, as an autumn glut of home-killed meat did not seem to be materialising and arrivals from overseas were delayed. It had learnt its lesson about stocks—'as far

[1] The Ministry may not have been aware at this time that the Argentine producer was paid on the grading of his beasts, and not on the use to which they were put by the packer, so that there was no incentive for him to hold up animals that were ripe for slaughter. In effect the Argentine Government was constrained to connive at the canning of chiller cattle for the benefit of the producers. It should perhaps be added that some 'chiller' beef had always gone for canning; there was a higher demand for chilled hind-quarters than for forequarters, and the surplus forequarters were used up in this way.

as our meat stocks went, we lived in permanent danger . . . this could only be overcome by an increase in refrigerated tonnage and available cold storage space . . .'—and a continual watch upon them had now become part of its routine.

IV

One concomitant of the crisis—the 'slaughter policy' for home produced cattle[1]—had by this time petered out. Meat and Livestock Division had begun by disliking the policy, as based on *a priori* arguments unsupported by observation, and mistrusting the tactics of its supporters, some of whom at least appeared to be exploiting the meat shortage in order to secure its adoption. The Division, hampered by its location in Colwyn Bay away from the seat of high-level decision, and in some discredit there by reason of the supply crisis, had been overborne by the sheer weight of paper argument being brought to bear in favour of compulsory slaughter. By March 1941 it was drawing up plans to cope with the extra 1,000,000 killings that the policy might mean and working out the yield in terms of rationed and manufactured meat; by May, despite the fact that its field staff were still declaring that a slaughter policy was superfluous—the more so now that store cattle from Eire were excluded on account of foot and mouth disease—it had aligned itself with the policy's advocates. The arguments that now bulked large in the Division's mind were not those derived from estimates of feed supplies—which had carried so much weight with the interdepartmental Livestock Policy Conference—but were derived solely from its own difficulties immediate and in prospect. It feared a repetition of the previous year's autumn glut, and saw in an ordered programme of increased slaughter before the autumn a way of avoiding it; in any case more orderly marketings of home-produced stock[2] were desirable *per se*: 'it was intolerable', Lord Woolton had told his colleagues, 'that the Minister of Food should have to honour a Government meat ration when he had no sort of control over the nearest and largest source of supply'. As an official put it, 'the present anomalous position is that our highly precarious arrivals of imported meat must serve as a buffer against irregular marketing of home-produced beasts'.

The Food Policy Committee had been impressed by these arguments, to the extent of asking the Agricultural Ministers to consider and report on the possibilities of a scheme for the regulation of

[1] Vol. I, pp. 175-179.

[2] This was, of course, the goal that had eluded the meat controllers of World War I. Above, p. 156.

slaughter. In point of fact, however, they were without merit. There was no anomaly in using imported supplies as a buffer; on the contrary, being capable of storage they were expressly suited to the purpose. As Mr. Hudson had said, 'any attempt to require farmers to bring forward for slaughter a certain number of beasts each week would be wasteful and impracticable . . . beef cattle if slaughtered prematurely would give sausage meat not meat'. It was for this reason that the Agricultural Departments, in assenting to the slaughter policy proposals, had insisted that they take the form of culling unthrifty animals. This work was to be entrusted to the County and District War Agricultural Executive Committees, upon whom fresh powers were conferred by Order.[1] The Food Policy Committee was told that this process must take some considerable time; that 'scores of thousands of farms' would have to be visited, requiring additional allocations of petrol; and that there was some legal doubt whether a direction served on a farmer to sell might not bring into play the provisions of the Compensation (Defence) Act of 1939 relating to requisition: this might be costly to the Treasury, as the farmer would be able to claim the 'store' price of the animal, which would be much higher than its value for immediate slaughter. Obviously, such a procedure offered no guarantee of meat supplies such as the Ministry of Food was seeking.

The dilemma of slaughter policy emerged inescapably from this belated inquiry into the administrative means by which it should be carried out: either it must be wasteful, hasty, and arbitrary, or it must be so deliberate as to be useless in a crisis. In any case, its relevance to current meat supplies was incidental. Evidently, the Livestock Policy Conference had been putting cart before horse when it indulged in elaborate speculations upon the possibility of a future feeding-stuffs shortage. For if the shortage was not there for all to see—and palpably it was not—then the administrative effort, to say nothing of the political odium, that a slaughter policy would entail could not be justified. Both advocates and opponents of the policy had been too busy with their arguments of principle to examine this practical side of the question with any thoroughness. As a high official of the Ministry of Food told Lord Woolton towards the end of May: 'There has been for months a lot of talk of "slaughter policy" and "culling" but no constructive thought given until now as to how any such policy could or should be implemented'. Thus, in the moment of victory the 'slaughterers' found their flank turned. 'The Minister of Agriculture had won his battle';[2] he might never have had to fight it if the admini-

[1] S.R. & Os. (1941) No. 795 (England and Wales); 929 (Scotland). The Northern Ireland Department of Agriculture firmly said that there was no need for a culling scheme on account of feeding-stuffs supplies there, and few if any unthrifty beasts to be culled.

[2] Murray, *op. cit.* p. 122.

strators had chosen their own ground, instead of the economists' and statisticians', upon which to take their stand.

Towards the end of June 1941 the proposals for requisitioning beef cattle were dropped; at the same time farmers were told that the improved supply of imported meat made it no longer necessary that they should being forward extra supplies of sound cattle for slaughter, as they had been exhorted to do earlier in the year. The backwash of the slaughter policy, thus discarded, was felt in Meat and Livestock Division for several months longer. At the beginning of June the Division had instituted, in aid of the culling policy, a temporary new low grade—CC—for lean steers, heifers, and cow-heifers. One local Chairman of Auctioneers made the prompt comment that this would provide means by which farmers would get rid of 'ill-thriven or piners' that should really have been sent away as casualties; and it was not long before reports proving him right came in from a variety of districts. Cattle were graded and paid for as sound (though thin) only for the carcases to be condemned as diseased and unfit for human consumption. New instructions had to be issued to certifying officers, that the concession on price was not intended to apply to diseased animals; and the Ministry of Agriculture's Veterinary Officers were instructed to examine animals at collecting centres before they were graded. There was some disappointment among farmers at this, and some cattle were withdrawn from sale when it was learnt that they would be treated as casualties; it was even suggested that the Ministry of Food was endangering the culling policy—still in force for dairy animals—by over-severe grading. More might have been heard of this had not the temporary concession on price come to its appointed end in November 1941.

More important was the caution that the fears of a second autumn glut enjoined on Meat and Livestock Division in its approach to the problem of transport economy. This was primarily a question of the way in which livestock—and, as a corollary, imported meat—were allocated. The job of allocation fell to the Area Officers—Ministry Headquarters being brought in where movements between Areas were concerned—and, though it could be roughly determined in advance on the basis of the farmers' entries of livestock, eventually came down to a series of individual decisions by the men on the spot. At the outset of meat rationing it had been laid down that allocating officers should be guided by the needs of consumers, as reflected in the demands of retail butchers, for particular types and grades of meat. In particular, if a district required 'more than the average proportion of cheaper qualities', the area officers should do their best to see that this was supplied; retail buying committees should do likewise as between individual butchers.

The control did not, of course, wish to be more arbitrary than the occasion required; it was no more than politic to avoid starting off rationing by turning consumption habits inside out. Considerations of what was practical pointed in the same direction; the allocation machinery could only be 'run in' successfully if, so far as possible, varieties of livestock, or for that matter dead meat, were to move to their accustomed destinations, though through the unaccustomed channels of the 'concentrated' slaughterhouse and the Wholesale Meat Supply Association. Indeed, so long as meat remained moderately plentiful, this was the only way of ensuring that local gluts and shortages of particular varieties did not arise within the rationing scheme. As with fish,[1] consumers' preferences were fascinatingly marked and various; industrial Lancashire, for instance, had a voracious appetite for ewe mutton that was all but unsaleable elsewhere.

In July 1940, when the scheme had been running but a few months, Headquarters began to examine the pattern of livestock allocation, as revealed by the weekly 'allocation sheets' kept by Area Livestock Supervisors, and found a variety of movements both within, and more particularly between, Areas, that appeared to be uneconomic. There were examples of long and cross haulage; of apparently similar animals moving from A to B one day, and B to A two days later, or round two sides of a triangle. When such cases were followed up with the area officers they sometimes revealed error or oversight, but more often justification. There were several elements of rigidity in the allocation system: collecting centres operated on traditional or statutory market days that might not fit in with the routine of the nearest slaughterhouse; individual slaughterhouse capacity, particularly in the South-East Area, was limited. Lairage for animals awaiting slaughter was not always readily available; anyway it cost money—though so did transport—and if the animals lost weight this was a charge on the Ministry.[2] Again, the multitude of collecting centres in some districts, particularly in the South West area, where—it was said, parishes had been linked to markets a number of which in peace-time were 'insignificant or moribund', meant that large consignments of animals could not be assembled; they moved in penny numbers over 'innumerable journeys'.

None of these defects could be remedied in short order, and to tackle some—markets and market days, for instance—would be to stir up local sentiment. One point, however, was not of mechanism, but purely of policy. The investigation brought out very clearly that considerations of quality and consumer preference were a major cause of unnecessary or excessive movements of stock. When, for instance,

[1] Vol. II, pp. 7, 48.

[2] It also made it difficult for the Ministry to keep check on the grading of animals at collecting centres.

the Area Livestock Supervisor at Cardiff was asked in October 1940 why twelve cattle had been allocated to Worthing from Eggesford (Devon) instead of centres in Dorset, he replied:

> '. . . most of the cattle at these centres are cows, and Worthing is a place, I am sure, that does not like a large proportion of cows. If, however, you are satisfied I shall be delighted to supply the South-East Area every week with cattle from Dorset and Wiltshire. . . . What the Killing Points in the South-East will think if they only get cattle from these two Counties, I would not like to think . . . '

Carcases likewise might make long journeys—one pork pig a week was found to be travelling from Dingwall to Stornoway. Meat and Livestock Headquarters was the more sensitive to these extravagant uses of transport because its trading account had to bear the cost right down to the butcher's shop; and it became acutely aware of the shortage of transport for meat in the autumn of 1940, when refrigerated ships were forbidden to enter the Port of London and imported meat had to be sent across country in quantity. In mid-October 1940 Area Meat and Livestock Officers were told that savings in transport, particularly by rail, must override 'the necessity for giving each district a fair distribution as between fresh and frozen'. Emphasis was, however, laid on the shortage of insulated vehicles and the consequent need to economise in meat transport; livestock were not specifically mentioned in the instruction. Moreover, 'care must . . . be taken not to deprive inland districts of a certain proportion of the cheaper imported meat where there are large numbers of the poorer sections of the community'.

By January 1941, the Division was already considering whether a more radical policy could not be applied. The industrial areas adjoining the ports of entry—Avonmouth, Liverpool, and Glasgow—might be fed largely on imported meat; so should London, especially while air attacks continued, making it desirable to send meat there rather than livestock. Such a policy could not, however, be operated with depleted frozen meat stocks—indeed, the Division was in no position to do more, at that time, than live from hand to mouth—and it was not until the late spring that it moved forward again. By then transport economy had become a matter of general concern and was being enjoined on all Divisions of the Ministry.[1] At the end of May, Area Officers were told that it had now 'become urgent to push the policy of economy of transport to the furthest limit', and that, as a general rule, home-killed meat should be consumed in the areas where it was produced and imported meat used to make up deficiencies. Considerations of quality should be disregarded in allocation

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[1] Vol. I, pp. 335-337.

where they conflicted with principles of transport economy: 'all steers, heifers, cow heifers and grade "A" and "B" cows and bulls are to be regarded as suitable to meet the beef requirements of a slaughterhouse', and similarly with mutton and lamb. At the same time, Area Officers were asked to investigate other possibilities of transport saving: closing of redundant collecting centres, slaughter-houses, or wholesale depots, and rearrangement of the links between each and between wholesale depot and retail buying committee. Some latitude was, however, still allowed to Area Livestock Supervisors in allocation, so as 'to avoid the indefensible situations which might eventuate if the arrangements are regarded as hard and fast rules'; a slaughterhouse must not be expected to receive an 'unreasonably' high proportion of, say, pork pigs, grade B cows or bulls, or overfat ewes and sheep, or an 'unreasonable' disproportion of cattle or sheep. Discrimination was, however, to be the exception instead of the rule.

Some of the area officers at least felt that the Division, by leaving to them to decide what was an indefensible situation, was unfairly placing them in the forefront of the battle; more especially as Headquarters had decided not to give consumers at large any warning of the change of policy. (This decision was at variance with Lord Woolton's general custom of taking the public into his confidence, and it is not clear that he was told about it, at any rate in set terms; on its merits, area staff were divided.) In practice it led to some anomalies between one part of the country and another; South Scotland being notably reluctant to go to extremes in support of the policy. Area Officers became exasperated from time to time that Headquarters, having given them discretion, should constantly criticise the way in which they used it:

> 'It seems to me', wrote one in June 1942, 'that it is no good leaving the job to us and then querying what we have done weekly. I personally am quite aware that instead of sending 14 beasts from Wellington to Shrewsbury on a Monday it would save transport to keep back another 14 beasts from Shrewsbury collecting centre on a Tuesday, but I personally ordered the cattle from Wellington to enable the slaughterhouse [at Shrewsbury] to conform to regulations regarding resting cattle and at the same time issue to some of the outlying R.B.C's on Wednesday . . . '
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> 'We cannot change the collecting centre days, you say the cattle are not to be kept more than three days alive, and yet you want a slaughterhouse to be supplied from its own collecting centre only. Slaughterhouses are organised for a five-day kill'.

That quotation illustrates some of the ways in which the men on the spot, with the best will in the world, might find themselves circumscribed in carrying out the Division's intentions. Slaughtering facilities were perhaps the most insistent of these limiting factors. No sooner had the original instructions on transport economy gone out than it became apparent that to carry them too far might mean that the larger urban slaughterhouses, for want of sufficient work, might have to let labour go that would be wanted in the flush season, to say nothing of provoking a clamour from their owners for higher tolls to cover overhead expenses. In October 1941 a specific instruction was issued that 'All Urban Slaughterhouses should be guaranteed 30 per cent. of the present ration (1s. 2d.) as livestock for slaughter'. By July 1942 it was being said that the retention of slaughterhouse skilled labour[1] must take precedence over everything else: 'There will be little point in conserving transport and eliminating a problematic wastage in delay in slaughtering'—another point on which instructions had gone out—'if having accomplished this we find we cannot kill stock in peak periods'. This argued for the maximum concentration of slaughterhouses, so that the labour might be used to the best advantage, and despite the fact that transport demands might be thereby increased. The apparently contradictory instructions that vexed the Division's Area Officers and embarrassed Headquarters by providing a ready retort to any criticism it might make of their allocations were not due to confusion of thought, but to the complexity of the problem, which admitted of no single 'right' solution.

As for the other ways in which transport could be saved, the replies of Area Officers indicated that nothing spectacular could be expected of them. Any saving that a reduction of collecting centres might make in the transport of livestock once they were Ministry property would, it was said, be offset by the extra transport farmers would have to use to get the animals to market. This was contrary to the opinion earlier expressed at Headquarters, and may have been prompted to some extent by knowledge of the uproar that would ensue from farmers and auctioneers alike if collecting centres were closed. Certainly it did not rest on the close examination of the circumstances of each individual centre, indeed of each individual producer, that alone could establish redundancy. It would have been odd indeed if the original selection of centres, made without such study, had been the most economic possible; but the case for not disturbing the pattern once established may well have seemed overwhelmingly strong.

The effort that was required to bring about an allied reform—the linking of each producer to his most economic collecting centre, rather than that of his choice—goes to justify the Ministry in fighting shy of the more root-and-branch reform. The farmer had been given

[1] Some efforts had been made, in co-operation with the Ministry of Labour, to finding alternative employment for slaughtermen in slack periods. 'The result on paper looks quite good, but the difficulty is that we do not know whether the men. . . . will in fact be prepared to return to slaughtering when the need arises'.

the option of choosing his collecting centre at the outset of the scheme, though thereafter he (or rather the land) was tied to it; and a substantial minority had chosen one not the nearest. There were a number of reasons for this: the chosen market might be more convenient for dealing in store animals, procuring feeding-stuffs, or other business transactions, the farmer might prefer to deal with his accustomed auctioneer (and perhaps hope to secure more favourable grading for his animals), the market-day be perhaps more suitable. These considerations were not lightly to be ridden over—as some wished—by a simple instruction that all producers without exception should use the nearest centre. The Agricultural Departments set their faces firmly against any compulsion of this kind; in face of the evidence collected by the Ministry of Food Area Officers that considerable waste of transport was going on, they eventually agreed, in May 1942, that Area Livestock Supervisors might review individual cases. They stipulated, however, that compulsion should not be applied except with the consent of the National Farmers' Union County Liaison Officers. The process of persuasion proved to be lengthy,[1] and some cases were still outstanding in September 1944 when the progress of the war appeared to justify calling a halt. Simpler, if perhaps less important for transport saving, was the withdrawal in 1941 of the retailer's option to transport his own meat from wholesale depot to shop (provided the whole buying group agreed to do the same) in return for an allowance of one-eighth of a penny per pound of meat. The total economies secured by all these means were substantial, though wellnigh impossible to measure.

V

One important result of the supply crisis was to focus the Commodity Division's attention once more on manufactured meat products, which had been more or less left to themselves since the allocation scheme had been introduced early in 1940. When there had been talk, in the autumn of that year, of reducing bacon imports, Lord

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[1] Objectors were apt to point to the more spectacular uses of transport made by dealers in store animals, the market in which was free, and for which the Agricultural Departments were responsible. Such dealers were known to make use of farmers as nominee owners when they wished to sell animals as fatstock to the Ministry of Food.

The provision in the Livestock (Sales) Order tying farmers to markets was frequently evaded, sometimes by the connivance of third parties, sometimes openly and with the auctioneer's knowledge. The Ministry recognised that this was a problem of securing uniformity in grading: 'so long as producers are allowed to withdraw after grading so long will they run about to other centres for more favourable—i.e. dishonest—graders'. But to refuse to allow withdrawals would have been difficult: 'if we did we could not avoid allowing appeal to dead-weight and in practice this would be impossible'.

Woolton had asked whether the public could not be given sausages instead—'if they can't get Bacon or Eggs[1] what are they going to have for breakfast?' This had evoked two suggestions: that more manufacturing-quality meat ('bag meat') be imported in place of carcase meat, and that the meat content of sausages be reduced so that more could be made. The former appeared necessary now that the glut of pork was over; as for the latter, a modest proposal to abolish the Grade A sausage (70 per cent. minimum meat content) and perhaps reduce Grade B from 50 to 45 per cent. was being explored when the shortage, not of bacon but of meat, overtook the Ministry. In January 1941 stocks of manufacturing meat, like those of rationed meat, were dangerously low. The Division did not know what proportion of its allocation was going into sausages, but with a total of only 80,000 tons expected to be available for all civilian purposes during the calendar year, only an austerity sausage could be justified. An Order was therefore made outlawing all but Grade C, having a nominal meat content of from 30-45 per cent. and (it was believed) in practice nearer the lower limit.[2] There had been no time to consult the trade, which promptly asked for a higher price, on the ground that Grade C sausages had hitherto (like 'standard' margarine) been subsidised out of the profits on the higher grades. The argument was thought by the Division to justify a rise of the order of 2d. a pound in retail prices, which would have made beef sausages 9d. and pork 1s. 1d. a pound; the corresponding rises in wholesale prices would have been 1½d., making them 7¼d. and 10½d. respectively.

The Ministry's Economics Division, however, raised two objections. The first, which was perhaps already rather out of date, was that the poor, who had presumably been the previous customers for Grade C beef sausages, would be the hardest hit by the change. The second put its finger on a tender spot in sausage economics; it was pointed out that to increase the retail margin on beef sausages was unsound in principle. These were largely made by retail butchers, who could do so more cheaply than the big manufacturer with high overheads; the lower the margin between controlled wholesale and retail prices, the greater the encouragement given to the more economic form of manufacture. The Interdepartmental Committee on Food Prices was invoked, and recommended that interim prices for beef sausages

[1] It seems a pity not to quote a telling passage from one of the Minister's correspondents, apropos of sausage queues (February 1941):

'It seems to me that the experts in your Ministry pay too little heed to the habits of the people and their psychology. If a man has a plate of sausage and mash he feels that he has had a square meal although actually the amount of meat he has consumed is very little. . . .

'Another food where psychology has been left out of account too much is the egg. Eggs are the basis of most cookery and to assess the egg's value purely in terms of protein and calories is to leave human happiness out of account. . . . '

[2] S.R. & O. (1941) No. 220.

should be 6½d. wholesale and 8d. retail; it talked boldly of 'reducing margins and forcing out the inefficient' and of concentration of production. On 19th February the new prices, including the beef-sausage compromise, were at length embodied in an Order.[1]

That the Government should, or could, use its war-time powers of price control as a way of enforcing structural changes in industry was a notion that tended to recur, for all the weighty arguments from constitutional propriety which could be brought against it.[2] In this instance Meat and Livestock Division was content to parry the suggestion of 'concentration through margins' by pointing out that the adoption of such a policy would have to be general. It was, however, becoming clear that direct administrative action would be required to put right the maldistribution of manufactured meat products; for the shortage of meat was now such that even the degraded sausage was eagerly sought after. Complaints were particularly strong from the Midlands, where, it was said, the big ('Group I') manufacturers were favouring their own shops to the exclusion of retailers they had formerly supplied with sausages and meat pies. 'Group III' manufacturers, the small men buying mostly from a retail butcher, were likewise thought to be at a disadvantage now that pork and offals were rationed, as they might not have included these in their original returns on which their permits were now based. Not all Areas appeared to be in as difficult a position as the Midland, with its large war industries and consequent high demand for readily-cooked food; much depended on local circumstances, such as the number of pork butchers on the ground. (These had been given a special manufacturing allocation in lieu of the fresh pork denied to them when it was scooped into the ration in January 1941.) But the Division resolved on two courses of action. Group I manufacturers were told, in April, that the Ministry expected them to share out their products proportionately among all their peace-time customers. Shortly afterwards, the 'manufacturing allowance' to general butchers, originally fixed at 2½ per cent. of the retail value of their Food Office permits, was raised to 5 per cent. of the wholesale value. In order, however, that the allowance might henceforth be at the discretion of the commodity control, instead of being firmly embedded in a document with a life of eight weeks, its calculation and authorisation were taken away from Food Offices and given to Area Meat Agents. For the moment, however, the meat issued under it remained ration quality—or at any rate was invoiced at ration-quality prices.

These were palliatives made possible by the improved supplies of imported bag meat expected from South America, the need to divert

[1] S.R. & O. (1941) No. 220.

[2] Most notably in the case of the Perry Committee on Milk Distribution (Vol. II, pp. 195-200).

some of the early experimental shipments of boneless beef, which had not turned out too well, to manufacture, and by the prospect of more manufacturing meat from the slaughter policy should it mature. In the long run, however, the Division still expected to have to put sausages on the meat ration, and from April to July 1941 the way in which this should be done was being vigorously canvassed. The main difficulty was that if customers were to be tied to a retailer—and this, despite the example of tea, was the only means of rationing the Ministry was yet ready to consider—he would have to be the general butcher; all other distributors, including the pork butcher, would have to be cut out. Moreover, the general butcher would also have to be the only authorised sausage *maker*, in order that supplies of raw materials might be married to rationed output; and (at least so it seemed) pork and beef sausages, even of the austerity sort, must lose their identity and become a pooled anonymous product. Group I manufacturers would have to content themselves with making other things (such as pies) and with Service contracts. The Minister, who in June had told his colleagues[1] that he intended to put sausages on the ration, was in July inclined to doubt the political wisdom of so great a disturbance in trade channels—it was shortly after the *debâcle* of the original egg scheme—and it was decided to hasten slowly. Points rationing, then still under discussion, might enable other traders to handle sausages by dispensing with registration; and a gradual switch of sausage manufacture to retail butchers might be undertaken in agreement with the trade. The rationing of sausages, thus shelved, was in the end never to be undertaken.

[1] For the Ministerial debates on the extension of rationing, see Vol. I, pp. 194-200.

CHAPTER XIII

Overseas Procurement, 1941–44

I

TOWARDS the end of May 1941 the Ministry of Food approached the Argentine authorities and shippers about purchases for the third year of war. At the outset, the negotiations promised to be more straightforward than hitherto, for it was not concealed that the Ministry would take all it could ship from South America, both frozen and canned; the hope was expressed that there would be thus no complications about quotas, and only the question of price to be settled. For frozen meat, the Ministry offered the same prices as before (except for a reduced allowance to cover the cost of boning beef); that of corned meat was left open, pending information about the quantity that could be supplied. The Argentine Meat Board, however, was in no hurry to take up the offer; at the beginning of August it was still said to be under consideration, and Meat and Livestock Division began to be anxious. For some months disturbing news had been coming in of possible United States incursions into the South American market; true, they were only likely to be for marginal quantities of corned beef, but they might cause price expectations to rise. The same was true of the United States efforts, which on grounds of economic warfare were welcome, to make agreements with South American countries under which they withheld strategic materials from the Axis Powers (including Japan) and sold them to the United States instead.[1] In mid-May an agreement of this sort had been reached with Brazil, but Argentina proved more resistant, and the State Department proposed that a joint Anglo-American approach be made in which British as well as United States purchases might be used as bargaining counters.

Meat and Livestock Division did not like this suggestion at all. It needed all the meat it could get, so that there could be no question of bargaining over quantities, and it was fearful of disclosing its requirements prematurely because they were so high—500,000 tons of frozen meat, 165,000 canned—as in themselves to provoke a rise in Argentine cattle prices. Moreover, it feared that any proposal for joint Anglo-American purchase of canned beef—for which the

[1] W. N. Medlicott, *The Economic Blockade*, Vol. I, pp. 496-508. The British were extremely doubtful whether the American purchasing programme had any bargaining value either, as the items in it were all necessary either on supply or economic-warfare grounds.

United States armed forces were now in the market—might mean negotiations in Washington and a higher price: 'the only place it can be done is London and we feel sure that we should buy better [i.e. cheaper] if we negotiate separately'. The United States Service authorities, towards the end of July, had said they would be willing to hold up purchasing for a few weeks, so that the Ministry could complete its bulk-purchase negotiations. Now, however, Meat and Livestock Division talked of holding matters up, until the canning season should be near; but the Treasury thought that the American gesture called for a 'full and sympathetic response' and an effort to formulate a common policy: 'we shall really endanger future co-operation if we sit back negotiating for some months in Colwyn Bay'. After further interdepartmental exchanges a policy of cautious, step-by-step, disclosure of the buying programme in Buenos Aires was agreed upon; a concerted Anglo-American *démarche* took place there early in September 1941. The proposal for joint purchase of canned meat, however, hung fire until after the United States had entered the war.

For this, the demands of the Argentine Meat Board were perhaps as much responsible as any stickiness on the part of Colwyn Bay. On 15th August the Board at length produced its counter-proposals: an increase of 15 per cent. (roughly five-eighths of a penny per lb.) on all classes of frozen meat and offals, and 30 per cent. on canned meats. Coming at a time when there were difficulties about current meat shipments,[1] they provoked lively exasperation in Meat and Livestock Division, and talk of switching ships back to the Southern Dominions. The Minister, however, at once told the Division to aim at a compromise on price, so far as frozen meat was concerned; whereupon the Argentines were offered an increase of a farthing a pound. When this was refused, on 22nd September, the Division again proposed to divert ships and call the bluff. It had to admit, however, that to do so might jeopardise the 1s. 2d. ration in mid-winter; elsewhere in the Ministry, an increase of 15 per cent. was felt to be moderate in comparison with, for instance, the 25 per cent. extra that was having to be paid on the new Canadian bacon contract: finally—it was argued—to bring in less meat (for sterling) than the maximum the shipping situation allowed would be inconsistent with the pleas for extra protein on Lend/Lease that had been made to the United States. Hence a compromise was inevitable; early in October it was agreed that the Ministry would pay ten per cent. more for beef, six-and-a half per cent. more for other frozen meats, for the twelve months from September 1941. Information later received from Buenos Aires suggested that this was rather more than the Argentines had hoped for.

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[1] Above, p. 235.

On canned meats, the need to make regular shipments of which was not a paramount consideration, the Division was prepared to put up stronger resistance. Its position was undermined, however, by warnings from the Food Mission in Washington, which had felt constrained to withhold from the Americans the news that the British might live on their hump for a while and that they hoped by delays to bring the Argentines to more reasonable ideas about price. It was, suggested the Mission, for the Ministry to convince the State Department that its ideas of price were 'reasonable in relation to Argentina's current costs of production', and that it was not open to the charge of using Lend/Lease canned meat supplies as a means of squeezing South American exporters.[1] (To sustain such a case would have required more, and more objective, information about the Argentine economy than Colwyn Bay could muster; realising this weakness, the Ministry was even then stationing a permanent representative in Buenos Aires.)[2] Nevertheless, the Division refused for some time to advance its offer beyond 7s. a dozen 12-oz. cans first grade (as against 8s. originally asked by the Meat Board), and it was not until mid-December that it finally closed with the counter-offer of 7s. 6d., made by the Board two months earlier.[3] By then, two other expedients had proved fruitless; the Brazilians had not responded to the offer of a contract in advance of settlement with the Argentines—the means by which the 'ring' had been broken in 1939—and the United States, which had concluded an economic agreement with Argentina in October, had declined to exert pressure on her to accept the British offer. The most the Americans felt themselves able to do was to refrain from making Service contracts for corned beef until January 1942. Even so, the Argentines might have been brought to terms had not the attack on Pearl Harbour, with its threat to Southern Dominions' shipments, caused the Ministry of Food to change its mind and make prompt settlements with all three South American suppliers. The quantity offered from Argentina was very much less than in the previous season—50,000 tons; from Brazil (at a basic price 2d. a dozen less than that paid to Argentina) 69,000 tons; from Uruguay, 10,000 tons (though the Ministry hoped to get more).

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[1] This seems to be an example of the policy that, according to Mr. Roll (*op. cit.*, p. 101) was practised by the British side of the Combined Food Board later: 'The policy which the Mission . . . was enjoining upon London was based on St. Matthew's "whosoever shall compel thee to go a mile, go with him twain" '.

[2] The idea had been mooted in the spring of 1941, but difficulty was had in finding a representative who was at once sufficiently expert in the meat trade and at the same time not compromised by connection with the packing companies. The problem was met by appointing a New Zealander—Mr. E. G. Norman, of Thomas Borthwick and Sons Ltd. Later he was joined by Mr. D. G. Girton, the London manager of Swifts, as adviser on canned meats.

[3] The Treasury had been unwilling to go as high as 7s., arguing that the Argentines would gain nothing by being allowed more sterling that could not be converted into goods. It is not clear whether this argument was put to them.

With the Argentine frozen-meat price settled, the Ministry lost no time in telling the Southern Dominions, which had also asked for increased prices in their new contracts, that it would treat them similarly. This offer was welcome, but there was some delay in concluding the contracts because the Australians in particular were anxious for some quantity of frozen meat, no matter apparently how small, to be written into the agreement. The High Commissioner argued that this would help them to plan their production, and really involved no risk to the United Kingdom: 'these quantities would have priority in shipment and even if . . . they could not be lifted in full during the third year of war there is little doubt but that it would be possible to lift them within the life of the commodities'. The suggested figure was 155,000 tons. United Kingdom officials, who had hoped to have been rid by the Surpluses Agreement of the bugbear of guaranteed minimum shipments,[1] were alarmed to hear that the Minister of Food, at an interview with Mr. Bruce, had expressed some sympathy with his argument. 'Avoiding action' was tried: 'the Japanese situation', the High Commissioner was told in November, 'makes it problematical whether we can lift as much as 155,000 tons . . . we could, therefore, only agree to a firm contract for a very small amount and I appreciate that this would be useless from Australia's point of view'.

Discussions over some six months between United Kingdom Departments and representatives of the Dominions had by this time revealed pitfalls in applying to meat the principles enunciated in the White Papers on Surpluses. In particular, it appeared that to limit the United Kingdom's contingent liability for unshippable meat by reference to a standard, or 'target', figure of production might be unsound. The crux of the problem lay in the new importance the Ministry of Food attached to canned meat, which—it was admitted—could hardly be called a surplus commodity. The Dominions' canning programme—more especially in Australia—was ambitious but uncertain of fulfilment. Other things being equal, they would always prefer to ship meat in the frozen form. To fix the standard production figure too low might therefore endanger the canning programme; if it did not, it might lead to a shortage of frozen meat for shipment at the end of the season. If, on the other hand, a generous figure were taken and the canning programme were not fulfilled, the United Kingdom might find itself faced with a heavy liability in respect of frozen meat that could not be lifted. The conclusion reached, therefore, was that separate 'targets' should be fixed for frozen and canned meat respectively; but this raised another difficulty. Australia's canning capacity was much higher than New Zealand's, and if

[1] Above, p. 232.

allowance were made for this in fixing the 'targets' it would mean asking Australia to ship less than her quota of Southern Dominions frozen meat—four-ninths. This she was expected to resist.

Mr. Arthur Greenwood, the Minister without Portfolio who was responsible for administering the Surpluses Agreement, and Lord Woolton at length decided in mid-December that—partly to encourage canned meat production, partly to allay the Dominions' anxieties as a result of Pearl Harbour—it would be politic to depart from the strict letter of the Agreement and offer firm contracts for determinate quantities of both canned and frozen meat, regardless of whether they could be shipped. Early in January the proposals were put before the High Commissioners. The total amounts, reckoned as carcase meat, were, Australia 280,000 tons (110,000 to be shipped frozen), New Zealand 301,500 tons (190,000 frozen); thus the Australians would sell more *in toto* than their customary proportion, but ship less in frozen form. The United Kingdom, for its part, would accept complete financial responsibility for meat unshipped, up to the totals mentioned, except that any residues of frozen meat would be carried over and count against the next year's quantities (when refrigerated shipping would be scarcer). These offers were received without enthusiasm, particularly by the Australians, who, indeed, declined to accept the figure of 110,000 tons frozen meat as final. This was not surprising, for the refrigerated shipping position, even after Pearl Harbour, was so much better than the forecast that close on two-thirds of the contract quantity had been lifted in the four months October-January alone. In the end it was Australian supplies, not tonnage, that proved insufficient. True, a little more than the 110,000 tons was shipped as frozen; but an estimate that some 70,000 tons of canned meat would be available was later revised to 10,000 tons. New Zealand's programme, by contrast, was fulfilled; even so, the Ministry was constrained, there as in Australia, to 'go slow' on the ambitious plans for producing dried minced meat in quantity that had been under discussion since early 1941. Instead of the 25,000 tons a year it had originally asked for from each Dominion, it now wanted only 1,200 tons.

Shipments of frozen meat from the Plate in the third year of war, though eventually reaching a satisfactory level, again encountered the seasonal difficulties that had arisen in 1940–41.[1] The maximum tonnage of meat that could be loaded in Argentina in any one month was limited by port capacity to some 65,000 tons; there was only very limited storage in the *frigorificos*. Hence from December 1941 onwards 'good freezer' cattle in quantity[2] had again to be diverted

[1] Above, pp. 234-5.

[2] As much as 46 per cent. of first grade, and 75 per cent. second grade, were not frozen in December 1941.

to canning plants and local outlets; in addition, January 1942 was the hottest in Argentina for forty years, and shortage of grass on the pampas slowed down the fattening of the cattle that remained. Foot-and-mouth disease ('aftosa'), endemic in Argentina, was worse than usual, so reducing cattle offerings further. Throughout the early months of the year the Ministry's representative there was constantly warning London of the danger that ships might be delayed for want of supplies;[1] he was thought to be crying wolf, but about the beginning of June, when a number of ships that had been delayed on the outward journey arrived in a bunch, there was serious congestion for a week or two. Fortunately this was ended by the rains and an improvement in marketings, following upon the end of the 'aftosa' outbreak; and over the whole third year of war, shipments of frozen meat were fully up to expectations. All concerned—the Ministry, the shippers, and the Meat Board—agreed that the remedy for the seasonal problem was to put up more cold stores at the meat works; the question was who should pay for them. The Ministry firmly declined to make any contribution, on the grounds that it was already paying enough by way of increased prices and that the extra storage would be for the sellers' benefit.

II

For the fourth year of war, import prospects appeared entirely transformed by the belligerency of the United States and the establishment of an international system of allocation through the Combined Food Board. From January 1942 onwards, joint purchase of South American canned meat, already mooted in the summer of 1941, was being discussed at the Anglo-American Food Committee in Washington.[2] How far Colwyn Bay was kept informed of these discussions is uncertain, for early in April unofficial news that Argentine packers had made large sales of corned beef to United States interests, at prices nearly fifty per cent. above those of the British bulk contract, induced the Ministry to send an agitated cable to the British Food Mission urging the strongest representations to the United States authorities about 'this flagrant instance of inadequacy of American organisation'. Within days the soothing reply came back that American officials had agreed in principle that private canned meat imports into the United States should be stopped (by what was

[1] Early in May he wrote: '. . . if the April boats had all turned up on schedule and been ready to load within a day or so of arrival I should say it would have been a certainty there would not have been enough meat, but thank goodness due to delays in the arrival of steamers and steamers having to be repaired, we have managed to get sufficient meat together to load as required without any delay'.

[2] Roll, *op. cit.* pp. 37, 43–44.

known as an 'M.63 Order'), that the United Kingdom should be the sole purchaser on behalf of the Allies, and that stocks of corned meat in the United States should be 'frozen' and be used to meet American Service requirements. A Memorandum of Understanding, in similar terms to those for sugar and oils and fats, embodying these arrangements, was drawn up and agreed to on 20th May 1942. Next month the Combined Food Board was set up, and at its second meeting, on 23rd June, adopted the Memorandum of Understanding as a Recommendation (No. 3). The Board's Meat and Meat Products Committee, meeting for the first time on 17th July, recommended that the agreement be extended to South American meat of all kinds, and this duly became Board Recommendation No. 4.[1] On 1st July, the ban on the private importation into the United States of the canned meats covered by the recommendation had duly come into effect.

At the time it was founded, the main concern of the Combined Food Board was to economise shipping—a world shortage of food supplies had yet to manifest itself—and it was in pursuit of this aim that there was put forward, in the late summer of 1942, the proposal for a large-switch of refrigerated tonnage from the Southern Dominions to the North Atlantic on which so much effort was to be vainly expended during the fourth year of war. Mr. Roll[2] has recounted in detail the evolution of this scheme by the Food Board, its Meat Committee, and the shipping authorities in Washington. Its foundation was the simple calculation that some 250,000 tons of meat could be brought from United States East Coast ports to the United Kingdom, using an amount of shipping that could carry only 100,000 tons from Australasia. So enthusiastic were the Americans about the economy this promised that early in September President Roosevelt told a press conference that meatless days for the United States were in the offing so as to release meat for this purpose, and that thirty ships might be saved thereby. Not unnaturally, this provoked Southern Dominions' complaints to London that they ought to have been consulted, instead of, as the New Zealand Government put it, being left to hear of the proposal 'casually from outside sources'. They were reassured by being told, early in October, that nothing had yet been settled, and that the Ministry of Food was seeking sanction to purchase the same amounts of meat from them in 1943 as in 1942, whether it was lifted or not. This proposal, as the Treasury shortly afterwards agreed, was not only fair but expedient; the extra supplies from the United States could not yet be counted on, local military demands for meat in Australia were increasing, and it was essential above all to maintain Southern Dominions production. 'In spite of the very

[1] Roll, *op. cit.* p. 127. Mr. Roll erroneously gives the first Board meeting, 16th June, as the date of Recommendation No. 3.

[2] *op. cit.* pp. 129-132.

dogmatic form of the resolution of the Combined Food Board [i.e. Recommendation No. 9, dated 29th September] we are by no means sure, as yet, that the requisite quantity of meat will, in fact, be forthcoming'; so ran a draft letter from the Ministry of Food to the Dominions Office, much toned down before it was despatched.

This scepticism proved to be more than justified. The plan endorsed by the Combined Food Board meant that, in addition to the 195,000 tons per annum of frozen pork and offals the United States was already committed to supply to the United Kingdom, an extra 263,000 would also be sent, of which half would be beef. This rate of shipment would, said the Combined Food Board, be reached on 1st January 1943. There were numerous technical difficulties—for instance the preparation of boneless beef by the American packers—to be overcome in short order, and the Ministry's technical representative in Buenos Aires went to Chicago to give advice. They key problem, however, was procurement: would the Americans, in fact, pending the introduction of rationing, have the meat to send? It was an inherent weakness of the Combined Food Board that it had to take assurances to that effect on trust, whatever reservations the British side of it might have (though in this instance there do not seem to have been any, so far as the British Food Mission was concerned); and these assurances lacked a firm administrative basis. 'The program of meat exports', writes Mr. Roll, '. . . proved to be the first major test of the U.S. control machinery and of the ability of the U.S.D.A. to be an effective partner in combined planning. That test it did not pass . . . the consumption limitation order on which this plan rested proved ineffective. And consumer rationing, lacking the foundation of a strict control of supplies from slaughter through all stages of distribution, was so patently a useless device that it was postponed'. For a time even the original programme of shipments was in danger of non-fulfilment, and though rationing was introduced in the United States at the end of March 1943 it was not until September, with the seasonal flush of killings, that procurement there improved. From early April to mid-September the Ministry of Food was constrained to eke out the 1s. 2d. ration with corned beef, in despite of the Combined Food Board recommendation that this be reserved for Service use.[1]

The original American commitment of roughly 200,000 tons of frozen meat per annum, the greater part of it pork, proved in the event to be the measure of the War Food Administration's export capabilities. This amount, broadly speaking, was the counterpart of the amount being taken by the United States Armed Forces from the

[1] Roll, *op. cit.* p. 132. For the shifts to which the Ministry was reduced in order to extract more meat from the United States Administration, Vol. I. of the present study, pp. 244-5.

Southern Dominions under reverse Lend/Lease during 1943 and 1944. Fortunately for the United Kingdom, it was never necessary to eliminate all meat imports from Australia and New Zealand, and these continued to flow at about half the previous rate, i.e. about 250,000 tons a year in all. They were more reliable, both in quantity and quality, than those from the United States, which were not only liable to seasonal fluctuations, but were largely made up of pork so fat as to goad retail butchers almost to the point of mutiny when it was issued against the ration, and of the euphemistically styled 'utility' beef which could nowise be put out as 'ration' quality.[1] During 1944 it became increasingly clear to Meat and Livestock Division that they were, in effect, residual claimants upon United States meat supplies after the needs of the American armed forces and—a poor second—those of American civilians had been met, and that the War Food Administration, with the best will in the world, was unable to change this situation. The American Services—at least, so it seemed to those struggling with the problems of a barely adequate civilian ration—were being treated like spoilt children; they had, wrote the Ministry's representative in Australia early in 1944, 'had the impertinence when taking lamb carcases to insist on taking hindquarters only'. The feeling that the American Forces' demands were unjustified was said to react indirectly on the domestic policies of the Southern Dominions; they had been prevailed upon to introduce meat rationing, albeit on a very generous scale, in 1944, but were more reluctant to squeeze their own people for the benefit of the Americans than they might have been to help the meagre rations of the Mother Country.

Hence the Combined Food Board and its Meat Committee remained impotent, and the notion with which they had set out, namely that of making a world-wide allocation of meat supplies, could not be translated into reality. Combined planning for meat never moved beyond the terms of the original Memorandum of Understanding on canned meat, except in so far as supplies of this from other sources than South America were brought into account. A formal allocation of canned meat was indeed made for 1943, but it was based on faulty information and had to be revised after the

[1] The official United States specification for 'utility' beef runs in part as follows: 'Utility grade beef carcases and wholesale cuts may be decidedly rangy, angular, and irregular in conformation. The fleshing is usually thin. The loins and ribs are flat and thinly fleshed. The neck and shanks are long and tapering. The hip and shoulder joints are prominent. The degree of fat covering varies from very thin in beef produced from young steers and heifers to a slightly thick covering that may be somewhat uneven in beef produced from cattle that are more or less advanced in age. . . . '

Even worse was the 'cull mutton and lamb' of which some thousands of tons had been sent: 'you assured us', wrote the Director of Meat and Livestock to the British Food Mission in August 1944, 'that the shipment of these "aged grannies" would become less; the quantities . . . have diminished but . . . we still have over 3,000 tons on stock which even manufacturers are refusing to handle'.

event; that for 1944 was to break down under the impact of Russian and relief requirements. The atmosphere of progressive disillusion that enveloped those responsible for imported meat supplies from early 1943 onwards was mitigated only by an easing of shipping prospects that eventually made it possible to discard the sinister plans for feeding the British public on reconstituted dried mince.[1]

III

In these circumstances, more especially as the supply of home-produced meat was down to about 700,000 tons a year—less than 70 per cent. of the pre-war figure—the imports from Argentina were increasingly precious to the Ministry of Food. Left to itself, the Ministry would have had little difficulty in establishing and maintaining a *modus vivendi* with the Argentine Meat Board; the only question between the two sides was that of price, and the arguments and manoeuvres on this score were—one feels—largely shadow-boxing, since neither could do without the other: the Ministry had to have the meat, and Argentina had nowhere else to sell the bulk of it. (A perhaps disproportionate amount of fuss was made about increased Argentine sales to other South American countries, which in total remained trivial.) Negotiations, until the meat crisis of 1945 forced a change of policy on the Ministry, were always conducted in the United Kingdom, between familiars who understood and respected each other. However, just as, in the earlier part of the war ,the possibilities of using meat purchases as an economic bargaining counter had seemed irresistible to other British Departments,[2] so from 1942 onwards the United States Secretary of State sought repeatedly to make them a means of political pressure upon the Argentine Government. The honeymoon that had followed the conclusion of the United States-Argentine economic agreement in October 1941 had been brief; early in 1942 President Castillo declined to fall in with the recommendation of the Pan-American Conference meeting at Rio de Janeiro, that the American republics should break with the Axis. Secretary Hull, for his part, was convinced that the Castillo Government was not merely neutral, but actually sympathised with the enemy, and was providing a haven for Axis espionage and subversion.

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[1] It should be recorded that Viscount Cranborne, to whom a specimen of dehydrated meat was sent *ex officio* as Dominions Secretary, tried it in shepherd's pie and pronounced it excellent.

[2] Above, pp. 229-230.

The heavy British purchases of meat, he felt, encouraged the Argentine Government in its intransigence.[1]

Early in September 1942 the Ministry of Food was informally warned that the Foreign Office was under strong pressure from the State Department to pursue a policy of economic sanctions against Argentina, and that those who had already argued that such a policy[2] was bound to be unsuccessful were fighting a losing battle. The Ministry responded, again informally, that it could not afford to stop meat shipments from Argentina, even for a few months, or to hold up its negotiations just begun for a fifth bulk purchase. The Argentines, however, had started off by demanding further increases of price—10 per cent. on frozen meat, 20 per cent. on canned—which the Ministry was determined to resist. It was therefore willing to 'play along' with the State Department to the extent of holding out against the Argentine demands and reducing the amount of shipping sent to the Plate; indeed, it was glad to find an ally who would help it to resist its partner on the Combined Food Board, the United States Department of Agriculture, which it feared might urge the acceptance of the Argentine terms on supply grounds. Expert advice from Buenos Aires was to the effect that to cut shipments drastically early in the killing season would have no effect on total supplies, because these could be made up later on. Only for canned beef was it thought necessary to pay a higher price, partly to compensate Argentina for the loss of sales to the United States civilian market, now closed, partly to allow for the extra cost of canning chiller-quality cattle, now that the Meat Board subsidy that had relieved the packers of this charge had been withdrawn.

By the beginning of December the Ministry's policy was beginning to show results in Buenos Aires. Prices of cattle, which had ranged as high as 38–40 centavos per kilo. live-weight, were down to 32·5 centavos per kilo., and the packers' cold stores were filling up with meat. The Argentine Ambassador in London made personal representations to the Foreign Office and to Lord Woolton himself about the deadlock. The Minister warned Señor Carcano that if Argentina insisted on higher prices the Ministry might have to take lower quantities—a bold move, seeing that the Ministry was bound by resolution of the Combined Food Board to buy as much as possible in South America—and at the same time dangled before him the possibility that the British might enter into a long-term contract at existing prices. The Ministry had recently received a hint from

[1] E. Louise Peffer, 'Cordell Hull's Argentine Policy and Britain's Meat Supply' (*Inter-American Economic Affairs*, Vol. 10, No. 2, Autumn 1956) provides a useful summary of the published evidence concerning this episode.

[2] The Foreign Office had informally sounded the Board of Trade as early as January 1942 about making political use of British meat purchases in Argentina, but had got no encouragement.

Argentine sources that their Government, which had previously rejected a long-term contract, might now be willing to consider it. There appeared hope of an early compromise solution, which seemed to the Ministry necessary if the maximum amount of canned beef were to be secured that season; frozen beef, of course, presented no difficulty.

Then, however, the influences making for deadlock reasserted themselves. The Foreign Secretary expressed uneasiness at Lord Woolton's talk with the Argentine Ambassador; a long-term contract would, Mr. Eden said, be contrary to the Anglo-American policy of economic pressure for political ends. The State Department was more emphatic: in mid-January 1943 it asked in set terms that no meat agreement be signed with Argentina until she modified her pro-Axis attitude. A few days later the State Department retreated from this position, saying that it had not intended to advocate a delay that might interfere with the carrying out of the procurement programme. By this time the Argentines appeared to have lost their immediate anxiety to come to terms: the price of cattle had recovered, thanks to a severe summer drought, and if the Ministry were obdurate on the point of price it would be the packer and not the *estanciero* who would suffer; it must also have been evident by this time that the Ministry was not going to get large quantities of meat from the United States. Not until early April did Buenos Aires produce a counter-proposal, namely that a contract should be made for two years from 1st October 1942 at prices corresponding to the current livestock average price of 36·34 cents per kilo.: for instance 9s. a dozen (as against 7s. 6d.) for corned beef, and an increase of three-eighths of a penny on frozen beef. Moreover, although the Meat Board had been willing to allow frozen beef to be shipped pending a settlement on prices, it had refused to allow any canned corned beef to be shipped from the new season's pack. By the third week in April, the Commodity Division estimated, as much as 50,000 tons was held up: 'we are', it told the Treasury, '. . . at our wits' end to know what to do next'. A few days later, however, the Argentines spontaneously lifted this ban, and allowed canned beef to go forward at the *pro forma* price of 8s. 3d. a dozen.

Leisurely negotiations with the Argentine Embassy in London, which early in 1943 had taken over the leading part from the Meat Board representative, continued, only to be interrupted by the military *coup-d'état* in Buenos Aires, on 4th June, which placed General Ramirez, and ultimately Colonel Perón, in power. The revolution was wholly unexpected in London; the Argentine Ambassador and the Foreign Office confessed themselves completely in the dark about what had happened; as for the British Ambassador in Buenos Aires, he (said the Foreign Office three weeks later) 'knew no more than they'. When at length the dust had settled, and *de facto* recognition had been afforded the new Government, all those with whom the Ministry of Food was accustomed to deal were still to be found in their old seats. By the time negotiations were resumed, in July, both sides were anxious to avoid further haggling. The Ministry had been consistently told by its advisers in Buenos Aires that to raise the frozen meat price would not bring forth any greater quantities, and had up till then offered concessions only on canned meat. It was now disposed to take a broader view. Fresh from the Hot Springs Conference, at which it had successfully 'put across' its conviction that a world food shortage was coming and that primary production overseas must be encouraged,[1] it was willing to accept as a corollary long-term contracts and a modicum of price inducement. Moreover, it was aware that the other side of the Combined Food Board could not but regard the price increase asked on frozen beef as extremely moderate. Early in August agreement was reached: the Ministry conceded an increase of three-sixteenths of a penny on frozen beef, or rather less than five per cent.; the basic price for canned beef was to be 8s. 6d. a dozen, and the quantity 65,000 tons per annum. For mutton and lamb Argentina would get whatever prices were eventually paid to the Southern Dominions; for other meat, adjustments would be made roughly *pro rata* with those on beef. It was also agreed that the tonnage to be sent to the Plate each month should be arranged between the Ministry of Food's representative in Buenos Aires, the Meat Board, and the packers. This, it was hoped, would remove a long-standing source of disagreement and recrimination. The agreement was to last until September 1944.[2]

It must be emphasised, in view of later events, that State Department disapproval of Argentine policy was not a paramount reason why this meat contract took ten months to negotiate. Mr. Cordell Hull and his advisers appear to have overestimated both the importance to Argentina of an early settlement and the extent to which the British had deferred to United States wishes. Too much, in particular, had been made of the incident of the Axis-controlled radio stations in Argentina, which had been closed following a warning in December from the British Ambassador to President Castillo that the United Kingdom might not be able to go on importing Argentine products if information about Allied shipping continued to be transmitted to German raiders in the South Atlantic. It was this that had moved Mr. Hull to conclude that the Castillo Government would be responsive to further British pressure. Early in 1943, when

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[1] Vol. I, pp. 357-362.

[2] In order to mark the Ministry's new status as sole buyer for the United Nations, an attempt was made to cast it in formal terms but (as might have been expected) no binding legal formula could be found. The ultimate result was no more than a Memorandum of Understanding.

the Argentines might, it was thought, come back at any moment with proposals that would lead to an agreement on meat, the Foreign Office and the Ministry of Food had prepared a draft *communiqué* carefully explaining that such an agreement, being really with the Argentine packers, was without political significance. A cynic might think that no better way could be found than this of gratuitously endowing the agreement with that quality; however that may be, as a statement of fact it was not far off the mark. But the State Department was as reluctant to believe that this could be so, as were the Argentines to accept Foreign Office assurances, in May 1943, that the delay in coming to terms was not due to United States pressure.[1]

IV

Lord Woolton, in mentioning the possiblity of a long-term contract to the Argentine Ambassador, had made it clear that he spoke subject to consultation with his colleagues. Advisedly; for this was not an objective that could be pursued in isolation or by itself, as Meat and Livestock Division was soon to find. In discussion between Departments it emerged that among the conditions precedent even to embarkation upon the Argentine project were the extension of comparable long-term guarantees to the United Kingdom producer and the offer of similar contracts to the Southern Dominions. These measures were, of course, consonant with the aim of restoring or increasing post-war meat production; politics apart, however, the need for them was not as compelling as that for long-term arrangements with the South American countries, on which might depend the United Kingdom's ability to lay hands on their meat in a post-war scramble for supplies. Moreover, the extension of the original project in this way demanded a full-scale submission to Ministers and the preparation therefor of copious estimates of production and requirements. Not until mid-December 1943 were the Ministry's proposals submitted to, and approved by, the Lord President's Committee.

These delays removed all possibility of an early deal with Argentina, for the hopes that the revolutionary Government would break with the Axis faded with the resignation of its Foreign Minister, the moderate Admiral Storni, in September 1943. Towards the end of October the Ministry of Food was already being questioned by the Foreign Office about the extent of British dependence on Argentine meat, and being told that 'we could not contemplate the situation in

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[1] Miss Peffer (*loc. cit.*) is in error in supposing that Anglo-Argentine negotiations were ever formally suspended (except for the short period before the revolutionary Ramirez Government received *de facto* recognition).

which the supply of meat from the Argentine to this country was endangered'. In November the overthrow of the Bolivian Government by a military *coup d'etat*, coupled with similar but unsuccessful attempts in Chile and Peru, was attributed to Argentine influence. Secretary Hull was confirmed in his belief that the Argentine Government 'were Nazi agents aiming at the Nazification of the whole of South America'.[1] On 22nd December, and again on the 28th, he sounded the British Ambassador in Washington about economic sanctions against Argentina; if meat were the difficulty, it might be possible for the United States to ration themselves more severely to fill the gap in supplies. The British were naturally sceptical about this notion, in view of their experiences with United States meat supplies during 1943, and countered by suggesting that no action be taken until the Combined Boards had reported on the effects, for shipping, for food, and for other vital supplies, of a breach with Argentina. The point of invoking the Boards, of course, was that they would speak in the name of the participating American agencies, some of whom at least shared neither Secretary Hull's fears of Argentine aggression nor his belief that Argentine supplies could be easily dispensed with, but believed, with the British, that the Allies should keep their eyes on the ball. Once the Axis was defeated—all these people argued—there would be no trouble with the Argentine 'colonels'. Judge Marvin Jones, the United States War Food Administrator and member of the Combined Food Board, was said to share this view.

Hence the response of the Combined Food Board to the formal request for information, put to it on 13th January 1944, was swift. Five days later it produced a reasoned statement covering meat, wheat, and animal fats, and concluding that 'a cessation of Argentine food exports would have effects on the war effort so serious that they demand the most urgent consideration by both the military and civilian authorities of the United Nations'. Argentine supplies of corned beef were essential to feeding troops overseas; those of carcase meat to the United Kingdom were irreplaceable, for supplies were not available, even on paper, except in the United States. The War Food Administration could not contemplate the ten per cent. reduction in civilian consumption that replacement would entail, and in any case the technical difficulties of organising any large additional flow of exports from the United States 'might well prove insuperable'. The Combined Raw Materials Board and the Combined Shipping Adjustment Board (Washington) were equally discouraging to Mr. Hull's hopes of an anti-Argentine boycott.[2] He was reluctant to

[1] These words are those of Sir David Kelly, then British Ambassador in Buenos Aires (*The Ruling Few*, p. 297).

[2] Mr Hull's *Memoirs* (p. 1412) make no reference to the Combined Boards' reports. He does mention, however, an appeal from Mr. Churchill to President Roosevelt on the subject, dated 23rd January 1944.

abandon it, even in face of a personal appeal from Mr. Churchill to President Roosevelt; but the situation was saved for the moment by the Argentine decision, on 24th January, to break off diplomatic relations with the Axis powers. This was shortly followed, however, by the deposition of President Ramirez, who was replaced by the supposedly 'tougher' Vice-President, General Farrell. By March the State Department was again talking of sanctions.

The Combined Food Board was asked for advice and returned the same answer as before, with some additions: it emphasised the importance of a regular flow of supplies to the United Kingdom, the impossibility—as the Ministry of Food had put it—of turning the Argentine tap on and off at a moment's notice, and the growing importance and specific character of relief demands for wheat in particular. Again the notion of sanctions was shelved; indeed, in May the United States told the British that they themselves were, for supply reasons, contemplating buying a large quantity of Argentine maize[1] and there was talk of formal recognition of the Farrell Government—on terms. It showed itself no more amenable to American wishes, however, than before, and at the end of June Mr. Armour, the United States Ambassador in Buenos Aires, was recalled 'for consultation'. The Foreign Office was asked to follow suit, and reluctantly agreed; before he left, however, Sir David Kelly had—to use his own words[2]—a 'cloak and dagger' interview with the Argentine leaders that must have largely nullified the effect of this gesture.

Until the spring of 1944 the Ministry of Food had not been ready to start talking to the Argentines, for it had first to get its negotiations with the Southern Dominions fairly launched. The existing contract, however, was due to run out in September, and by late May the Ministry was seriously worried at not being allowed to make a beginning. The 'paying Allies' were beginning to get busy about their post-war supplies; the Belgians, for instance, wished to buy meat in Argentina, and were approaching the Combined Food Board about it. This aroused the liveliest fears in the Ministry, lest the principle of combined purchase and allocation should be undermined and the Argentine market forced up. The Foreign Office, when consulted, suggested that a contract might be more acceptable to the Americans if it were for perhaps two years instead of four; whereupon Colonel Llewellin, with Mr. Eden's concurrence, addressed a strongly worded minute to the Prime Minister, pointing out the precarious position of meat supplies and the need for a contract of three or four years' duration with Argentina to protect the public against

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[1] It was hoped to offset the political effect of this by getting the British to divert *one* meat ship from the Plate; but nothing came of the suggestion.

[2] Kelly, *The Ruling Few*, p. 305.

shortage. He also referred to the embarrassment that might be caused by the 'paying Allies' entering the market. This minute was passed on verbatim in a telegram from Mr. Churchill to President Roosevelt, who replied, on 23rd July, that he would not do 'anything in the world' to cut down British meat supplies or to 'prevent your getting a new contract'. He hoped that the Prime Minister would, in 'very firm, clear disgruntled tones of voice' let Argentina know beyond a doubt that 'we are all fed up with her pro-Axis sentiments and practices'. A gloss on this reply was provided by Mr. Stettinius a fortnight later, when he expressed the hope to the British Resident Minister in Washington that His Majesty's Government would, for instance, delay signature as long as possible by 'dickering' over the price, make the contract operative for as short a period as possible, and 'engender doubts with regard to intention to sign' at all. This last suggestion was thought in the Ministry of Food to be unlikely to deceive the Argentines. As for the duration of the contract, it pointed out—and this was duly passed on by the Foreign Office to Mr. Winant, the Ambassador in London—that a four-year contract would be advantageous to the buyer rather than the seller in the conditions that were expected immediately after the war.[1]

On 25th August Meat and Livestock Division opened negotiations with the Argentine Meat Board's London representative, by offering to take the whole exportable surplus—on behalf of the United Nations—over the next four years (except for pig-meat) at prices which should be those of the current contract for the first two years, and thereafter subject to revision. Early in September news that negotiations had begun was published by an American news agency and thereupon confirmed officially in London; Mr. Hull summoned the British Ambassador and reproached him—could not the British buy their meat on a month-to-month basis?—and the President was moved to raise the matter with Mr. Churchill at the Quebec Conference, then in session. Once again the State Department raised the possibility of making good Argentine supplies by American and—employing in reverse the tactics used by the British earlier in the year—suggested that the Combined Food Board re-examine 'our joint programme of meat purchases in Argentina' and that meanwhile 'unilateral action by the British Government be postponed'. Attention was also drawn to the rise in United Kingdom meat stocks over the past year; a rise that, had the State Department known it, was due to seasonally heavy shipments from the United States at their request; moreover, the American side of the Combined Food Board was even

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[1] Mr. Hull (*Memoirs*, pp. 1418-9) totally failed to grasp this point. He refers to the British being anxious to meet the Argentine wish for a four-year contract. Miss Peffer's explanation of this 'wish' (*op. cit.* p. 17): 'In order to postpone the evil day when the quota system would again govern its meat trade with the United Kingdom, the Argentine Government was asking for a four year contract . . .', is plausible but ill-founded.

then warning the British Food Mission that supplies from them were likely to be less than had been hoped for. On 2nd October Mr. Hull was reported to Lord Halifax as having said that a four year contract with Argentina would be a 'body-blow' to Anglo-American relations. On 4th October the War Cabinet considered the question and agreed that the most that could be done to meet the American request was to give an undertaking that the actual contract would not be signed until after the Presidential election.

Meanwhile the Minister of Food was authorised to proceed with negotiations, and Meat and Livestock Division met the Argentines a second time on 11th October. That very day a further message from President Roosevelt was received in London urging the Prime Minister to 'continue on a month to month basis', and was immediately relayed to him in Moscow. Mr. Churchill immediately sent the most firmly expressed instructions to the Minister of Food not to negotiate any long term contract in the next two months. 'Be very careful that none of your subordinates spoil the effect of what we are doing'. (Meanwhile Lord Keynes, who was in Washington for the Article VII talks, had telegraphed to the Chancellor of the Exchequer urging that a one-year agreement would meet the case: 'the old gentleman [Mr. Hull] would be greatly delighted and fully satisfied'.)

All this high-level activity had little bearing on the immediate course of negotiations; the Ministry had got its offer in to the Meat Board and, on the precedent of earlier contracts, no immediate decision was to be expected from Buenos Aires. When the Argentines indicated, at the end of October, that they were authorised to continue negotiations, they were put off on the pretext—which was in fact true—that the long-term contracts with the Dominions were not yet settled. They indicated at once that they were quite willing to continue on a month-to-month basis. Meanwhile the State Department was suggesting that the British should announce that negotiations had been broken off, and saying—informally at any rate—that final approval of any financial settlement for 'Stage II'[1] would have to wait on a settlement of the 'Argentine business'. British officials in Washington took the hardening attitude of Mr. Stettinius, acting for Mr. Hull during the latter's illness, to mean that London was suspected of undercover negotiations with Argentina.

> 'In this atmosphere of suspicion and emotion', wrote the Head of the Food Mission to his Minister, 'we are all agreed that no amount of objective factual statement of our case either by myself or by means of an official piece of paper presented through the Embassy to the State Department will meet the immediate

[1] Hancock and Gowing, *op. cit.* pp. 515-533.

necessities of the case. What is required is a rather extreme method which we on the British side can use to show our desire to obtain a firm understanding and agreement with the State Department. There seems to be no doubt that for you to come out here in person, and to speak to Stettinius and Marvin Jones. . . . looks like being far and away the most satisfactory procedure. . . .'

The American authorities, the War Food Administrator in particular, were equally anxious that Colonel Llewellin should visit Washington, and preparations were made for him to do so in mid-November. However Lord Cherwell, the Paymaster-General, was even then on his way back from Washington, where he had been taking part in the Article VII talks. As a result of his report on the situation, the Prime Minister decided that he himself would deal with the matter, which was once again before the War Cabinet on 24th November. Thereafter Mr. Churchill informed the President that the British would continue to import Argentine meat on a month-to-month basis for a further six months from 1st December 1944, but that they relied on the United States to keep other nations and U.N.R.R.A. out of the Argentine market, and that they hoped that she would make up any supply deficiencies resulting from their falling in with American wishes. Thus the Anglo-Argentine negotiations, which had never passed the stage of verbal exchange of views, were suspended but not broken off.[1]

[1] The Ministry of Food had by this time acquired, through secret channels, information suggesting that Argentina was not disposed to make a four-year contract without satisfactory assurances about the prices of British exports and on the exchange problem.

CHAPTER XIV

The Crisis of 1945

I

MEANWHILE, in Mr. Roll's words, the work of the Combined Food Board 'was grinding to a halt';[1] indeed, for meat it would be truer to say that it had never really got started. The symptom of the Board's frustration was an inability to assemble the figures of supply and requirements that were a prerequisite of allocation; the underlying cause was incomplete control of either. Until the autumn of 1944 the Allies had managed to get along with the minimum of decisions about meat consumption, thanks to ample supplies in North America. Despite partial de-rationing of civilian supplies in the United States, and total derationing in Canada, there had been enough carcase meat—of a sort—to replace the diverted Southern Dominions meat and so keep up United Kingdom supplies to the austerity level represented by the 1s. 2d. ration. In addition, a stock of the indispensable canned corned beef had been built up in the United Kingdom. By the end of 1944 the pressure—actual, prospective, or contingent—of demand on visible supplies was manifestly more than could be met by any paper manipulation of figures. For carcase meat, the demands of the United States forces in the Pacific theatre had now risen to such a height that there was no prospect of fulfilling them; the Paying Allies were laying claim to a share in South American supplies. Supplies of canned meat, promised by the United States to U.N.R.R.A. and for military relief, were not forthcoming; at the urgent request of the Americans, the Ministry of Food had agreed to take over a protocol commitment in respect of corned beef, amounting to 45,000 tons. (In January 1945 it was asked for a further 25,000 tons.) All in all, the gap between supplies and requirements for the calendar year 1945 was put at between one and two million tons, carcase meat equivalent.

This implied decisions beyond the competence of the Combined Food Board's Meat Committee or, indeed, of the Board itself, so that the manful efforts of its officers to reach agreement[2] were doomed to failure. What was called for was a series of major political decisions: about the level of civilian rations, not only in the three member countries of the Board, but in Australia and New Zealand besides;

[1] Roll, *op. cit.* p. 188.

[2] Described in detail in Roll, *op. cit.* pp. 189-192.

about the rights of the liberated territories; above all, about the requirements, hitherto unchecked, of the American armed forces. These were all of them Cabinet matters, and were very properly remitted to a special tripartite conference in Washington in March-April 1945.[1] This conference, however, achieved for meat 'no more than a limited, *ad hoc* solution without any reference to principle';[2] in especial, it was unable to tackle the problem of Services consumption, and the requirements of liberated areas were likewise left in abeyance. Throughout the negotiations the Minister of Food had taken the line that he would nowise agree to anything that involved a reduction in the 1s. 2d. meat ration, and—thanks no doubt to the continued value of the Southern Dominions supplies as a bargaining counter—the United States did agree to underwrite the British ration to the extent of 120,000 tons of meat, to be delivered in the fourth quarter of 1945. Even so, it could only be maintained by drawing once again on the stocks of corned beef that, ideally, should have been reserved for Relief. An 'overall' allocation of meat supplies by the Combined Food Board seemed, therefore, as far away as ever.

What did, however, emerge from the Tripartite Conference, even before it got down to work, was a withdrawal of the State Department's objection to the pursuit of a contract with Argentina. Although the Argentines had made no difficulties about the suspension of negotiations, Meat and Livestock Division remained convinced that the absence of a contract was partly responsible for a sub-normal rate of shipment in the early months of 1945, when loading would normally be at a high seasonal level. There were, however, other reasons: strikes at various meat works, yet another summer drought which slowed up the fattening of animals, and last but not least a new policy pursued by the revolutionary Government with the aim of keeping down internal meat prices. In August 1944 the canning of beef that was not of canner grade had been prohibited, so as to increase supplies on the Buenos Aires market; in addition fat cattle that might otherwise have gone for export were bought in the great Liniers stockyards and diverted, with the aid of a subsidy, into local retail channels where, it was reported, the beef fetched lower prices than the lean beef, from less 'well-finished' animals, that Argentine taste preferred. This policy was not to the liking of the Argentine Meat Board, for it seemed likely to damage the interests of their clients the *estancieros*; but they apparently preferred to play for time (and perhaps a change of Government) rather than go into open opposition. In January 1945 the subsidised purchases for domestic consumption were discontinued, but the restriction on canning beef not of

[1] Roll, *op. cit.* pp. 192-210: Vol. I of the present study, pp. 250-254.

[2] Roll, *op. cit.* p. 259.

canning quality remained. The packers, for their part, complained that they were being squeezed between high cattle prices and rising labour and other processing costs, and were unwilling to buy heavily for export while the price they would get was still unsettled.

These developments in Buenos Aires bid fair to undermine the assumptions on which previous Anglo-Argentine meat deals had been based; so much so that even if a long-term contract at the prices then current had been made in the autumn of 1944, *force majeure* would probably have compelled its early revision. Hitherto the Ministry of Food had been assured that, provided the prices were right, the Meat Board would see that the goods were delivered; both sides, in fact, had a common interest in keeping exports as high as possible. As for the packers, so long as their processing margin remained sufficient they had had no very great interest in the contract prices, and the extra sums they had had to pay out for cattle had been compensated for by increased turnover. In these circumstances the Ministry had been able to drive pretty close bargains—having regard, for instance, to the shortage and high cost of British exports to Argentina—without runing any risk of endangering its supplies. Now, however, the *estancieros* had lost their assured political dominance; the Argentine Government might be prepared to acquiesce in stable export prices because they would reduce the volume of exports; and the cost of 'industrialisation' (i.e. packing for export) was no longer a negligible factor, nor one in which the Argentine Government took little or no interest. Colonel Perón was bidding for the support of the 'descamisados' ('shirtless ones'), and the concessions to organised labour that the Government was forcing employers to make were bound to react on costs and hence on export prices.

It was not easy, even for those on the spot, to say whether these tendencies would be lasting; they depended on the stability of the revolutionary Government which—perhaps only from wishful thinking—was still held to be in doubt. The Ministry of Food was at first advised, therefore, that it would do well to bide its time; but by April 1945, when it was about to pick up the negotiations, its Buenos Aires representative[1] was convinced that a higher price would have to be paid, sufficient at least to cover the *frigorificos*' increased costs: 'if ever the stage was set for a price increase, now is the time'. 'There is no use arguing that labour costs should not have been increased or that the *frigorificos* should not have submitted to higher export taxes, higher fuel costs, pensions and other levies for social security. These exist and must be faced'. The Meat Board, it was said, would be content with an increase that would enable existing cattle prices to

[1] Mr. D. G. Girton, the London manager of Swifts of Chicago (Mr. Norman having by this time been released to return to New Zealand).

be maintained; a figure of a halfpenny a pound was suggested. '. . . the sooner things are stabilised the better'.

If the Meat Board had its reasons for bringing negotiations to a head quickly, however, there were others in Argentina who were in no hurry; the fact that she had at long last declared war on the Axis powers (in March) made no difference on this score. By mid-May Dr. Derisi, the Board's London representative, was telling a restive Meat and Livestock Division that he could get nothing out of Buenos Aires and suggesting that the only way to get a move on was for him, and somebody from the Ministry with him, to visit Argentina. At the same time the British Food Mission reported from Washington that the American authorities were concerned at the delay in negotiations and proposing that joint diplomatic pressure be brought to bear on Argentina. The French were also known to be sending an economic mission to South America, though they were not intending to buy meat there—as yet. The Ministry therefore determined to go rather beyond Dr. Derisi's original suggestion and send the head of Meat and Livestock Division to Buenos Aires. He would travel *via* Washington and was expected to arrive in mid-June.

Meanwhile the Paying Allies, particularly the French, were becoming increasingly impatient about their imported meat supplies. The Tripartite Agreement between the member countries of the Combined Food Board had been reached—had, in fact, only been possible—at the liberated countries' expense; the Board had yet to make a formal allocation, but when it did the fact would come out that no meat of any kind would go to France and Belgium before the fourth quarter of 1945, and possibly not then. After that it was impossible to keep the Allies out of the Argentine market; and so the British Cabinet, before whom the problem came on 15th June 1945, sought to satisfy them temporarily with an offer of surplus army rations, to be matched with a proportionate offer of American supplies. This suggestion was put to President Truman in a personal telegram from the Prime Minister, on 18th June:

> 'I think that we could make available 15,000 tons of meat and vegetable rations, and if you could match this with a similar proportionate contribution, say of 45,000 tons, we could at least tide them over their most acute difficulties during the next month or two'.
> 'This help would, of course, be conditional on France and Belgium refraining from entering the Argentine market'.

The President replied on the 24th that though there were great difficulties, he would be willing to arrange the shipment of 50,000,000 pounds (say 25,000 tons) of meat in the third quarter of 1945, then about to begin.

On 28th June the British offer was put to the French in Paris and got a 'unanimously bad reception'. 'They said that we were asking them to renounce their right to deal directly with the Argentines in exchange for an insignificant offer of immediate help and a series of vague possibilities as to the future'. The French had had some experience of unified purchase already, over Argentine tallow, Indian groundnuts, and South American vegetable oils, and did not think much of it: 'it appeared to be the case that if a single buyer was unable to realise the whole of his requirements first, his clients went short'. Moreover, the Argentine contract was for four years, and the Combined Food Board might not last that long; what assurance would they have of supplies when it came to an end? The French suggested that this difficulty could be got over by providing for them to have a definite proportion of the Argentine exportable surplus in each year of the contract, subject to the overriding decision of the Combined Food Board so long as it existed. The United Kingdom might continue as sole buyer or—a suggestion thrown up in the discussions—a collective contract by an inter-allied mission in Buenos Aires might replace the single United Kingdom-Argentine contract.

The French recognised that it would take time to make arrangements of this sort, but, given assurances, were apparently willing to accept the Anglo-American offer of interim supplies, which should, the Ministry of Food now suggested to the British Food Mission in Washington, be immediately embodied in a Combined Food Board allocation. The idea of a collective contract, however, was vehemently rejected by the Mission, on the ground that it meant the limitation of the Combined Food Board's effective meat jurisdiction to North American supplies, and hence must lead, by a short step, to the abandonment of all appearance of global allocation at a time when, or so it seemed to the Mission, there was at last a chance that it might be made to work.[1] The British Ambassador, too, argued that to weaken the Combined Food Board by setting up a 'European Food Consumers' Club' would be against British interests; the disappearance of the Board 'would effectively end the preferred position we now enjoy . . . so long as food remains a seller's and not a buyer's market we should do everything to preserve the illusion that we are a principal seller'. No more was heard of the collective contract proposal; but it was some weeks before the Ministry of Food acceded to the French request for a guaranteed minimum share in the Argentine exportable surplus.

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[1] Mr. Roll (*op. cit.* pp. 168-9), writing from the Mission point of view, exaggerates when he says that 'the Ministry of Food at first showed extraordinary eagerness to alter the system of co-ordinated purchase that had up to then been in operation'. This would imply that the Ministry had espoused the collective contract scheme both more deliberately and more enthusiastically than in fact was the case.

II

During the discussions that had begun in Buenos Aires on 19th June the Argentines had suggested that of the exportable surplus of meat, 80 per cent. should go to the United Kingdom, 15½ per cent. should be divided among the liberated territories, and the remaining 4½ per cent. among the South American countries and the European neutrals. On the basis of recent performance, this would have given the United Kingdom a total of rather more than 750,000 tons a year, carcase weight equivalent, in frozen and canned meat and offals of all kinds. The Argentines, however, said that they could not guarantee the United Kingdom more than 600,000 tons a year, and though this seems to have been moved by no more than caution, it aroused reactions of alarm from London. 750,000 tons was said to be the minimum that, in the calendar year 1945, would guarantee the 1s. 2d. ration and the stock level; and Mr. Turner, the leader of the British delegation, was told that his Minister would in no circumstances approve any arrangements that might lead to a reduction of the ration. 'You must not commit yourself to any arrangements with either Argentines or French which may result in Argentine supplies required for the maintenance of our existing ration being diverted anywhere else'. In other words, he should take up over meat precisely the attitude of which the French had complained, over oils and fats, in Paris less than a fortnight earlier. The Argentines themselves appear to have been rather nonplussed by this British demand for absolute priority, and one must suppose that London's attitude was partly due to an imperfect understanding of what had really been said in Buenos Aires on the subject of quantities. Moreover, the figure of 750,000 tons as a minimum requirement had, perhaps by inadvertence, been put a good deal too high.[1]

In Washington, where the French Minister of Food, M. Pineau, was even then discussing his problems with the member-countries of the Combined Food Board, the instructions to Mr. Turner evoked consternation among British officials, who foresaw a 'head-on' collision with the French in which only limited support could be expected from the Americans. Lord Halifax was moved to address a second personal message to Colonel Llewellin, on 16th July, pointing out that the British could not very well expect the United States to

[1] It included, for instance, the carcase weight equivalent of that part of corned beef exports that, under the Memorandum of Understanding, was to be handed over to the United States Services. It also seems to have confused requirements from Argentina with those from all three South American countries. Lastly, it postulated an end of year stock level higher by some 60,000 tons than had been assumed at the time of the tripartite discussions. It would not be profitable to attempt a close estimate of British requirements from Argentina, but the amount of 'water' in the figures as stated can scarcely have been less than 100,000 tons.

go fair shares with them if they themselves were not prepared to do so with France. In other words, there was, politically speaking, no alternative to relying on the machinery of combined planning and pressing the French to do the same. Thereupon the British abandoned their claim for absolute priority:[1] further attempts were made, however, both in Washington and in Buenos Aires by Mr. Turner, to persuade M. Pineau that he should be content to put his faith in the Combined Food Board Meat Committee. Though he was willing that the United Kingdom should be the sole party to the long-term Argentine contract, he continued to insist on a definite proportion being reserved for France (subject to combined allocation), and this was at length conceded. The French asked for 13 per cent. of the total, or 12 per cent. if Uruguayan supplies were included: the British offered 7½ per cent. A compromise figure of ten per cent. was shortly reached and a formal exchange of letters between M. Pineau and the British Food Mission in Washington closed the episode on 13th August 1945. It was agreed that the French should become members of the Combined Food Board Meat Committee.[2] The original Argentine proposal had tentatively allotted them 6⅔ per cent. of the total exportable surplus; the extra 3⅓ per cent. they were now promised was, therefore, the price to be paid for a single contract, not indeed by the British, but by the other claimants on Argentine exports. True, this extra quantity would be taken into account should the Meat Committee accomplish a global allocation (which it had never done so far): but a paper allotment of meat from another source might well be considered inferior to an assurance of Argentine supplies As the danger that competitive buying would force up Argentine prices had also been removed, the French had bargained better than they knew.

Meanwhile the negotiations in Buenos Aires had been protracted through July into August, mainly upon the question of price. There were two separate matters to be agreed upon, viz., the return to the producer, which, without being merely inflationary, had to be enough to maintain and even to increase production; and the amount to be added for the costs and profits of 'industrialization'. As to the first, the British propounded a basic price (for chiller steers) of 37 centavos per kilo, live-weight, as being the price then current; the Argentines said that 37 centavos was being paid for all steers of chiller quality regardless of destination and that if one took an average of those destined for export frozen, the price would be higher: 39·5 centavos per kilo would be required to maintain production. As to packing costs, the Argentines agreed that a British firm of accountants

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[1] On 23rd July, as a result of the general election, Colonel Llewellin ceased to be Minister of Food.

[2] The main points of the settlement are reproduced in Roll, *op. cit.* pp. 175-6.

in Buenos Aires (Price, Waterhouse, Peat and Co.) should there and then make an *ad hoc* investigation into packers' costs on behalf of the British delegation. This investigation naturally took some weeks to complete: it indicated, *inter alia*, that assuming a buying price of 38 centavos per kilo., the average f.o.b. cost of frozen boneless beef, allowing nothing for packers' profit, was slightly over 75 pesos a 100 kilos., or a little over 6d. per lb. at the rate of exchange (13·5 to the £) at which the packers had to sell sterling to the Argentine authorities. As 6d. a lb. was the rate being paid for boneless beef under the 1943–4 contract, this went to confirm the Argentine claim that the packers had latterly been losing money.

Pending the result of the investigation, any British offer must, it was explained to the Argentines, be merely tentative: on 18th July an increase of ½d. on beef and lamb was put forward for discussion together with corresponding increases for other types of meat. The Argentines replied that these were completely out of line with present market prices and counter-claimed 6d. a lb. for beef *with* bone. Though the British delegation told London that this price was 'preposterous', they were convinced by the figures got out by Price Waterhouse that their own offer had been no more than a refund of the extra costs of 'industrialization' in 1945, compared with those of 1943; they asked London to authorise an offer of 6¾d. and it agreed.[1] The question now was whether the Argentines would hold out for more. The delegation were convinced that the meat interests themselves would be completely satisfied with their offer and that they could have had a contract weeks earlier but for the pressure of other influences in the Argentine Government, which had from the beginning wished to link it with outstanding questions like sterling balances and the supply of goods from the United Kingdom.

At this point, however, pressure began to be put on the Ministry of Food to concede the full Argentine demands rather than break off negotiations. The British Ambassador in Buenos Aires argued that it would be dangerous to leave the meat question in the air, for the United States might compose her quarrel with Argentina at any moment (particularly if there were a change of Government there) and enter the market for Argentine maize and other foodstuffs. This would react on meat: 'we may . . . be faced presently with diminished supplies and greatly enhanced prices'. True, the Argentines might still refuse to sign a contract, even at their prices, without firmer assurances about the supply of goods from the United Kingdom than it had been possible to give; but 'we cannot really be sure of this until we have

[1] Colwyn Bay was reluctant to reduce the nominal 'bone in' differential from 1¼d. to 1⅛d. as was now suggested by the delegation: it meant giving a higher price when shipments of beef with bone were resumed. However, 'higher authority' overruled the Commodity Division's objections.

made the offer'. The Food Mission in Washington reminded the Ministry that Argentine meat would still be some of the cheapest in the world; that the other countries for which it was buying would be glad to pay the prices; and that with the end of Lend/Lease in prospect it would be important to have as much non-dollar meat as possible.

These arguments were felt by some in the Ministry to have force; but the Commodity Division itself was strongly opposed to making any further concession to the Argentines, who had no alternative but to send the bulk of their meat to the United Kingdom. The Food Mission's intervention, moreover, was taken by some to be prompted by the United States and evoked lively exasperation in view of that country's previous attitude. 'The trouble we are in', the new Minister (Sir Ben Smith) was told, 'is wholly due to bad judgment on the part of Mr. Cordell Hull and the late U.S.A. Government and some day it may be necessary to say so. . . . I see no reason why we should raise our price in order to placate American opinion'. This view prevailed; Mr. Turner was told that if the Argentines refused the substance of his offer, he should return home for consultation as he had planned. On 21st August, however, the Argentines signified acceptance of the offer 'in principle', stipulating only that they could guarantee no quantities; for ½d. per lb. more on beef, ¼d. more on mutton, lamb, and pork, and corresponding increases on corned beef, they would undertake to supply a minimum of 850,000 tons annually. The British did not think that to give these extra amounts would make any material difference to the quantities of meat coming forward, and were prepared to leave it at that.

III

'It was a famous victory', though less resounding in the end than must have appeared at the time. Its main value lay in enabling an orderly allocation for 1946 by the Combined Food Board Meat Committee (of which Argentina was made a member).[1] The 'agreement in principle' could not be converted into something more categorical, because the Argentine Government insisted that it must form part of a more general accord covering, for instance, the blocked sterling balances, and the United Kingdom was not ready to discuss such questions pending its post-war economic settlement with the United States. In April 1946 the Argentines nevertheless invoked a clause in the meat agreement under which either side might call for revision of the prices to be paid in the last two years of the four-year period, i.e. from

[1] Roll, *op. cit.* pp. 261-2.

October 1946 onwards. This clause had been insisted on by the British against strenuous argument by the Argentine negotiators that it would deprive the cattle industry of the secure price guarantee that was needed to maintain production; both sides had, of course, been mistaken in expecting an early fall in world meat prices. Shortly afterwards, in June 1946, the Ministry of Food learned that the Argentine Meat Board had lost its autonomous status and was now controlled by the Central Bank, in other words by Señor Miguel Miranda, President Perón's chief economic adviser.

The problem of meat was thus indissolubly linked with the fates of the sterling balances and the British-owned Argentine railways: and in July 1946 Sir Henry Turner[1] found himself back again in Buenos Aires as part of a mission led by Sir Wilfrid Eady, of the Treasury. Meat and Livestock Division was prepared to concede some increase in price for the future, comparable with what had already been promised the Southern Dominions, but did not want to make any retrospective concessions such as the Argentines were already pressing for. In the course of negotiations, however, it emerged that to make a single retrospective payment ostensibly on meat, even should it amount to £10 million sterling, would be less embarrassing to the Treasury than to comply with Señor Miranda's demand that interest be paid on sterling balances. In mid-September, when negotiations were on the verge of complete breakdown, a formula was found that reconciled the Treasury's desire to 'hang the concession on the meat peg' with the Ministry's unwillingness to admit that existing prices had been inadequate. The Miranda-Eady agreement of 17th September 1946 provided *inter alia* that the price to be paid for meat from 1st October onwards should be not less than 45 per cent. above that paid in the first bulk contract of 1939–40, that the contract should be extended until September 1950, with the prospect of revised prices in each of the last two years, and that a lump sum of £5 millions should be paid by the United Kingdom 'to facilitate the adjustment to present costs of production'. This payment was to be made, however, not to the Meat Board as representing the producers, but to Señor Miranda's new creation, the Argentine Institute for the Promotion of Exchange [i.e. Commerce]—I.A.P.I.

The settlement, both in itself and in the manner of its making, exemplified the change that the war had brought about in the relative positions of Argentina and the United Kingdom; the former no longer a client state, the latter in the mood to be grateful for small mercies—'At least', commented *The Times*, 'the meat ration, as well as Anglo-Argentine amity, has been saved'.[2] Even that was being a trifle

[1] He received a knighthood in the New Year's Honours for 1946.

[2] *The Times*, Wednesday 18th September 1946. For the text of the Miranda-Eady Agreement, Cmd. 6953.

sanguine, for the Eady-Miranda agreement stipulated only the minimum that the British would pay for meat, and Sir Henry Turner had still to negotiate the actual prices. The Perón Government had made extravagant forecasts about what producers would get for a steer as a result of the negotiations, and now found that the only way to fulfil these even in part, given a firm British refusal to pay openly higher prices than those they had offered at the outset, was to manipulate the sterling-peso exchange rate for meat exports. Meat was, of course, paid for in sterling, so this manoeuvre would not affect the British directly; but they were asked to make a further contribution towards the cost. Early in October, therefore, it was agreed that a lump sum of £2 millions—making a total of £7 millions out of the £10 millions the Treasury had all along been ready to find—should be paid as a contribution to exchange 'stabilisation'. The whole sum was borne on the Ministry of Food's account, not without some debate about the propriety of debiting the Ministry with more than the £2 millions that could plausibly be reckoned as a stimulus to higher output.[1]

IV

There were already two precedents for paying for meat, and indeed other foods, otherwise than by a straightforward addition to prices: in the long-term contracts with the Southern Dominions. The more interesting of these had come about by reason of New Zealand's shortage of sterling both before and during the war.[2] As early as December 1940 the New Zealand authorities had shown discontent at the way in which the rise in British export prices had turned the 'terms of trade' against New Zealand and so nullified the assumptions on which the bulk purchases of meat and dairy produce had been based. The New Zealanders had brought up this 'terms of trade' argument on several occasions, and they used it again when, at the very end of 1943, they were approached about long-term contracts. They could not afford, they said, to enter into such contracts at the price level then in force; on the other hand, they did not want to encourage inflation at home by putting the price up to the farmer. The Australian position was simpler, in that they were not short of sterling; their internal prices had actually gone up, so that the existing

[1] A similar lump sum, proportionate to the tonnage shipped, was offered to Uruguay—which rather weakened the British claim that it was not in fact a retrospective addition to prices.

[2] R. S. Sayers, *Financial Policy* (in this series) pp. 302-306.

contract prices for exported canned meat and particularly dairy produce were in fact being subsidised by the Commonwealth Government. To the cost of this subsidy the United Kingdom had, from mid-1943, agreed to make a contribution; and though it could not countenance the 'terms of trade' argument, the Treasury was prepared to do the same to help New Zealand's sterling situation. It was on the amount and manner of this outside contribution, more than anything in the contracts themselves, that the negotiations turned.

In July 1944 the New Zealanders, as Professor Sayers says, 'took the cash' (in the form of a lump sum of £12 millions in respect of the past and £4 millions annually thereafter) 'and let the doctrine go'. Meanwhile the Ministry of Food and the New Zealand negotiators had agreed that the appropriate basic prices for the long term meat contract, having regard to costs, would be one-third above those in the first (1939–40) contract. Neither side, however, wanted so high a figure written in to the contract; the one wished to conceal it from their farmers, the other from the Argentines with whom negotiations were about to open. It was agreed, therefore, that the *current* figures should appear in the contracts and the extra sum (amounting to some £2 millions) be paid 'in a plain van'. This subterfuge evoked some criticism from the Ministry's representative in Australasia—who felt anyway that the stabilisation policy of the New Zealand Government did not sufficiently encourage farm production—and proved difficult to put across the Australians, who did not see why the true figures should not be put into their contracts.[1] They were persuaded to agree, in February 1945, that, with one trifling exception, the fictitious figures should be used. In September 1945, however, the New Zealanders indicated that, in accordance with precedent, they proposed to publish the terms of the contract in full, including a note of the covert payments. Now that the South American contracts were settled, the Ministry was willing to acquiesce; the Australians naturally did not object and as the formal agreement with them had yet to be signed, the opportunity was taken to schedule the real prices. Like the South American contracts, those with the Southern Dominions were in force many months before their formal completion, and became due for mid-term revision early in 1946, a few months afterwards. The process of negotiation remained almost if not quite continual, as it had been under the system of year-to-year agreements.

As Meat and Livestock Division had realised from the outset, the case for long-term contracts with the Southern Dominions was purely political; there had never been any question of their supplies going elsewhere than the United Kingdom save by mutual consent. In

[1] For their own domestic reasons, the Australians were asking relatively less for meat and more for dairy produce than New Zealand.

Argentina, on the other hand, the political aspect of the contract, *pace* Mr. Cordell Hull, never seems to have been paramount. The argument he mainly relied on, namely that the British would get Argentine meat, contract or no contract, was in fact two-edged; from the Argentine point of view there was no danger that the British would not take their meat and a long-term contract was only of interest if in return for it there were prospects of getting something other than inconvertible sterling. For the British, the principal advantage of such a contract was in underpinning the system of combined allocation and so preventing the Paying Allies from forcing up prices to the United Kingdom's detriment. Even this advantage, looked at in retrospect, was essentially a short term one, for by the end of 1946 the Allies were virtually out of the South American market.

The Ministry of Food believed, as did Sir David Kelly, that it could have got a contract on more favourable terms in 1944 than those it conceded in 1945, and it debited the difference to Mr. Hull. It is indeed likely, though by no means certain, that the initial prices written into the contract would then have been lower. But the British would no doubt have insisted on a price revision clause, as they did in 1945; the forces making for a rise in Argentine costs thereafter would have been no less powerful, matched as they were in other producing countries; the need for an early settlement on the sterling balances and the railways[1], no less urgent. In the long run the year's delay in reaching a settlement probably made no difference to British meat supplies and the calm of the Argentines in face of it represented a truer assessment of the position than did the anxiety of the British or the anti-Fascist zeal of the State Department. Indeed, a detached observer, looking back on Anglo-Argentine meat dealings during the war, cannot but be impressed by the fairness and objectivity of the Meat Board's representatives and the moderation with which they put their case.

In spite of the good personal relations between the two sides, it is doubtful whether the Meat Board got sufficient credit for the enlightenment of its self-interest. For the greater part of the war years those responsible for importing meat from Argentina appear to have seen themselves as locked in combat with rapacious opponents who were forever engaged in manipulating the Buenos Aires livestock market for the benefit of the *estanciero*. No doubt they drew strength from this self-portrait when bargaining over prices, for your market operator derives zest from the conflict of skills and the sense of having brought off a coup.[2] Nevertheless their uncritically mistrustful outlook,

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[1] A settlement of the railway question was imperative because the so-called Mitré law, exempting their essential supplies from Customs duties, was shortly to expire.

[2] Cf. the wheat purchase before the war (Vol. I, p. 21).

stemming in the last resort, no doubt, from the packing firms' dislike of the Argentine Government's interference in their affairs—as witness their refusal to co-operate with the joint inquiry before the war[1]—accounted for much friction and misunderstanding. The Meat Board's opinions and advice, though not disinterested, were based on a broad and informed appraisal of Argentine conditions and as such were not to be discounted by reference to the kind of information Colwyn Bay could muster; the Ministry's advices from Buenos Aires, though shrewd, practical, and well informed in a gossipy kind of way, were generally lacking in background and analytical skill, and there was no Agricultural Attaché at the British Embassy. Indeed, when the Combined Food Board required an appreciation of the Argentine situation it was to the United States' Agricultural Attaché that it had to turn. One outcome of Mr. Turner's visit to Buenos Aires in 1945 was a recommendation that a British Agricultural Attaché be appointed; though nothing came of it, it marks a rather belated recognition by the Commodity Division that its sources of intelligence had hitherto been inadequate. Argentina, in sum, could no longer be taken for granted.

It cannot be said that the supplies of meat reaching the United Kingdom during the war from Argentina were seriously diminished on account of this incomplete *rapport* between seller and buyer. The stumbling blocks of Argentine neutrality and United States resentment of it must have remained in any event formidable. The difference between Anglo-Argentine meat diplomacy and the dealings with the Southern Dominions, where the utmost pains were taken to reinforce the (much greater) stock of knowledge and experience held in the Ministry of Food with expert reports from the man on the spot, is important not merely because it shows the persistence into the war of a kind of commercial complacency that was out of date before it broke out. The incidents to which it gave rise, particularly in the earlier years of war, were not invariably trivial and might well have been avoided, difficult though the Argentines often were, by tact based on knowledge—notably in the controversy over quotas. For the student of food control, however, its importance is more general, as illustrating the extent to which the conduct of the Ministry's Commodity Divisions depended on the structure and tradition of the trade concerned. Just as the gentlemanly expertise of the sugar trade was reflected in the long-term contracts with Empire suppliers and the dealings with Santo Domingo, and the near-statesmanship of the Unilever combine in the oils and fats control, so the meat dealings have a hard-bitten flavour, diminished by time but perceptible, of the packers' wars in the years before 1914.

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[1] Above, p. 163.

V

From September 1943 until the end of the war in Europe, the domestic meat ration had been maintained at an unvarying 1s. 2d. per head per week without any help from corned beef, and caterers' allowances kept in line with it despite the increasing number of meals for which they were claimed. The shortage of manufacturing-quality meat had been relieved earlier, by extra pork from Argentina and the United States, so that even talk of rationing sausages died away. In the early summer of 1943 there was some question within Meat and Livestock Division whether the seemingly unlimited supplies of sausages and meat pies put out by manufacturers were not leading to a technical abuse, by retail butchers, of their so-called 'manufacturing allowance'. This, which in its origins had been no more than camouflage for a rounding-up of the permit quantities from 77½ per cent. to 80 per cent. of retail value, had long since acquired merit in itself as a means of giving the public more sausages; in 1941 it had been raised to 5 per cent. of *wholesale* permit values, and in April 1942, on the occasion of a 7½ per cent. increase in wholesale prices, to 6 per cent. on a permit that once again represented 80 per cent. of retail values.[1] (It would take a Lewis Carroll to calculate the relative quantities of meat these changes represented—bearing in mind the different price of, say, pork and beef.) The Ministry suspected that this allowance was now more than many butchers could, or at any rate needed to, use for manufacture and that—as it was given in meat of nominally ration quality—they might be disposing of it as a covert addition to favoured customers' rations or in other surreptitious ways. At a time when corned beef still formed part of the ration, but stocks of manufacturing pork were beginning to pile up, such malpractice was doubly undesirable.

The obvious remedy was to issue some manufacturing quality meat to all general butchers, instead of only to those multiples and co-operatives who were classified as large (Group I) manufacturers; this would have the incidental advantage of alleviating the small man's grievance that he had to pay ration-quality prices for his sausage raw-material, whereas his competitors got more suitable meat at a lower price. There were, however, difficulties. The manufacturing pork was put up in nominal one-hundredweight bags, at 11¼d. a lb. wholesale, so that if say half the manufacturing allowance were to be issued in this way, very few butchers would be able to take as much as one bag a week; the majority would need a quarter-

[1] Above, pp. 220-221 for an explanation of why the manufacturing allowance had not, as the Ministry supposed and stated, been doubled in 1941. For the price change, see below, pp. 296-297.

bag or less. The Division was doubtful whether the Retail Buying Committees would be able to divide the meat—which was very fat—equitably among their members, but preliminary soundings in the trade produced a favourable response, and a trial period at one of the London wholesale depots was so successful that by November 1943 officials were prepared to go beyond their original intention and issue the whole of the manufacturing allowance in the form of manufacturing meat. Earlier in the war this might have provoked opposition from butchers, on the ground that they would thereby lose part of their margin to cover losses in cutting up the ration; but the Ministry had made a concession on this point when the wholesale price of meat had been raised in 1942,[1] and this stood it in good stead now. Its Meat Trade Consultative Conference in fact promised full support for the new scheme, which was at first timed to operate from the first Monday in January 1944.

At this point, however, what had looked like a comparatively routine change was suddenly disclosed as embodying an important matter of principle. The Finance Department of the Ministry, and the Treasury, had long been concerned about the level of butchers' profits under control; although the margin had been trimmed in 1942 they were still said to be doing pretty well. If they were now to be allowed to make manufacturing pork into expensive sausages, instead of ration beef into cheap ones, their profits might be substantially increased—perhaps by as much as £2 millions a year gross, or 5 per cent. It was not possible to put up the price of manufacturing pork all round, because this would deprive the large manufacturers of a reasonable margin; to put a surcharge on such pork when sold to retail butchers would be defensible financially, but would expose the Ministry to the charge of discriminating against the small man—a point on which, when the Nidderdale milk depot rumpus had barely died away, officials were more than ever sensitive.[2] Other expedients were considered, but the Ministry and Treasury agreed that the only thing that could be done was to let the butchers have their windfall—for which the saving of six per cent. of rationed meat supplies was an invaluable *quid pro quo*—but couple it with a further costings investigation. If this should reveal that the advent of manufacturing pork had produced the expected result, the total retail margin could be reduced once more.

It was further decided that the allowance of manufacturing meat, to allow for its being boneless and somewhat cheaper than corresponding ration grades, should be 5 per cent. by value instead of 6 per cent.; this would give butchers roughly the same quantity for

[1] Below, p. 296.
[2] Vol. II, pp. 248-9.

manufacture as they had had—in theory—before. The allowance had to be applied for on a prescribed form; butchers had to give an undertaking to use it for manufacture or to have it manufactured on their behalf—in which case the allowance would be delivered to the firm undertaking manufacture; and the opportunity was taken to remind them that they were obliged to keep records of their output of meat products. The new scheme eventually came into force on 5th March 1944, and was a success from the outset; perhaps partly because it was shortly followed by more generous allocations than had been possible at any period since 1941. By August 1944 general butchers were being allowed 8 per cent. of their wholesale permit quantities, and Group I manufacturers 60 per cent. of datum.

In 1945, however, manufacturing meat supplies collapsed. Stocks of it began to cause anxiety as early as February, and it was necessary to prune allocations back to the levels of a year earlier. By July the total disappearance of pork sausages and pies was being prophesied, for not only were United States supplies cut off, but pork had become scarce in Argentina also. In mid-August the butchers' and Group I allocations were brought down to 4 per cent. and 35 per cent. respectively, and the use of up to 10,000 tons of ration-quality meat for manufacture was expressly authorised by the new Minister (Sir Ben Smith). Nevertheless in September MINDAL's stocks were down to two weeks' supplies, and next month it was decided that the general butchers' manufacturing allowance would have to be met entirely out of ration-quality meat; to compensate for the higher price, it was once again raised to 5 per cent. For a time the issue of meat for manufacture was nevertheless continued on the new basis introduced in 1942, but supplies of manufacturing meat never improved to the point when it became desirable to channel them through the general butcher, and in post-war conditions the scheme revealed a disadvantage. It had been based on the ration meat authorisations for a datum week that had been accustomed to be changed only at infrequent intervals, the latest being that beginning 21st September 1945. The rigidity of this system in face of population movements had already been a source of complaint in the 1945 holiday season. Permission had been given to Area Meat Agents to make extra allocations to butchers in holiday resorts, and in London, to make up for the influx of population; in May 1946 the Ministry went further and publicly invited general butchers to apply for revision of their manufacturing allowances if their entitlements to ration meat had increased by 10 per cent. or more. Even so revisions were made only at monthly intervals, and while this did not satisfy all the butchers, it imposed a burden on Area Meat Agents that their offices were not equipped to meet.[1] The trade began to hanker after the blessed simplicity of the

[1] Cf. their difficulty in issuing butchers' permits in 1940 (Vol. II, pp. 661-662).

older system under which the manufacturing allowance automatically varied with the permit week by week, and the Ministry needed little or no outside pressure to concur. From August 1946, therefore, the general butcher's manufacturing allowance was once again lumped in with his ordinary allocation, and the issue of manufacturing meat was confined to Group I manufacturers and to those small multiples who could justify receiving it on grounds of economy or efficiency. The system whereby butchers could nominate someone else to manufacture on their behalf necessarily disappeared; the undertaking to use the entitlement for manufacture was still exacted from butchers, hough it must now have been almost impossible to enforce.[1]

VI

The ups-and-downs of manufacturing meat supplies had continued to be a potent influence on the composition of the sausage. Early in 1942, when talk of rationing still lingered, and the amount of meat in sausages was around the permitted rock-bottom of 30 per cent., it was suggested that their protein content might be greatly increased by an admixture of low-fat soya flour or 'grits', which could be made available by the United States on Lend/Lease. The Ministry was already importing soya beans for milling into flour, as well as soya flour of the kind produced by the four British soya millers; but most of this—a 'high-fat' product—was being used either in flour or sugar confectionery or in egg or milk substitutes. Manufacturers of sausages and other manufactured meats had shown some reluctance to take it up. The low-fat flour and grits, said their United States manufacturers, were more suited for sausages than the full-fat flour, which produced a 'soft and pasty' product; even so, too large a percentage would make an 'unappetising' sausage, and from three to five per cent. was suggested as a suitable admixture. The Ministry was led to believe that these products had been specially 'developed' to meet a need, both in the United States and elsewhere; in point of fact, their availability in quantity appears to have been a fortuitous result of a shortage of oils and fats in the United States, which had led to the crushing of soya beans for their oil and the consequent production

[1] Clearly a butcher who, being in receipt of his full permit quantity of meat, offered no sausages, etc. of his own manufacture for sale would be guilty of malpractice; some such had been detected in the period before the separate manufacturing allowance was introduced. They could be dealt with by docking the permit. But it would hardly be possible to prevent a limited diversion of meat from manufacturing to rationed sale (or for that matter, *vice versa*) and, having regard to the varying qualities of meat issued, hardly desirable anyway. Some sort of tolerance is essential in any rationing machine, and this the manufacturing allowance had originally set out to provide. The fact that it also provided a certain amount of sausages and other by-products of meat retailing could never be really other than incidental.

of a residue for which an outlet needed to be found.[1] It was not necessarily the worse for that, except in so far as it was not likely to be as consistent in quality as a product designed specifically for inclusion in human food. The Ministry's advisers—it was later made plain—had been led to underestimate the variations in composition that the commercial description 'low-fat soya' might cover. On the basis of a few sample sausages eaten in the United States, they were prepared to ignore the soya manufacturers' own admonitions to caution and assert that as much as 10 per cent. of low-fat grits could be used.

In June 1942 the Ministry initiated a series of tests, first by the larger manufacturers of sausages and thereafter by selected retail butchers, in which both coarse and fine soya grits were employed to the extent of 10 per cent. In general the results were liked, both by the makers and by the amateur tasting teams in Colwyn Bay; but there was a definite preference for the fine grits and some indication that a 10 per cent. admixture imparted too marked a flavour to the sausage. In consequence it was decided that the rate of admixture should be 7½ per cent. and that the new sausage should have a meat content of 37½ per cent., subject in each case to a small tolerance instead of the wide variation that had hitherto been allowed for meat. An Order would be made to this effect as soon as the stocks and supplies of fine grits or flour were sufficient. These built up rather more slowly than had been hoped and it was not until the end of May 1943 that the Ministry was ready to issue low-fat soya products to the trade in quantity. On 25th July 1943 their use became compulsory in sausages and sausage meat.[2] Even apart from the question of supply, some delay would have been necessary in order to organise a permit system and above all to explore the knotty question of enforcement. At that time the legal standardisation of foods was very much in the air, and the expert Interdepartmental Committee on Food Standards pressed hard and long for a standard to be applied to sausages. But this was at first delayed along with the Defence Regulations under which it would have been made, and then abandoned because the trade urged that the proposed standard—a minimum nitrogen content—might trap the innocent while letting the guilty escape.[3]

On the whole, the consuming public seems to have taken the soya

[1] 95 per cent. of it was said to be being fed to pigs—a presumably less profitable and certainly more precarious market than manufacture into some form of food for human beings.

[2] By S.R. & O. (1943) No. 933.

[3] Vol. I, pp. 317-318. The short point was that both soya and meat were sources of nitrogen and could not be separately determined by test; in addition the nitrogen content of meat varied considerably. Moreover, the small butcher had not the means to ensure that the nitrogen content of his sausages was up to standard.

sausage in its stride; but there were complaints from some sections of the trade, notably the rusk manufacturers supplying retail butchers, who reported that some of their customers were having trouble with souring. Expert opinion put this down to unskilled handling or insufficient preservative, which was borne out by the fact that the large manufacturers were not in difficulties. There were also complaints that the soya grits were not uniform and that some contained husks and other foreign matter that should have been screened out before shipment.[1] From Cereal Products Division, which was responsible for importing the grits, came a hint of future trouble: 'we have some 30,000 tons . . . and at the current rate of usage they will last about fifteen months. Seeing that we have recently discovered one or two signs of maggot, it is desirable that these goods should be moved into consumption at a quicker rate'. Could not the admixture be put up to 10 per cent. as soon as it was politic? But Meat and Livestock Division, though it stoutly defended the new sausage in public, was inclined rather to move the other way, as its stocks of manufacturing meat improved: 'We have given the soya sausage a fair trial'—wrote an official in April 1944—'but I do not think that any of us can feel that it is really satisfactory'.

An exhaustive canvass of possibilities and contingencies was still in progress in the Division when, in mid-June, its hand was forced by shipping congestion in United Kingdom ports. Higher authority demanded that something be done if only to convince Lord Leathers, the Minister of War Transport, that the Ministry was doing everything in its power to relieve the position. An increase in manufacturing-meat releases was, in fact, the only alternative to an increase in the meat ration, which would be taking a chance on stocks later on. Thereupon the meat content of pork sausage and sausage meat was put up to 50 per cent. from 9th July; in consequence, their price, at all stages of distribution, was put up by 1½d. a pound.[2]

The Division's intention had been to leave the soya content of sausage unchanged at 7½ per cent.; but it had reckoned without higher authority, which held strong views on them—'I have held the view for a long while that the war-time sausage is one of the most serious blots on the achievement of the Ministry of Food'—and was quick to embrace a suggestion from an outside expert on meat

[1] One large firm complained about the dusty nature of one type of soya grits: 'The girls who have to weigh this out are simply covered with dust and the men who are responsible for putting it into the chopping machines . . . complain that it is having a serious effect on their chests'.

[2] S.R. & O. (1944) No. 763. The opportunity of this Order was taken to prohibit the inclusion in sausages of a numer of low-grade offals:—brains, feet, fries, gut, manifolds, paunches, udders, sweetbreads, tripe, melts, or lights. There had been some debate within the Division on this subject, for those responsible for slaughterhouses had been concerned lest they be faced with a disposals problem for such offals. They were, however, overruled on the ground that inclusion of such things in raw sausage might be a danger to public health.

manufacture that the Ministry had made a mistake in putting more than 5 per cent. of soya into them. This opinion, which—though the fact was not generally known in the Ministry—was in accordance with the advice originally tendered by the American soya trade, was naturally rebutted by the Commodity Division; but the attempt at a rearguard action was turned by recourse to the Scientific Adviser, who saw no objection on nutritional grounds to a 50 per cent. sausage containing 5 per cent. soya, but recommended that a sausage with only 37½ per cent. meat should include 7½ per cent. soya. This meant that the reduced soya content would apply to pork sausages but not to beef sausages in which, thanks to the shortage of manufacturing beef, the proportion of meat had not been increased.[1] Reports from the Area Meat Agents indicated that the improved sausage had been well received by the public; comments on soya were infrequent, though there were some in the trade who considered that it should be eliminated. Cautious as ever, the Division was now prepared to recommend that this be done so soon as the supply position for manufacturing meat allowed of a 60 per cent. sausage; the Minister, however, was prepared to go one better and eliminate soya from the 50 per cent. sausage, and the Scientific Adviser did not demur. This was as well, for the infestation of soya grit stocks of which warning had been given in the autumn of 1943 had now reached massive proportions: 'Practically 50 per cent. of the grits in store', reported Cereals Division at Christmas 1944, 'are unfit for human food'. Moreover, the greater part of what remained was urgently required for civilian relief in Belgium and Holland.

It was thus no longer a question of making the use of low-fat soya permissive, as the Minister had presumably intended, but of excluding it from 50 per cent. sausages in order to conserve supplies for putting into the much smaller quantity of beef sausages still being made—about ten per cent. of the total. An Order[2] was therefore made prohibiting the use of low-fat soya products in pork sausages and sausage meat after 31st March 1945, and incidentally lifting—by reason of the form of words used in amending the earlier Order—the ban that had been imposed on the use of high-fat soya products. These, so long as low-fat soya was available, should, it had been thought, be employed in other uses than sausage-making. Although inadvertent, this relaxation was something for which a case could be made out; high-fat soya had been used in sausages before the war without arousing complaint, and in March 1945 there was apparently no

[1] S.R. & O. (1944) No. 888. It is not clear why the Scientific Adviser attached so much importance to this. Beef sausages—indeed all sausages—made only an insignificant contribution to the nation's protein intake, soya or no soya. The case for its inclusion was aesthetic—that it made sausages more palatable, 'satisfying'. A year's experience had cast doubts on this claim.

[2] S.R. & O. (1945) No. 109.

difficulty from the supply angle. Officials in Meat and Livestock Division, however, regarded it as a mistake that should be rectified; brushing aside a protest from the British Soya Flour Manufacturers' Association that their superior product was being declared guilty by association, they professed themselves bound by the *ipsissima verba* of the Ministry's public announcement that it was taking 'soya' out of pork sausages, and made haste to amend the Order so as to prohibit the use of 'any soya product' therein.[1] In due course, when the meat content of beef sausages was increased from 37½ per cent. to 40 per cent., the proscription of soya was extended to them also.[2]

The Ministry's period of experiment thus had altogether unexpected consequences; the more the soya manufacturers assailed the ban during the post-war control period, the more reasons (none of them historically warranted by the circumstances of the original decision) the Ministry was able to find for maintaining it—the difficulties of analysis, the opposition of the sausage manufacturers, the renewal of a proposal to enact a standard, the expenditure of dollars (which, it turned out, were not required) and even the approach of a General Election. All these objections took time to wear down, and it was not until March 1952 that the *status quo* was restored.[3]

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[1] S.R. & O. (1945) No. 216, which came into force at the same time as the Order it amended.

[2] S.R. & O. (1945) No. 1491.

[3] S.I. (1952) No. 507.

CHAPTER XV

The Remuneration of the Trade

I

THE determination of margins of profit under control was for any trade a troublesome business; for none was it more complex than for retail butchers. The familiar, and in the last resort insoluble, problem of finding a margin that should keep every necessary shop in being without over-rewarding those with low costs posed itself in circumstances more than normally confusing. Meat is not a standardised commodity: the practices of the trade, for instance the manner of cutting up a carcase into joints, were far from uniform over the country: the majority of butchers were small men whose business methods did not lend themselves to investigation by cost accountants. The fact that meat was rationed by value added a further complication, in that the butcher's profit margin was thus directly related to the amount of meat he was allowed to buy to serve a given number of customers. In theory, should his customers require £100 worth at the controlled retail price, and the gross margin or trade discount be 25 per cent., then the Ministry should allow him to buy £75 worth at wholesale, neither more nor less; he would then be able (a) to supply the requisite number of rations and (b) earn the prescribed reward. In practice the butcher's performance on both counts could only approximate theory. Skill in cutting, and its concomitant but sometimes opposing quality, honesty, varied from butcher to butcher; the meat lent itself to his skill in varying degrees; the difficulty of cutting varied inversely with the size of the ration, but this might to some unknown extent be offset by customers being less choosy when the ration was small; losses by trimming and shrinkage were an uncertain quantity. All these factors gave the butcher a scope for manoeuvre, more or less within the framework of controlled prices, that was to the Ministry of Food at once useful and dangerous; he provided a flexible buffer between the Ministry and its clients, but the former if not the latter suspected that he was doing too well out of the process.

In the autumn of 1939, when officials were struggling amid the shifting sands of the Government's meat policy to elaborate a schedule of controlled retail prices, this element of uncertainty crystallized into a demand by the butchers that they should, over and above their margin, receive an allowance for 'cutting losses', as they had in the last war. This allowance represented the difference between the weight of the carcase as received by the butcher and the weight he would have left to sell as cuts, after shrinkage, trimming, and the removal of any portion (such as the 'kidney knob' in beef) not saleable against the ration; in other words, the difference between his theoretical and his actual realisations on its sale. The butchers argued that they could only be guaranteed their gross margin on the carcase (which they claimed should be 25 per cent. of its nominal retail value) if an extra 5 per cent. were allowed on average in computing the maximum prices for the separate cuts. On the face of it this claim did not differ in substance, nor in return to the butcher, from a straight 30 per cent. margin on the theoretical return from the carcase, disregarding cutting loss. But it conformed to practice in the previous period of control (when, however, the figures had been 20 per cent. and 3 per cent.); it was favoured by the Ministry's trade advisers; it admitted by implication a lower margin in cases where no cutting loss could be said to occur, viz. a sale by retail of, say, a lamb carcase to a catering establishment; and it fitted usefully into the structure of the value ration, under which the quantity on the butcher's permit was the equivalent at wholesale price of what he was entitled to sell. (The alternative would have been to make him a weight allowance at the wholesale stage; but this would have inevitably led to distinctions between different types of meat and so to awkward complications.) Moreover, the thought may well have crossed officials' minds that the smaller the apparent size of the margin, the easier it would be to defend; certainly there is no evidence that the cutting allowance was more than mentioned, at any rate in writing, to the Treasury, which would certainly have taken a great interest in it.

The principle of a separate cutting allowance thus evoked no difficulty; but its mathematics were to be the occasion of some argument within the Ministry later, for want of a clear starting point from which calculations should begin. Having regard to trade practice generally, it seems evident that the 25 per cent. margin, or whatever was agreed upon, should have been calculated on the retail price of the whole carcase, in the manner of an invoice giving a *pro-forma* price subject to discount; and the prices of the cuts made to total 105 per cent. of the carcase price. The cutting allowance would thus have been excluded altogether, as a self-balancing item, from the computation of the margin proper. The Ministry's accountants and trade advisers, however, were literal people who did not distinguish between a five per cent. allowance for loss, such as would have been given by the procedure just outlined, and a five per cent. loss itself. Their procedure was to make the price of the cuts total a nominal 100 per cent. and the realisation on the carcase 95 per cent. and calculate the margin on that. Financially the difference between the methods was hardly noticeable—1/380th, or just over a quarter per cent.—especially having regard to the approximations involved in the whole calculation. But implicit in the method actually used was an uncertainty about the status of the cutting allowance in relation to the margin proper that was to cause some misunderstanding later.

In the autumn of 1939, however, the cutting allowance took second place to the determination of the size of the margin in principle. The butchers' claim for 25 per cent. was referred to the Director of Costings, who made a swift investigation of a small sample of businesses (23 firms with 78 shops in all) and obtained an average gross margin, for a year's trading before the war, of 22·15 per cent. on turnover. He recommended, therefore, that a margin of 22½ per cent. should be allowed at the start of control. At this point, however, a complication arose. Prices under control would be higher than pre-war prices, so that on a percentage margin traders' unit profits would rise proportionately; and to this the Treasury, guided by Lord Stamp and his colleagues and in defiance of all trade practice, was rigorously opposed. Margins, said the Treasury, should be 'absolute', expressed in pounds, shillings, and pence; they should not, in general be higher than pre-war margins, and they should allow nothing by way of compensation for reduced turnover. This last was a point that touched the butchers directly, for they (and for that matter the Ministry) were expecting that under rationing their turnover would be reduced by 40 per cent. The Ministry loyally attempted, therefore, to translate prewar percentage margins into absolute margins, but when it put the proposals to the butchers' representatives, on 21st December 1939, they flatly refused to accept either the principle of the absolute margin or the actual amounts offered. The Co-operative Movement, in the person of Mr. A. V. Alexander, M.P., was particularly firm in insisting that a percentage margin was the only practicable way of dealing with meat. The butchers expressed willingness to take a 22½ per cent. margin on current prices, which was reckoned to be about 30 per cent. in terms of pre-war selling prices; and eventually the Treasury, under great pressure by reason of the short time before control was due to start, authorised the Ministry to go to 27½ per cent. on pre-war selling prices, which the Treasury was given to understand would be about 21½ per cent. on current prices. A scale had been drawn up which was said by the Commodity Division to embody the compromise and this was now accepted by the butchers.

Nine months later, as a result of a costings inquiry into the performance of butchers during the first six months of control, it emerged that the Treasury ruling that margins should be based on pre-war price levels had had the opposite effect from what had been intended. The Director of Costings drew attention to an ambiguity in the way in which the ruling had been translated into practice. His original recommendation of a 22½ per cent. margin on retail turnover had posited a notional retail price (for the whole carcase) that stood in relation to the wholesale price as 100:77½. For the purpose of ascertaining the authorised maximum margin under control, the Commodity Division had to compute a 27½ per cent. margin at the same price level. It had done this by leaving the wholesale price unchanged and moving the assumed retail price upward, so that they stood in the relation 105:77½; but it could equally be argued *a priori* that the retail price should have been left unchanged and the wholesale price moved downward, giving the relation 100:72½. At the time the Division does not seem to have considered this possibility: as the pre-war wholesale price in any case had to be the starting point, the second method would have involved a double calculation, and the simplicity of the first was a sufficient recommendation in the conditions of early January 1940. The difference between the results obtained by the two methods was by no means negligible: on a side of first quality home-killed beef, weighing a notional 322 pounds, the maximum gross profit came out at £4 1s. 5d. and £3 16s. 5d. respectively. The profit actually allowed in this case at the outset of control—£3 18s. 6d.—was presumably the result of some manipulation on the price of cuts; on other types of meat, too, the margins allowed were less than the theoretical maxima attained under the Division's method of computation.

Having pointed out the anomaly, while being prepared to admit that the Division's interpretation of the ruling was a possible one, the Director of Costings was apparently willing to leave it at that. Further calculations in the same report show, however, that the error that had been made was greater and more far-reaching. The '27½ per cent. on pre-war' basis had been put forward as a compromise that would yield the butchers *less* than the 22½ on current prices they had agreed to accept at the meeting on 21st December 1939, and the butchers themselves had believed that this was so. In point of fact, they had been given *more* than 22½ per cent. on current prices on every meat except pork: 24·5 per cent. on first grade home-killed beef, 23·9 per cent. on second grade, and comparable figures for mutton, lamb and veal. The excess was considerably greater than could be explained by the varying modes of calculation already mentioned: a 22½ per cent. margin on a side of 1st quality beef, at the current wholesale price of £12 1s. 6d., works out at £3 11s. 5d.; a 21½ per cent. margin, which the Treasury had been told was 'on the average roughly equivalent' to what it had been willing to approve, at £3 7s. 5d. Instead of giving the butchers four shillings *less* profit than they had offered to take, the Ministry had given them over seven shillings *more*. Evidently the information presented to the Treasury had been erroneous, presumably by underestimating the pre-war price level and hence the absolute size of the pre-war margin.[1] It was therefore decidedly cool of the Division to say, as it did later, that the Treasury had authorised a 24 per cent. margin at the outset of control, and, indeed, to take this as a sort of norm in its future dealings with the trade. Nevertheless, the error could not have occurred if the Treasury attitude to margins had been more practical and less doctrinaire.

II

This gratuitous, though unintentional, generosity to butchers would not have mattered so much if turnover had diminished to the extent it had been expected to do. But if the admittedly small sample from which costings had been taken (78 shops out of nearly 60,000) were to be relied upon, the reduction in the quantity of meat handled had been more than offset by the rise of price, so that the cash turnover had risen by nearly 7 per cent.; expenses, though about 10 per cent. higher per ton of meat handled, were in the aggregate virtually unchanged. Net profit, in terms of turnover, had risen from 4·57 to 6·41 per cent., more than two-fifths. Some support is given to the sample figures by the fact that this difference in net profits (1·84 per cent.) is of the same order of magnitude as the uncovenanted increase that had been given on the gross margin (say 2·5 per cent. on turnover). Not all butchers, of course, were doing as well as this; those in evacuation areas, like the 'invasion coast', had been hard hit; the turnover of one business investigated, which was excluded from the calculation of the average for that very reason, had fallen by 20 per cent., and its net profit to the purely nominal figure of 0·5 per cent. (£512 sterling shared among 14 shops). What at first sight appeared to be an unanswerable argument for reducing the margin (even though no error in fixing it in the first place was admitted) was weakened by the small size of the sample and the existence of hard cases. As always in such instances, the Division professed willingness to be ruthless—'we clearly cannot pay 80 per cent. or 90 per cent. of the butchers an excessive margin in order to avoid hardship to the balance . . . [who] would be in no different case from other traders and professional men in those areas . . .'—but saw difficulty in converting will into deed, particularly at a time—the end of 1940—

[1] The Director of Costings, searching round for an explanation of how these excessive margins could have been given, attempted a distinction between *turnover* and *selling price* (i.e. the aggregate paper realisation on the price of cuts before allowing the 5 per cent. cutting loss) and hinted that the Treasury had been inveigled into agreeing to a 27½ per cent. margin on the latter. There had been, in fact, no misunderstanding on this point—the calculations having been always on the net yield after allowing the cutting loss—but it may be observed that the hint of one could not have arisen had the cutting loss been calculated in the way suggested in the text.

when turnover would at long last really be falling. The greatest reduction it thought justified would be one of just over 1 per cent.—£2 million on the basis of an estimated total turnover of £200 million.[1] This would have meant increasing the average wholesale price of meat by one-eighth of a penny per pound, keeping retail prices at their existing level.

Elsewhere in the Ministry, however, it was throught that the solution to the problem ought to be 'more ruthless and easier to defend'. The very comprehensiveness of the Meat and Livestock Scheme made it a large target for political attack, and the House of Commons Select Committee on National Expenditure had already smelt extravagance in it. The very maintenance of pre-war net profits on a diminished turnover was condemned as contrary to the best practice in the Ministry itself, for instance in the wartime agreement with the sugar refiners.[2] The Division retorted that the 'average' butcher with a £5 a week net profit could scarcely be treated in exactly the same way as Tate and Lyle; but what ended the argument for the time being was the collapse of the meat ration. In early 1941 the enforced return to pre-war margins 'would certainly give rise to an immense amount of bad feeling and would put a fair number of the smaller butchers out of business'. 'Is the Minister'—it was rhetorically asked—'prepared to face the racket?' The most that would be possible, the Division thought, would be for the Ministry to resist the claim for a compensatory increase in the margin, put forward verbally by the butchers' leaders in January 1941. This claim, however, was not taken any further; evidence began to reach the Ministry that the butchers, even on a shilling ration, were still doing quite well, and in August 1941 a fresh costings inquiry was ordered. The investigating accountants were specifically instructed to look for three possible causes of excessive profits: that the 5 per cent. cutting loss allowance might be too generous; that expenses, e.g. on delivery, had fallen; and that second grade home-killed meat was being passed off as first grade selling for 2d. a pound more on average. (The Division did not think it possible for imported meat to be passed off as home-killed, because the two looked different.)

Fifteen of the original seventeen firms were included in the investigation; in addition the performance over three years of eight Co-operative butchery departments and three multiple retailing companies were examined by way of an additional check. The results,

[1] This figure was arrived at by including the results of the hard-hit 14 shops in the sample, and so bringing down the average net profit from 6·41 to 5·38 per cent. The Division seems to have been aware that this was an illogical proceeding, but felt 'that once we depart from the costings report as a whole we discard the only solid foundation for our proposals and open the door to interminable argument'.

[2] Above, pp. 103-106.

made known in December, confirmed the Division's fears. For the original fifteen firms' turnover, as was to be expected, had now fallen below the pre-war level (by about 20 per cent. in terms of value); expenses had again remained stationary; but the gross profit margin had risen slightly in terms of sterling, so that in relation to the smaller turnover it stood at over 30 per cent. The results of the Co-operative butchery departments were in line with these; those of the multiples related to a period before the ration fell and were therefore not comparable. A 30 per cent. gross margin on turnover was, of course, more than the Ministry had given on cuts (24 per cent. plus 5 per cent.) so that there appeared to be good grounds for denying the existence of any cutting loss in war-time; indeed, the butchers themselves told the investigators that the loss on home-killed meat was negligible, though there were some reservations about imported boneless beef. On the sale of second quality as first the butchers had, as might have been expected, nothing to say. But the inference is unescapable that some sharp practice must have been going on to produce a cutting gain, instead of a cutting loss; for shrinkage and physical waste could never have been non-existent. Moreover, London butchers included in the investigation, who handled mainly imported meat and so could not make any substitution, showed a gross profit of only 26 per cent. and a net of $4\frac{3}{4}$ per cent. compared with the weighted average of 9 per cent.

However that might be, the Director of Costings concluded that the margin should be pruned by 5 per cent. of turnover, roughly the amount attributed to cutting loss. This recommendation was supported by the Finance Director for Meat, but the Commodity Director was still anxious about the fate of the small butcher under it, and some debate ensued about the relevance to him of the Costings Report findings. As the Meat and Livestock Division had chosen the firms to be investigated, it was hardly logical for it to turn round and say that the choice ought to have been different; in any case it was argued by Finance Department before the Ministry's Margins Committee that the costings report underestimated the small butcher's earnings, because it was mainly based on large shops with expenses higher than his. It is true that this statement boiled down to a convention of cost accountancy under which a working owner-proprietor was not enabled to enter as expenses a figure to represent remuneration for his own labour or return on his capital investment; so that 'profit' for him had to cover elements that for larger firms would appear on the other side of the account. This was a formal weakness in the case which was to be a source of constant grievance in the trade; but it can hardly be said to have been unjust to the small butcher, even though it made comparison of his profits and others' out of the question. If he chose to work for a pittance, during the war as before it, that was his affair; at any rate remarkably few butchers' shops—perhaps 5 per cent.—had so far closed down.

The Margins Committee accepted the case for a reduction in the margin by the full 5 per cent., but the Commodity Director maintained his dissent and the case was referred to 'higher authority' which decided against him. The trade was told of the decision at the end of February 1942 and reacted with surprising mildness, offering to submit reasons why the cut should not exceed 2½ per cent. The reasons added nothing to those already put forward unsuccessfully by the Commodity Division on the butchers' behalf, and in mid-March the Division expressed itself ready to go forward with the full reduction. It was, however, worried about the position in London—'where I really think there will be trouble'—and in consequence a submission was made to the Minister proposing an immediate cut of 3¾ per cent., to be followed by a further 1¼ per cent. in July unless the butchers could find conclusive arguments against it. 'We ought to settle at 3¾' (minuted Lord Woolton in reply) 'this will probably take the excess profit from the small man and it's the business of the Chancellor of the Exchequer to collect extra profits tax on the larger firms whose business is on such a scale that they are accustomed to proper systems of accounting'. The Treasury, which had not been kept *au fait* with butchers' margins since it had originally authorised the settlement of January 1940 and was to remain unaware of the errors in the advice then tendered to it, was reluctant to forgo the extra 1¼ per cent.:

> 'I am horrified to see from the papers how greatly the actual gross margin has exceeded the Treasury authority, not, I am willing to agree, through any fault of the Ministry. . . . not only has there been complete compensation for the reduction of turnover, but the average net profit per shop has actually increased. . . . about 75 per cent. I think everyone will agree that such a result is appallingly out of line with the general practice and policy of the Government and of the Ministry of Food itself. . . . I have never come across any other case in which we have actually provided an enormous increase of net profits despite a reduction of the money turnover. . . .'

These were strong words, for all that they mistakenly exonerated the Ministry from blame for what had happened; in face of them officials went back to the Minister and got him to approve the proposal originally put to him for a change in two stages. On 28th March 1942 the wholesale price of meat was raised by 5¼ per cent., and in July by a further 1¾ per cent.; the total of 7 per cent. being roughly equal to a 5 per cent. reduction of the margin in terms of turnover.

The butchers did not, as the Division had professed to fear, respond by going on strike. (Area Meat and Livestock Officers had told

Headquarters that they did not expect any trouble.) Instead, their representatives declared that, as they would now get less meat against their permits, most butchers would be unable to cut out the ration; why could not the Ministry make the change by levying a surcharge on wholesale prices, so as not to affect the amount the butcher could buy? The Ministry, however, regarded the existence of a 30 per cent. gross margin as *ipso facto* proof that too much had been issued hitherto —77½ per cent. of retail quantities instead of 70 per cent., the theoretical equivalent of a 30 per cent. margin—which it said had encouraged slackness. An attempt to prove arithmetically that the butcher would still get enough meat overstated its case, by adding in to the permit quantity both the 5 per cent. manufacturing allowance and the 5 per cent. cutting loss allowed in the retail price, and was roughly handled by the London butchers, who pointed out that one had to be sold off coupon and the other, being given to meet a loss, could not logically be treated as an asset. The London butchers went on to claim that the loss on imported boneless beef, by reason of cutting, trimming, and evaporation, amounted to nearly 10 per cent., and adduced accountants' figures to show that the percentage of gross profit earned by 168 London shops with a turnover totalling close on one million pounds (which, as they said, was many times larger than the Ministry's all-England sample) was 23 per cent. '. . . if this figure suffers reduction such as has just taken place there is at once a shortage of rations'.

Another friendly critic from the trade pointed out that 3 per cent. of a side of beef consisted of the 'kidney knob', i.e. of unrationed offal and suet, and put forward a reasoned argument to show that the very process of cutting into rations caused a loss that was quite separate from the loss by trimming and evaporation that had been allowed for in the prices for cuts. Under the conditions then prevailing, 'every customer demands a ration in full'; the butcher in cutting must, therefore, err in favour of the customer, and even a skilled cutter, according to expert observation, might need 104 units of rationed meat to supply 100 rations. These losses did not have—it was in effect argued—the direct correlation with the size of the margin that the Ministry was endeavouring to establish. It was not denied the the 'kidney knob' contributed to the butcher's profit, nor, for that matter, that if he gave a customer a little over the rationed quantity he charged her accordingly and so broke the letter of the rationing regulations. The fact remained that meat did not lend itself to being cut up into exact rations in the same way as butter or cheese; that some tolerance was necessary that had hitherto been provided, partly by the issue of the 'manufacturing allowance' as ration quality meat, partly because the effective gross margin had been 24 per cent. instead of the 22½ per cent. on which the permit quantities had been calculated; and that the Ministry was now proposing to reduce this tolerance to vanishing point. '. . . if the wholesale price is to be raised by 7 per cent. the value of the Buying Permit must also be raised by 7 per cent. if the butcher is to obtain sufficient meat to meet his customers' rations fairly'.

The word 'fairly' was really the crux of the matter. An honest and skilful butcher undoubtedly required some margin on supplies if he was to cut out the ration; an honest but less skilful one required a greater margin; a dishonest but skilful one might require none at all. Even if the Ministry should infer from the costings results that the majority of butchers had been acting less than fairly, it was not entitled to make this the basis of its policy in the future. One member of Meat and Livestock Division, unconnected with the trade, was bold enough to say that this was what the Division had done when it raised the wholesale price of meat in March 1942: 'the present prices are so fixed as to give the prescribed rate of profit to the dishonest butcher. The honest butcher will therefore have little chance of remaining honest'. This was strong meat for his colleagues, accompanied as it was by drastic proposals for reforming the retail price schedules so as to remove any possibility of selling second grade meat at first grade prices—the most likely source of abuse. But the argument from the kidney knob in particular seemed inescapably to show that some tolerance on quantities must be allowed. Accordingly it was decided that from July 1942, when the full wholesale price rise was to be enforced, the butcher should be able to buy 80 per cent. instead of 77½ per cent. of the retail value of his permit, so giving a tolerance, in terms of average quantities, of about 3¼ per cent.

III

The problem of identifying and checking the malpractices that, it now seemed certain, had contributed to the high gross margins being earned by at least some butchers had been with the Division from the outset of control. Deputy Meat Agents had then been charged with the duty of inspecting the shops under them at least once a week to ensure that the retail price provisions were obeyed and in particular that there was no substitution of qualities. Shortly afterwards, as the result of numerous complaints, they were enjoined further to see that butchers did not indulge in unorthodox ways of cutting whereby, for instance, a substantial portion of thin flank of beef, officially priced at 8d. a pound, might be included in sirloin at 1s. 6d. a pound, or go even further and market cuts or offals unknown to the schedules and therefore without a maximum-price designation. The amended price control Order of March 1940[1] made it an offence either to sell cuts of meat other than those in the schedules or to cut the scheduled cuts otherwise than in accordance with 'normal local practice'. This provision was distressingly vague in the eyes of, for instance, Divisional Food Officers responsible for enforcement, but the Commodity Division resisted any attempt to define 'normal local practice' whether by description or diagrams of carcases, on the ground that cutting could not be standardised throughout the country. At that time it was relying on costings inquiries to expose excessive profits by butchers, though how they were to work was not specified. So too the Division found itself unable to devise means by which the consumer could be enabled to identify second grade meat in the shop. This would have involved some system of continuous marking of the carcase, instead of the simple small grading stamp applied in the slaughterhouse at a few specified places on it; but to procure machines for the purpose (such as had been used in the pre-war National Mark beef-grading scheme) was ruled out on more than one occasion as too expensive in both money and raw materials.

The task of preventing abuse therefore remained with the Deputy Meat Agents, drawn from the ranks of the retail trade and for that reason suspected by Headquarters of being unwilling to give away their colleagues. It was suspiciously rare for a charge of substitution to be preferred against, let alone brought home to, a retail butcher. A series of enforcement 'drives' in the winter of 1941–2 produced no concrete result; the butcher, it appeared, ran little or no risk of being found out inasmuch as there was no clear demarcation between qualities once the carcases had left the slaughterhouse, and hence he was bound—thought the non-trade element in the Division—to yield to temptation. The only way to end 'the farce of trying to get area officers to go in search of offences which they clearly do not intend to attempt to find' was to revert, in greater or less degree, to the pool prices for all grades of meat that had been proposed before the war. In support of this it was argued that the original reasons for maintaining different prices, particularly the desire to give the industrial population cheap meat, no longer held good. Allocation of meat to different areas no longer took account of quality because of the need for transport economy, so that the poor were not assured of cheap meat anyway; and rich and poor alike were being overcharged.

These radical views were found extremely unpalatable, the more so perhaps because they could not be effectively controverted. Much time and trouble were spent in assembling arguments against pooling prices; it was pointed out, for instance, that the rise in imported meat prices that would result would be equivalent to reducing the ration

[1] S.R. & O. (1940) No. 326.

in London and other port areas 'where the effect would be the most resented and where criticism is likely to be most voluble'. A special canvass was made of Deputy Meat Agents' views, with a result in accordance with expectations; whereupon the Orders Committee was told that 'a special investigation had produced no evidence to show that second quality meat was being sold as first quality meat to any extent which would justify a departure from the existing differential price'[1]. This view was not shared by either Enforcement or Rationing Divisions, and the latter, coming to hear of the argument about imported meat some six months after it had been put forward, remarked mildly that 'it seems a pity that some people should get a bigger ration than others'. It was suggested, but not verified, that the Ministry of Agriculture might take exception to the pooling of prices. Lastly, when all these arguments had failed to carry conviction at the Orders Committee and a decision had to be sought from the Minister, personal recollection from Mr. W. S. Morrison's time was invoked to explain that Mr. Churchill had in October 1939 been particularly opposed to pool prices for meat. Lord Woolton was invited to say that in spite of the impossibility of enforcing the differential price system, it were best on balance not to alter it now that it had been running for three years; and he agreed.

On the other, and perhaps more widespread, malpractice of dishonest cutting the Commodity Division was prepared to take a stronger line. Early in 1942 it had begun to explore with the trade the possibility of bringing out a simplified price list which, by reducing the number of separate cuts each with its appropriate price, would both ease the task of the butcher and reduce his temptation to 'let the knife slip' in a profitable direction. Thus, instead of having separate prices for adjacent cuts such as loin of lamb and best end of neck of lamb, a weighted average of these prices would apply to each, so that the butcher could reap no advantage by including more than the customary number of chops under 'loin'. From the customer's point of view, the kind of meat she got would be something of a gamble, but not one in which the dice were loaded against her. A good deal of work, including practical cutting up tests by trusted retailers, was required before satisfactory schedules could be drawn up, and the hope that cutting practice throughout Great Britain might be made uniform had to be abandoned. Even when a separate schedule was conceded for Scotland there was trouble with the trade, who contended that the Ministry was asking butchers to lower their standards of cutting and trimming; and they were told that they should, in fact,

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[1] This view represented a complete *volte face* from the Division's attitude less than a year earlier when, in face of the Japanese entry into the war, pooling of prices had been put forward as a way of economising supplies. Then it had been said that substitution was taking place on a considerable scale. The proposal had not been pursued then because it might have had the effect of raising the Cost of Living Index.

do this to the extent that was necessary to allow the ration to be cut out. Too high a standard of cutting was, thought, the Ministry, as uneconomical as too low a standard was dishonest; a uniform mediocrity was desired in this as in other matters. The new schedules took effect on 14th December 1942.[1]

As the simplified price lists were based *de novo* on practical cutting-up tests, their introduction meant that the overt allowance of 5 per cent. for cutting loss disappeared The prices for cuts now embodied the average cutting loss sustained in the tests, though this was not shown as a separate percentage figure in the calculations. It was merely asserted that, on the average, at the prices shown in the schedule, the butcher would obtain the gross margin on turnover that—so was the Treasury's original authorisation now interpreted—he was intended to do, namely 24 per cent. Shrinkage, which had not been allowed for in the tests, was left to the butchers to complain about if they thought fit—which in the event they did not. In effect, the Ministry had got completely away from pre-war experience as a basis for calculation of wartime retail prices; the gross margin aimed at was arbitrary, and the means by which it was to be achieved were derived entirely from current experience, subject to costings checks.

During the negotiations with the trade, the prospect had been held out of an inquiry into butchers' earnings on a much larger scale than before; but the trade did not press for one after the new schedules came into operation, and the Division preferred to rest on its laurels and avoid arousing controversy. Only when the proposal to issue manufacturing pork to all general butchers was found to involve increasing their profits by perhaps 5 per cent., on account of the superior profitability of pork sausages,[2] was a fresh inquiry undertaken, covering a period—July 1943 to June 1944—that overlapped the change in the manufacturing allowance. The report, which was completed in December 1944, did not disclose the considerable increase in gross margins that had been expected. Indeed, the average figure, at 24·17 per cent. of turnover, was singularly near to that at which the Division had aimed. The average *net* profit was, however, 10½ per cent. (as against a pre-war figure which was now given as 6½ per cent.), so that it looked as if the Ministry was merely running hard to stay in the same place. The Director of Costings, supported by Finance Department, pressed for a further reduction in the margin; to which the Division replied, first that this would bear heavily on

[1] S.R. & O. (1942) No. 2460. The disappearance of the London and Home Counties schedule was an especially welcome simplification, for some difficulty had been found in defining the area in which it should be applicable; naturally enough, since butchering practice took no account of local authority boundaries. Indeed, butchers in one town in Cambridgeshire had been reported to be displaying both England and Wales and London and Home Counties schedules in their shops and charging whichever prices were the higher.

[2] Above, p. 282.

the small butcher, more especially as he had lost ground compared with the larger shops, and secondly, that it would be breaking with precedent to make a case for reduction on the basis of net profits, which the Division (and indeed the Ministry generally) had always said it could not discuss with the trade. The Margins Committee was given a graphic, all but heart-rending, description of the hours of work the small butcher had to put in to earn a miserable £6 6s. a week; none the less, it recommended a reduction in the margin of 2½ per cent. in terms of turnover (as against 4 per cent. proposed by Finance Department).

This, however, was at the end of February 1945, when a crisis in meat supplies faced the Combined Food Board and the future of the ration was in doubt. A decision was postponed by higher authority until the Minister should return from his mission to the United States, and thereafter until the Director of Meat and Livestock should be back from Argentina and available to negotiate with the butchers. By this time the appropriate figure for a cut was thought to be 1½ per cent., apparently because it would bring the gross margin down to the pre-war figure of 22½ per cent. When, in November, the proposal was at length put before the trade, the Division actually referred to the Treasury as having agreed in 1939 that the margin should be 22½ per cent. on retail turnover at current prices. In point of fact it had been the butchers who had offered to take this figure, and the Treasury that had supposed it was insisting they should get less; in any case, however, this latest attempt to take the Treasury's name in vain was promptly rebutted by appeals to earlier statements in 1942, and again in 1944, that the authorised figure was 24 per cent. Moreover, the butchers argued, the winter of 1945–6 was a particularly inopportune time to attack gross margins; manufacturing meat supplies were falling, and expenses, which admittedly had been abnormally low in the last years of war, were bound to rise with the return of employees from the Forces, with increased wage rates, holidays with pay, and the demand from customers for a return to peace-time standards of service. They also reverted to the inconsistency in the costings figures whereby certain working expenses incurred by one-man businesses were shown as profits, thereby swelling the net average figure by which the Ministry really sought to justify its further attack on the gross margin.

The butchers' opposition brought about a renewed division of opinion within the Ministry, along the familiar lines; the Commodity Director urging postponement, Finance Department, with the interests of the Exchequer in mind, urging that prompt action be taken. The new Minister (Sir Ben Smith) was impressed by the plight of the small butcher and deferred action 'for a while'. (The possibility of differential margins for large and small butchers had been canvassed, but pronounced impracticable.) There the matter rested until, first, fresh costings showed that the butchers' average net profit was still rising; secondly, supplies improved so that the ration could be raised by one-seventh, to 1s. 4d. per head per week, in July 1946. Even within the Division there was now agreement that a reduction in margins would be opportune; but to do this by raising the wholesale price of meat, and so cutting down the amount the butcher might receive against his permit, was clearly inconsistent with a ration increase. Accordingly the Ministry reverted to the earlier suggestion from the trade, on the occasion of the original rise in wholesale prices, that a surcharge be imposed on all W.M.S.A. invoices. Initially this was to be 2½ per cent., equivalent to 1·9 per cent. on turnover. It came into force on 18th August 1946, amid protests that there had been insufficient consultation. So, after more than six years, the wheel had come full circle and the Treasury's original intentions about the gross margin been carried out.

By way of postcript to the war-time history of retail butchers' earnings it may be remarked that the linking of the surcharge with an increase in the ration, though made for purely tactical reasons on the first occasion, was to set a precedent that endured until the end of meat control. It soon became established that every substantial change in either the ration or the manufacturing allowance—and in the unsettled post-war years these were to be many—should be the occasion for varying the gross margin, by surcharge or rebate as the case might be. This is another way of saying, of course, that a fixed percentage of gross margin to turnover (whether pre-war or current) was no longer even the Ministry's ostensible objective. This was not merely because, during the later years of war, the butchers' net earnings had proved unexpectedly resilient in face of the reduction in the gross margin, but also because successive costs investigations failed entirely to establish a norm for the latter, common to all types of butcher and capable of forming a basis of negotiation with the trade. Thus, in 1946–7, representative multiple and co-operative businesses were found to be earning 31 per cent. gross on turnover, private butchers only 25 per cent. (a figure which, according to their Federation, should have been reduced to 23 per cent.).

In these circumstances the Ministry fell back on the device it had used with other trades, namely calculating the 'global net profit' rate per annum earned by the trade as a whole, both before and during the war, and fixing a 'reasonable' figure that it might be allowed to earn in curent circumstances. An interdepartmental committee on profit margins, which sat from July 1946 to July 1947, had already agreed, principally with retail grocers in mind, that not only the pre-war earnings of the trade but also the diminished post-war value of money, should be taken into account in computing this reasonable profit, and shortly afterwards a figure of 150 per cent. of pre-war profits was established as a post-war standard for grocers' margins. A flat figure of this kind could not, however, be applied to retail butchers; their turnover, particularly after the dollar crisis of 1947, underwent sharp variations, and the aim of the Ministry was rather to limit the effect of these on their profits than to keep the latter constant. Broadly speaking, pre-war global net profit (£12 millions) became the floor, and half as much again (£18 million) the ceiling. The application of this device of surcharge and rebate was undoubtedly more successful in limiting butchers' profits than anything that had been attempted during the war, as is evident not only from the figures but from the agitation it produced in the trade.

IV

The remuneration of the wholesale butchers, grouped for the purposes of control into eight Wholesale Meat Trade Associations, likewise presented complications that stemmed from attempts to square the circle of a Treasury ruling. The W.M.S.A's, unlike the retail butchers, traded not as principals but as agents of the Ministry of Food earning a commission. Under the general ban on financial discussions that had operated until war broke out, the Food (Defence Plans) Department had been stopped from exploring in advance the best manner in which this commission might be fixed, and moreover such decisions as that there should be a South-Eastern W.M.S.A. separate from the London one had been taken without regard to their financial implications. The Associations had been brought hastily into being, as companies limited by guarantee, in unawareness of the manner in which they would be paid, of the way in which the remuneration would be shared between their members, or even of the precise qualifications for membership; and their leaders were to be faced, during the first two years of control, with bewildering changes of front by the Ministry on all these questions. It was, in fact, picking its way towards a solution over ground fitfully illumined by costings reports and the rather specialised principles of war-time financial morality that were in course of being laid down by the Treasury and the accounting profession.

Chief among these principles was the Treasury dictum that had had such unexpected results for retail butchers, namely, that profits must not be allowed to rise *pro tanto* with prices, and that a percentage margin was therefore anathema. When, at the end of November 1939, the Ministry asked for authority to pay the Associations a 4 per cent. (in London, 5 per cent.) commission on turnover, out of which they would have to meet all their expenses bar transport, the

Treasury at once objected, even though the arrangement was to be tentative and to last only three months; and the Ministry was constrained to devise a 'notional' pre-war wholesale price of £70 a ton upon which the percentage commission might be reckoned. The Treasury, it should be noted, did not object to the wholesalers' profits being swelled by an increase in the tonnage they handled, for this was consistent with its other dictum, that payment must be made for services rendered by a trade in wartime, and the corollary that no compensation must be given for loss in turnover. Moreover, it was insistent that the commission must be a gross amount to cover expenses and, indeed, that the Ministry might be ill-advised to look too intently at these: 'I am a little afraid that if you enquire too closely into the way the Associations spend the money, the Associations may think that they have a claim on the Ministry to make good any shortage'. In other words, the Ministry ought to avoid any suggestion that it was paying the Association on a 'cost-plus' basis.

Now it appears that this was just what the Ministry had all along been intending to do, with this qualification: the cost was to be war-time, 'reasonable' cost, the maximum profit, an average of a pre-war year or years net, as ascertained by costings. How the Commodity Division became attached to the notion that pre-war net profit should be a proper ceiling for remuneration is a trifle obscure, but seems to have been due in part at least to an early misunderstanding (which may have persisted) of the Treasury's position. Thus, an attempt in October 1939 to rule that importers who were also wholesalers should get a smaller share of an Association's profits than pure wholesalers was defended on the ground that it would 'avoid the situation arising that the remuneration of individual importers might exceed their pre-war figure and thus break a fundamental Treasury ruling'. As a leading importer was to point out a little testily on finding this notion still prevalent in the Division fifteen months later, the mere taking of an average basis for remuneration meant that some traders would earn less, and others more, than they did before the war. At any rate, whatever the origin of the 'pre-war total profit' basis of payment, it took firm root, and by the time the Ministry, fortified by costings inquiries, was ready to make proposals for a firm settlement with the Associations it was hardly open to question. In a circular letter to them issued in December 1940 the proposals were set out as follows:

> . . . that the Association shall receive. . . . such a rate of gross remuneration *calculated on its actual tonnage at £70 a ton*[1] as will provide for the payment of its reasonable expenditure and for sums calculated to equal the average rates of net profit on its members' basic turnover at the following rates. . . . .

[1] Author's italics.

At first sight one might construe the italicised passage to mean no more than that the Ministry, having ascertained and approved an Association's expenses, would add to them a sum representing the stipulated profit percentage of pre-war turnover; the whole would then be expressed as a rate of gross commission on the actual turnover, in order to preserve the analogy with the importers' remuneration.[1] It seems clear, however, that the Ministry's Finance Department looked upon the arrangement as being more than a subterfuge; and on close examination of the actual procedure one finds that the continued employment of the percentage on current turnover did have effects beyond the metaphysical, because when an offer was made to an Association, the percentage was rounded off to the nearest one-sixteenth. The fact remains that a fundamental change had been made in the basis of remuneration.

In the negotiations that followed, this point was submerged under matters of detail that did, in fact, affect the receipts of the Associations more closely. There was the vexed question of whether, as the Ministry had maintained from the outset, importer-wholesalers should rank for remuneration at a lower rate; this was eventually decided in their favour when they were able to convince the Ministry on the score of costs. There was the treatment of the salaries of principals of firms holding posts in Associations; the Ministry had proposed to charge these against the 'profit element' in the remuneration, not allow them as a cost, but eventually agreed to a fifty-fifty basis. Lastly, there was the treatment of pre-war wholesaler-to-wholesaler transactions in computing both the payment to be made by the Ministry and the shareout of the surplus among an Association's members. This was a special case of the general problem of eligibility for membership, on which the Ministry had been slow to make up its mind. The task of setting up the Associations in the first instance had devolved on the pukka meat wholesalers, occupying stands or depots and selling wholly or mainly to the retail trade—those people, in fact, who could contribute premises, managers, and workers to the wartime task. They naturally tended to have exclusive notions about membership, or at any rate full membership, of the Associations, and even to scout the suggestion that those considering themselves eligible for membership should be invited to apply by advertising in the Press. At the outset the several Associations had been allowed a good deal of latitude over admissions, and naturally applied criteria that varied with local conditions, not to say local whims. The embarrassment this brought the Ministry, more especially in the case of large firms with a footing in more than one area, was increased rather than otherwise by the fact that rejected candidates might appeal to it. The search for

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[1] Below, p. 311.

uniformity began as early as November 1939, and eventually resulted in a cautious circular with the ambiguous heading 'Instructions . . . for Guidance in Dealing with Applications for Membership', issued in June 1940. It laid down, subject to the qualification that only the Courts could interpret the Memoranda and Articles of Association of each W.M.S.A., that wholesaler-to-wholesaler sales, sales on commission, and sales of edible offals all ranked for admission, but there was no objection to a differentiation between the payments in respect of varying types of turnover.[1]

This widening of the basis of admission to Associations evoked some opposition at first from their leaders, more particularly when they learned that it was to be retrospective. Under the interim arrangements for remuneration it meant, of course, that there would be extra claims on the kitty that the Ministry had provided, as well as a good deal of work in re-assessing the claims of existing members part of whose turnover had hitherto been excluded. The same objection would not arise in future, inasmuch as the Ministry would be committed to enlarging the 'profit element' in the kitty in respect of every new entrant. (Indeed, the Ministry now became very anxious that Associations fix a closing date for admission, less—in fairness it should be said—because it wished to limit its liabilities than because it wished to determine them with finality.) This, the inevitable outcome of the policy of rewarding pre-war turnover, makes clearer even than before that the notion of 'payment for services rendered' could not plausibly be made to apply to the whole membership of W.M.S.A's. Payment in respect of pre-war wholesaler-to-wholesaler turnover, or commission sales, bore no relation to any war-time service; it was in fact, though not in form, compensation pure and simple.

The Treasury had raised no objection to the changed basis for remuneration when it was first mentioned in November 1941, beyond wishing to be assured that the pre-war *unit* return to wholesalers would not be exceeded. This assurance was readily given, on the ground that wholesale turnover had increased and that the Ministry was in fact proposing to diminish the unit return. By May 1941, however, the Ministry was constrained to put forward an exception to the increase—London, where the turnover had dropped from £41 million a year to £25 million. This drop was partly real, on account of evacuation, partly an effect of the inclusion in the pre-war turnover figures of business that under control fell within the ambit of the South-Eastern Association. It might have been argued from this instance that pre-war performance was an irrelevant basis for war-time payment; the Ministry's Finance Department, however, took

[1] 'Wholesaler-to-wholesaler' turnover was eventually allowed to rank at one-third of the normal rate for the share-out (one-fourth in London) though the Ministry paid out on it at the full rate.

the view that the experience of London was an argument for retaining that basis:

> 'We could, of course, have given each of the eight Associations a rate of gross commission containing the element of (a) their expenses, and (b) the rate of 1.75 per cent. on actual throughput under control, but this would have meant giving the country in general the benefit of the 24 per cent. increase in turnover (at a cost of over £400,000) and it would have meant making available for distribution to members of some of the smaller Associations after paying expenses as much as, in one case, three times their pre-war earnings, whilst operating harshly on London members . . . '
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> 'I think you will agree we cannot scale down London in this period without getting pressure from the rest of the country to give them the benefit of their increases in turnover, whereas we see no reason to do this. . . .'

The Treasury at first found these arguments difficult to swallow; its sense of fairness demanded that payments should rise with turnover, as a measure of services rendered, and it could not see why London should be compensated. Within the Ministry, the Costings Department had expressed the same objection in a different way; the proposals were tantamount to substituting varying rates per ton (£114 in the case of London, £31 in the Midlands) for the notional £70 originally approved by the Treasury. There was no need to compensate London (it argued); many London wholesalers were members of other Associations as well, and would gain on the roundabouts what they lost on the swings. To meet these objections, the Commodity Division seized upon another argument from Costings, which it had in fact rebutted at the Ministry's Margins Committee, namely that the Associations were not in fact performing all the pre-war services and ought therefore to be paid less than the pre-war rate of profit; and this could be covertly done, without arguments of principle, if the increase in turnover were ignored. In the end the Treasury yielded, less from conviction (as it seems) than in deference to the fact that it would save £400,000 a year;[1] and was content with an assurance—which rested on a good deal of casuistry—that the Ministry was 'maintaining the principle of paying a gross remuneration'. The surrender to expediency was made complete by the Treasury's final proviso that the Ministry must get its plan accepted by the trade as a whole: 'There must be no question of London accepting your offer and the other Associations turning it down'.

The treatment of London was all the more inconsistent because the Ministry had resisted suggestions from the trade that the pre-war

[1] On 1940–41 turnover.

net profit should be preserved for the duration of control regardless of whether turnover should fall below pre-war tonnage levels; in such a case 'it will not be possible to increase the rate of gross commission so as to maintain the profit element at its pre-war quantum'. That the inconsistency was politic, however, can hardly be doubted; all the Associations, including London, accepted the Ministry's terms for the year 1940-41. A year later, however, London's turnover was found to have fallen by a further one-third, and the Ministry felt that it could not offer further compensation, if only because it was refusing compensation to London retailers in similar circumstances. The most it would offer was the same rate of net profit as the previous year, but on the reduced turnover. The London Association immediately rejected the offer, as being in breach of the Ministry's undertaking, said to have been given at a meeting with all the Associations in July 1941, that its proposals would not be operated in such a way as to result in anything more than slight differences between one Association and another. They added, moreover, that the Parliamentary Secretary (Mr. William Mabane, M.P.) had told the House of Commons on 24th June 1942 that the 'balance available for net distribution . . . in different parts of the country is kept approximately the same as would have been the case had only one national organisation been set up'.

There followed a lengthy controversy which was only ended in June 1943 when the Association briefed counsel (Sir Walter Monckton, K.C.) to negotiate direct with higher authority in the Ministry. It would be unprofitable to enter into the question of what precisely had been understood by the Association in July 1941, or into the numerous arguments on both sides that did not touch the main issue. The salient point, as it seems to the writer, is that the Ministry had given its case away by shifting the 'profit element' of remuneration from current to pre-war turnover, and at the same time using it as a measure of compensation for London. If the original Treasury ruling had been adhered to it would have been possible for the Ministry to stand pat on it and insist that any compensation arrangements were a matter for the trade as a whole; as things were, the principle of direct compensation had been conceded and could not logically be limited in amount, and the Ministry was known to be withholding some £400,000, in respect of 1940–41 alone, which in equity should have been shared among the Associations outside London.

The existence of this surplus provided the means for a compromise settlement with the London Association, not only for 1941–2 but for some years ahead. The offer the Association had rejected would have given its members approximately 1¼ per cent. net on their pre-war turnover, as against the 1¾ per cent. the other Associations were getting. The Ministry now offered to guarantee London 1⅜ per cent.

on pre-war turnover in 1942–3 and subsequent years, to be financed out of the accumulated provincial surpluses so long as these should exist, and subject to a ceiling profit for all eight W.M.S.A's of 1¾ per cent. of *current* turnover. In the course of negotiation this offer was improved upon by extending it to the year 1941–2, in which the disagreement had arisen; and in due course, that is to say early in 1944, the settlement was embodied in legal form. For all that it included the hallowed references to 'gross commission' and 'services rendered', the text of this document constituted the clearest evidence that a compensatory principle was now admitted in computing the London Association's remuneration. In effect, the Ministry had achieved perforce the principal result that would have come from adopting a national pool for meat wholesalers, such as had often been mooted in the past and been turned down on account of the disturbance it would cause to existing arrangements. The solution lacked the scrupulous equity that marked, for instance, the various concentration schemes; in this respect, as in many others, meat and livestock control paid the price of being a pioneer, for its meat wholesaling arrangements might very well have taken that form. The great merit of the theory of concentration, as embodied in the White Paper of 1941,[1] was that it faced the problem of reinstatement of firms redundant under war-time conditions of shortage. The principle of payment only for services rendered in wartime did not; it looked the difficulty boldly in the face and passed on.

As so ruthless a maxim could not—as it turned out—be applied to powerful economic interests with 'a stake in the country', as distinct from the individual, conscripted, citizen, some kind of evasion was inevitable. The earliest form it had taken in the hands of some W.M.S.A's had been the creation of superfluous posts to provide occupation for principals of the leading member firms; this had been particularly prevalent in the first few months of the London Association. The Ministry had not been content to discourage this sort of thing by pruning the gross remuneration, as the Treasury by inference had suggested. It had intervened actively in the affairs of the Associations, fixing salaries, reducing swollen establishments, and attempting to eliminate waste with considerable success: the total expenditure of all eight Associations was brought down from £2 million to £1½ million between 1940–1 and 1942–3. Even allowing for the fall in turnover and the simplification of services, this was a sizeable administrative achievement; but it had the paradoxical effect that the proportion of the total remuneration of the Associations which represented net profit rose; in 1942–3 it was more than half the total. There are not wanting signs that both the Ministry and the whole-

[1] Cmd. 6258: Vol. I, pp. 322-323.

salers themselves were somewhat on the defensive—as well they might be—about a system in which profits were equal to expenses.[1] The retail butchers, particularly after their profit margin had been pruned in 1942, were openly critical of it; they told the Select Committee on National Expenditure in May 1943 that the cost of distributing meat could be greatly reduced if the Ministry would cut out the wholesale associations and do the work itself. As the wholesalers' total remuneration amounted to less than one-tenth of the gross retail margin, this statement was an exaggeration; anyway, the Ministry counted their profits as being a price worth paying for the ready acceptance and willing co-operation of the trade. Without these imponderables, 'the net result might well have been little if anything less costly than at present'; nevertheless 'were we contemplating 20 years of control, I should naturally take a very different view as there would be little object in retaining the shadow organisation of the wholesale trade'. The writer of that remark could not be expected to foresee that meat control would, in fact, last fourteen years and more.

V

The remuneration of MINDAL, the war-time organisation of importers, which followed the same broad pattern uncomplicated by regional shifts of turnover, displayed an even more evident contradiction between Treasury theory and Ministry (albeit Treasury-approved) practice.[2] Here too a notional pre-war price (in this case £52 a ton) was taken as the basis for calculating a gross commission, fixed provisionally at 2 per cent. and reduced in the light of the costings investigation to 1½ per cent. from April 1940 onwards. This reduction, the Treasury was told in June 1941, would bring down the net profit of the members to somewhat less than it had been before the war; a position which the Treasury regarded as 'entirely satisfactory' and to which neither the Costings Department nor the Margins Committee demurred. Surprisingly little interest was shown in the fact that the expenses of MINDAL had been less than half those of the

[1] See, in particular, the close cross-questioning of trade representatives by the Select Committee on Estimates in 1949; Thirteenth *Report* and *Minutes of Evidence*, especially pp. 106-126.

[2] There were few disputed cases of entitlement to membership of MINDAL, for which the primary qualification was being the original recipient of the bill of lading. The most noteworthy exclusion that resulted was that of the Argentine producer Co-operative, C.A.P., which ranked as an *exporter*, operating through agents in the United Kingdom. The Ministry of Food stoutly resisted pressure from other Departments to admit C.A.P. to MINDAL, but after the war it 'bought itself in' by acquiring the businesses of existing members.

pre-war importers investigated (2s. 6d. a ton against 5s. 3d.) so that the ratio of net profit to expenses, even after the former had been reduced to the pre-war level of 13s. 6d. a ton, would be over 5:1, twice what it had been before the war. 'The margin of profit staggers me', a senior official had indeed remarked on one occasion, 'but then I am not a business man'. This, however, had been a year earlier, by way of *obiter dictum* to the related question of how far the Ministry should interfere with the salaries MINDAL paid; by the time the costings report came out, no-one seemed to regard this high ratio of profit to expenses as in any way untoward.

Its existence, however, at once poses the question whether the pre-war activities of the member firms were in any way a proper yardstick for the 'services rendered' by MINDAL in war-time. The mere fact of the fall in expenses suggests that they were not; and in fact, MINDAL's war-time job was no more than a superior though necessary routine, from which the peace-time concomitants of judgement and commercial acumen had been emptied out.[1] In the summer of 1941, moreover, the job was not even being done to the satisfaction of the Ministry; accounts were behindhand, stock recording was suspect, and the Commodity Division was on the verge of enforcing a complete reorganisation, at the cost of numerous changes in MINDAL's senior staff. This reorganisation involved some increase in expenses, for the Ministry was insisting on work being done in more detail and with more expedition. That year (1941–2) the Ministry resisted a claim that these extra expenses should be allowed for in fixing the commission, on the ground that the company was not yet functioning to its satisfaction; but a similar claim for 1942–3 was accepted—'it cannot be said that MINDAL operated other than efficiently' during that year—and the rate of commission raised to 1⅝ per cent.; at a cost of £65,000. Costings Department, which had proposed a fresh investigation of the profits of the constituent firms before any increase was granted, found itself in a minority of one at the Margins Committee.

Thereafter the remuneration of MINDAL, like that of the Wholesale Meat Trade Associations, was firmly on a cost-plus basis: with the result that while the Ministry continued to inquire very fully into the costs of the Company's operations,[2] which even after the reforms totalled only about a quarter of its gross remuneration, it was content to ensure that the pure profit element did not substantially exceed

[1] 'The functions of MINDAL', ran a memorandum of October 1943, 'consist of taking delivery at the docks, supervising the delivery into store or on to rail or motor van, movement into inland cold store and delivery to W.M.S.A's. and Service Agents, recording of stocks, handling of claims for shortage and issue of delivery notes on release'.

[2] Thus the payment of a billeting allowance of 25 shillings a week to the manager of MINDAL's depot at Coventry, to cover the cost of sleeping his family outside the town during the period of air raids, incurred the Ministry's formal disapproval on the ground that it did not comply with the rules for temporary Civil Servants; and a proposal to pay a 'Victory bonus' to MINDAL staff (out of profits) was banned.

the pre-war quantum. Thus in 1943–44, when the tonnage handled by MINDAL rose by nearly 250,000, so that a virtually unchanged figure of expenses was spread over a larger quantity, the gross commission was reduced by consent to $1\frac{9}{16}$ per cent.; in the following year, when a further slight increase in tonnage occurred, the rate was reduced to $1\frac{17}{32}$ per cent. The same pattern was followed in post-war years when the tonnage declined and the rate of commission was slightly increased.

As time went on the Ministry began increasingly to admit that the payments to MINDAL, like those to the W.M.S.A's, involved a substantial element of compensation. In July 1947 the Margins Committee rather belatedly went on record that 'the difference between the pre-war net profit of the importers of 13s. 6d. per ton and the net profit element of 13s. 1d. originally provided to pre-war members could hardly represent the difference between the services of procurement and distribution performed pre-war and the distribution services performed under control'. In 1949 the point was made openly to MINDAL itself:

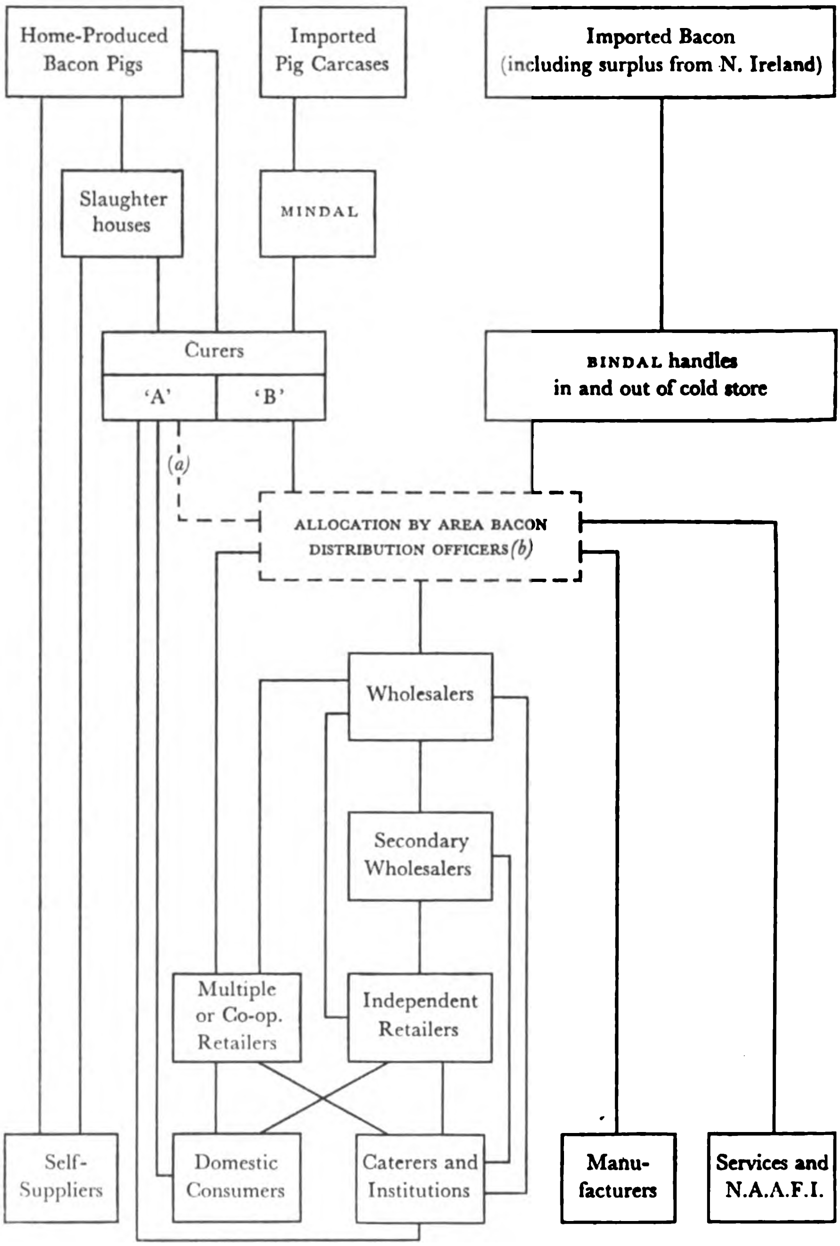
> 'The Ministry's arrangements with a number of war-time bodies of importers or brokers provides [*sic*] for payment of remuneration based on the pre-war profits of the trade. In the Ministry's view the bulk of these profits arose on the functions of procurement and importing. The Commission paid must, therefore, be regarded as including a large element of compensation in respect of earnings on services, the responsibility of which has been assumed by the Ministry'.

It was promptly rebutted by the company as contrary to everything the Ministry had said on the subject in the past; the net profit of MINDAL was nothing other than 'true remuneration for the services actually rendered by that company itself'. The Ministry did not, indeed could not, persist in its argument, but the reasoning behind it was none the less sound. As with other trades, the compensatory element in the payment to MINDAL could be defended as a kind of 'care and maintenance' allowance to enable the trade to re-establish itself when war should end, as a sweetener by which co-operation was secured, and even as a way by which the Ministry could have the personal services of leaders of the trade without openly paying them 'commercial rates' of salary; and indeed it did serve all these ends. The question remains whether an annual net payment of roughly £600,000, ostensibly for services currently rendered, was not more expensive to the State than an open acknowledgement and strict valuation of compensatory payments would have been. An answer can hardly be given in terms of meat, or even of food alone; it may or may not be that the Treasury gained on balance by denying the right to compensation for loss of business, for all that it would not enforce its principle in every case. Where the arrangement seems impossible to defend is on the score of justice between individual persons and enterprises. Taking meat alone, the net reward earned by importers, wholesalers, and retailers respectively was in reverse ratio to the actual work they performed under control. If the ordinary butcher were overpaid, those higher up the chain were progressively more so.

Part III:
Bacon and Ham

FIGURE III

Bacon and Ham under Control



(*a*) 'B' curers received carcases sufficient when cured to meet the requirements of their registered customers.

(*b*) Bacon and ham does not pass physically through the italicised channel which was for accounting purposes only.

CHAPTER XVI

The Character of the Trade and the First Steps towards Control

I

BACON-EATING is almost entirely confined to the English-speaking countries and the United Kingdom is the only one of these that is not self-sufficing; for many years it has been the largest importer of all pig-meat, including live pigs.[1] Pig-keeping and bacon-curing have indeed been carried on in the British Isles for many centuries, but the great increase in demand for pig-meat during the past hundred years, due partly but not altogether to the growth in population, has been entirely met by imports; the number of pigs reared at home has remained almost stationary.[2]

Up till about 1880 the chief supplier of pig-meat was the United States, but at about that time Denmark had to reorganise her agricultural system owing to a fall in prices of grain (which up to then provided her with most of her income), combined with a ban on imports of live pigs into Germany. Danish farmers thereafter concentrated on pig-keeping for the English bacon market (which could conveniently be combined with their other mainstay of dairying) and by reason of an efficient curing industry were able to produce a mild-cured lean bacon that immediately became more popular with the British public than the fatter American types. The 1914–18 War, when Danish exports to this country were interrupted (to be replaced once more by large quantities of American bacon) proved only a temporary setback; by 1924 Danish bacon accounted for over half the total imports. Immediately before the last war, when home production had increased to some extent as a result of the reorganisation of the pig and bacon industries, the British were still getting about half their imports, or one-third of their total bacon supplies, from Denmark; only hams were bought in the United States.[3]

The next most important supplier was Canada, which had ex-

[1] The Ministry of Agriculture and Fisheries' Economic Series, No. 37 (*Report of the Reorganisation Commission for Pigs and Pig Products*) states that United Kingdom imports of pig-meat were about 60 per cent. of the total world export trade. Some parts of the Commonwealth—Malaya, Trinidad, Jamaica, etc.—have a small bacon import trade. Before the war, a very small re-export trade with various Colonial dependencies was carried on in the United Kingdom.

[2] According to an official report of 1926 (*ibid.* Economic Series, No. 12) the pig population had been stationary since 1867.

[3] The Danish bacon trade then accounted for nearly a quarter of the value of all exports from Denmark.

panded its bacon export trade considerably during the First World War. In 1938 nearly 20 per cent. of bacon imports as well as the balance of United Kingdom imports[1] came from Canada; handicapped at first by a share of the unpopularity attached to the fat, hard-cured American bacon, Canadian packers changed over to production of the milder-cured 'Wiltshire' sides, similar to Danish. At the outbreak of war in 1939 the average differential in price between Canadian and Danish bacon on the London Provision Exchange was calculated as 9s. 8d. per cwt. Smaller suppliers at this time were the Netherlands, Poland, the Baltic States, and Sweden; Eire bacon regularly accounted for 5-7 per cent. of total imports.

Bacon entered the country at a number of ports; London, which received from all parts, was in 1939 the principal port of entry, but Manchester and Liverpool between them accounted for a good deal more, receiving from the United States and Canada as well as much of the Irish supply. Other ports handling bacon at that time were Bristol, Glasgow, Leith, Newcastle, and Hull. Before the war most bacon was shipped on consignment: importing *agents* in the United Kingdom, working on commission of about 1½-2 per cent. of receipts, would pay an advance of about 80 per cent. of the probable value of the goods and arrange for resale in this country, whether through their own organisation or other distributors. Bacon trading was done on the Provision Exchanges, principally those of London, Manchester, Liverpool and Bristol, where importers and wholesalers dealt also in cheese, butter, and canned goods; ruling bacon prices for first-hand sales were agreed on the London Provision Exchange by a committee of leading importers, and the same prices were adopted on the other Provision Exchanges; the preponderance of Danish bacon had a strong influence on prices as a whole.

The organisation of the bacon trade is complex, with many traders combining more than one function in the fields of importing, wholesaling, retailing, manufacture, and pig production. The regular channel of distribution in the imported bacon trade, as in others, is from the exporting factory to the importer or agent, thence to the wholesaler and so to the retailer. Each type of trader has distinctive functions; the wholesaler plays a more important part in the bacon trade than in some others because he carries out various processes—sometimes washing, smoking where required,[2] and perhaps cutting up the sides

[1] Ham imports totalled 33,000 tons, of which roughly two-thirds came from the United States and one-third from Canada.

[2] Bacon is imported in a 'green' or unsmoked condition, and is smoked at the wholesaler's or passed on green according to local demand, which varies over the country; before the war it was estimated that 90 per cent. of bacon distributed in the south was smoked, while in the north the position was reversed. Smoking slightly reduces the weight, but this loss is said to be offset by the reduction in shrinkage after it leaves the wholesaler. The process can be useful in improving the appearance and palatability of slightly out-of-condition bacon.

before delivering to retailers. Secondary wholesalers, who usually do some retail business as well, sometimes intervene before the retail stage to distribute small quantities of bacon in 'cuts' to retailers who have not the volume or variety of demand from customers to dispose of whole sides. (The Ministry of Food at first proposed to ignore this group in forming its price schedules, but agreed to provide them with a special margin on being persuaded that they fulfilled a useful purpose.) In pre-war days, importing agents kept in close touch with the producing factories in which they often had financial interests; some,[1] especially in the American bacon trade, were associated with the packing firms and acted virtually as their selling representatives, but most of the London agents maintained contact with a number of exporters and sold their bacon in the open market according to their own judgement. The need for the co-existence of wholesalers and agents has been questioned; the formation of the Danish Bacon Company to establish direct contact between a group of Danish co-operative factories[2] and retailers in this country offered an alternative and more direct method of marketing which, judging by its expansion between the wars, offered attractions, at least to Danish producers, but independent bacon wholesalers were doubtless useful to the retail trade, as they supplied other provisions and groceries as well as bacon and were thus able to economise on distribution costs. An inquiry into the trade shortly after the First World War found that certain wholesalers preferred to select their bacon from the agents' pool rather than buy direct from the factories; but there was a growing tendency for traders to combine the functions of importing and wholesaling, and many of the large multiples, as well as the Co-operative Wholesale Society, had their own overseas agencies in Denmark and elsewhere.

As in other trades, the majority of business in bacon is done by a few large firms; but the number of bacon importers at the outbreak of war was between one and two hundred. About thirty of the principal importers operating on the London Provision Exchange were members of the Bacon Agents' Association, and a complementary wholesalers' association included most of the large wholesale provision merchants in London and the south; members observed an agreement under which agents sold only to wholesalers and wholesalers bought only from agents,[3] which ruled out dealings with the Danish Bacon Company and the Co-operative Wholesale Society. The Standing

[1] The Dutch and Swedish co-operative bacon factories each marketed their bacon through a single agent in England.

[2] The Danish Bacon Company was estimated to handle about one-third of Danish exports before the war, and was the largest bacon distributing business in the country.

[3] Large retailers dealing in over 100 sides a week were allowed to buy direct from agents.

Committee on Trusts, reporting on bacon in 1921 according to its charge under the Profiteering Acts to investigate trusts, combines, and agreements, fastened on these buyers' and sellers' rings, but was unable to find that they had any influence in keeping prices high.[1] It was to members of the Bacon Agents' Association that the Food Defence Plans Department turned in 1938 when planning to control bacon imports in war-time, as it did to the Wholesale Produce Merchants' Association in planning to distribute bacon, butter and cheese; but it was to their membership *de facto* as the leading and most efficient traders rather than *de iure* as the controlling interests in the provision trade.

Between the wars the trade in home-produced bacon and pork was the subject of numerous Government inquiries. The Linlithgow Committee,[2] reporting in 1923 on livestock production and marketing in an effort to suggest reforms that might enable home products to compete more effectively with imports, dealt separately with pigs and pig products, for it found that the marketing and distributive organisation of the bacon trade differed materially from that of the fresh meat trade—and, it might have added, from that of the imported bacon trade as well. A special study of pigs and pig products was therefore undertaken in the following years by the newly created Markets Division of the Ministry of Agriculture and Fisheries.[3] Published reports, observing that the number of pigs in the country had not increased in the last fifty years although the consumption of pig-meat had more than kept pace with the increase in population, went on to survey the growth of the import trade in the last half-century. They remarked that, although there was a thriving home pork market, which home producers had shared with the Irish farmers without much competition from abroad since 1926 (when an embargo was placed on the import of fresh pork from the Continent as a precaution against foot-and-mouth disease), yet the bulk of bacon supplies came from abroad. Home bacon factories were chronically short of pigs: the pig population, although stationary over the long run, fluctuated widely from year to year through adjustments made by farmers in their breeding programmes according to the price of the imported feeding-stuffs on which they mainly depended,[4] and the factories had to compete for supplies with the pork market with its heavy seasonal demands and more attractive prices.

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[1] Cmd. 1356.

[2] Departmental Committee on the Distribution and Prices of Agricultural Produce: Interim Report on Meat, Poultry and Eggs (Cmd. 1927).

[3] Economic Series, No. 12 (*loc. cit.*) and No. 17 of 1928, *Report on the Pork and Bacon Trades in England and Wales.*

[4] The cost of feed was reckoned before the war at about 80 per cent. of the total cost of pig-keeping.

II

The production and marketing of home-produced bacon were also said to show a number of serious weaknesses. Although there were a few large firms of curers, by far the majority were medium to small.[1] Many had the characteristics of a family business, doing a local trade, and a good deal of curing was done outside factories by provision merchants, pork butchers, farmers, and a dwindling number of small pig-keepers. Under these conditions, coupled with irregular supplies of second-rate pigs, there was little scope for the use of modern techniques and efficient production methods, and the quality of home-produced bacon varied very widely. Many different methods of cutting and curing were practised, following local custom and taste, but there were two main types of cure; the Wiltshire, carried on in factories mainly concentrated, as the name suggests, in the south-west of England; and the Midland. Under the former method, the whole of the pig's carcase, excluding the offals, head and feet, is cured in two sides; a lean type of pig is used. This was the style of bacon adopted with great success by the Danish curers. The Midland cure used a heavier pig, of which only about one-third to one-half was converted into bacon. The ham was cut off and cured separately. The middle of the carcase, if lean, was cured whole; if fat, the back was cut off and sold fresh as loin of pork and the remainder cured as a 'shoulder-belly'. A third type of trade, carried on mainly in Northern Ireland and Ayrshire, produced rolled bacon, made from sides boned, sometimes skinned, and rolled up and tied. Some Wiltshire bacon was tank-cured, as on the Continent; this process involved soaking the sides in brine for seven to nine days, and then drying and maturing for a further three to five days, fourteen days in all. But the majority of Wiltshire and all Midland bacon, before the First World War and for some time after it, was cured by the dry salt process, in which sides were stacked in layers, covered with salt, for ten to fifteen days, and then brushed free of salt and re-stacked to mature for another seven to nine days—a total of three to four

[1] A summary of information on bacon factory capacity and output prepared by the Bacon Development Board in July 1937 gave the total of premises licensed for bacon production as 760, with an effective capacity (calculated from dimensions of tanks and curing rooms) of about 4½ million cwt. of bacon per annum, of which little over half was at that time produced. Nearly 300 of these concerns were curer-retailers, selling all their output (which was largely pickled pork) in their own shops; this left only about 470 bona-fide curers, and of these only 62 had a capacity exceeding 500 pigs a week. Nevertheless, in 1936 these 62 produced three-quarters of the country's bacon output. (A substantial proportion of this was produced by the two biggest factories of all.) The Board commented that although the capacity of the 300 odd factories taking less than 100 pigs per week was negligible, that of the 100-odd medium-sized factories taking 100-500 was important, representing as it did over 20 per cent. of the total.

weeks. This method when well done is said to produce bacon of better flavour and keeping quality than the tank cure, but is obviously far more expensive, and the Reorganisation Commission set up later to study pig products strongly recommended the wider adoption of tank-curing, which would produce greater uniformity of quality at low cost and make possible a much bigger output of bacon from the same factory capacity.

As the irregular and limited supplies of home-produced bacon made wholesale marketing impracticable for most curers, they usually sold direct to retailers—often under their own names when their bacon had acquired a good reputation—or through a wholesale or retail business of their own. A few of the largest firms sold through wholesalers or their own selling organisations: supplies were not enough for wholesalers to deal exclusively in English bacon, and the quality sold through them was usually inferior to the branded bacon sold direct to retailers and often went for lower prices than imported.

The survey work of the Ministry of Agriculture was carried on after 1928 by an *ad hoc* Pig Industry Council which recommended that pig and bacon production should, with government aid, be remodelled somewhat on the lines of the Danish industry, whose success in seizing the English trade from the Americans was viewed with envy; but no immediate action was taken, economic depression set in, and the pressure of low-priced imports became even more difficult for home producers to bear. At this time, only about 15 per cent. of bacon consumed in the country was home-produced, pig prices were falling—in 1932 they reached a figure 14 per cent. below pre-war levels—and the industry seemed on the verge of collapse. The slump in agricultural prices coincided, as it happened, with the peak (in numbers) of one of the recurring four-year 'pig cycles', which had been recognised for some time as a characteristic feature of the trade. This phenomenon was universal, but its effects in this country were enhanced by the peculiar dependence of English farmers on imported feeding-stuffs, and the activities of the so-called 'in-and-out' pig-keeper, who regarded pig-keeping as a speculative sideline to his normal farming routine and went 'in' or 'out' of the business as prices rose and fell.

The Reorganisation Commission for Pigs and Pig Products, appointed under the Agricultural Marketing Act of 1931 under the chairmanship of Colonel Lane-Fox, consequently put regulation of bacon imports at the head of its recommendations for the expansion of the home bacon industry; the pork trade, it recognised, was incapable of expansion. The Commission proposed that the total amount of bacon coming on to the United Kingdom market should be 'stabilised' for the present at the average annual quantity marketed over the six-year period, 1925–30, that is at 10,670,000 cwt., which was less than the 1931 supply and would encourage a much-needed increase in price.[1] Quotas totalling this amount would be allocated to the various suppliers of the United Kingdom market, including United Kingdom producers themselves; their quotas would be determined by the volume of bacon-pig supplies expected each year. The balance of the total would be divided among the various overseas suppliers, preference being given to Dominions exporters.[2]

The quota system was, of course, meant to give the opportunity for the reformation of the home bacon trade that was the Lane-Fox Commission's main interest. From reports issued by the Pig Industry Council and the Ministry of Agriculture it listed fifteen weaknesses of the industry, covering breeding, marketing, and bacon production, and set itself to overcome them. It declared that better pig prices were needed straight away if breeding was not to die out, and in an attempt to solve the problem of the pig-feed cycle recommended that prices for bacon pigs should vary with the cost of feeding-stuffs, leaving an agreed margin as producers' profit.[3] The price so fixed would apply to a system of annual contracts between farmers and curers which was the central point of the Commission's proposals, and, it was hoped, would by guaranteeing a market for bacon pigs encourage farmers to plan a long-term production programme allowing for improvements and standardisation of methods of breeding and feeding pigs *for bacon*, as the Danes had done; it would also ensure a steady supply of pigs for bacon factories throughout the year instead of the seasonal fluctuations in step with the increase or slackening of demand in the pork market. The Commissioners (with one exception) hoped that the pork market which, at least at first, was to be left uncontrolled in their new scheme of things, would, as the bacon industry expanded, gradually become an outlet for surplus pigs instead of the destination of two-thirds of the pig population of the country.

The Commissioners' proposals were accepted with very little

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[1] This was certainly accomplished by the quota system. At the end of 1936 the Food Council, reporting to the President of the Board of Trade, criticised the Board, as administrator of the quotas, for adhering too rigidly to the total suggested by the Lane-Fox Commission as an experimental figure for the first year only, whereas demand for bacon was elastic. The Council found cause for satisfaction in the steadiness of supplies and market prices up to the time of its report, but later information shows that although foreign imports were halved between 1932 and 1936, prices rose 50 per cent. so that Danish sides, previously selling for a good deal less than the best English bacon, were that year fetching more than first-quality Wiltshires. The Danes, in effect, were selling the United Kingdom less bacon for more money. See the *Report of the Committee appointed to review the working of the Agricultural Marketing Acts* (M.A.F. Economic Series, No. 48 (1947)).

[2] The Ottawa Agreements of 1932 included a provision allowing free entry of Canadian bacon and ham up to a maximum of 500,000 cwt. per annum.

[3] The ratio between pig-meat and feeding-stuffs prices was fixed to allow a variation of 10·3d per score (of 20 lb. dead-weight) for every variation of 1s. per cwt. for a defined ration of feeding-stuffs. This ratio was frequently quoted, after the outbreak of war, when attempts were made to relate pig prices to rising costs of feeding-stuffs.

alteration, and were put into effect in 1933 when Marketing Boards for Pigs and Bacon were set up to arrange contracts. The remainder of the history of the home bacon industry up to the outbreak of war is summed up in the vicissitudes of this bacon marketing scheme. It is not a record of success; up to 1936, the numbers of pigs contracted for in each period certainly increased, but in no period was the contract fulfilled by deliveries, so that curers had to be authorised each time to buy on the open market. The basic principle of a pig price moving in relation to the cost of feeding-stuffs was several times modified in an attempt to meet various weaknesses: thus in 1934 the price was linked to bacon prices to prevent a repetition of the curers' losses that had occurred in the previous period; in 1935 bonuses were offered to try to secure deliveries of pigs in the early months of the year (when competition from the pork market had always been especially strong); and in 1936 account was taken of offal as well as bacon prices. In 1937 it became clear that no satisfactory formula for determining bacon prices had yet been evolved; by this time a cyclical decline in the pig population had begun, pig prices were rising on the uncontrolled pork market, and curers could not get supplies. The first price offered for the contract was rejected by the producers, and terms settled by arbitration again failed to attract the agreed minimum number of pigs so that the contract fell through altogether.

In 1938, new legislation[1] sought to strengthen the administrative machinery of the scheme by adding Ministry of Agriculture representatives to the Bacon Development Board, which had been appointed under the old scheme in 1935 to promote technical improvements[2] in the breeding and curing industries, and empowering it to direct the operations of the other two Boards and to act in their place in emergency. It was also given further powers over the curing industry. A licensing system applicable to all curers with an output of more than 5 cwt. a week had already been introduced under the old scheme: the Development Board was now empowered to overrule contracts individually agreed and direct pigs to selected factories, to prohibit bacon production at unlicensed factories, to close inefficient factories, and generally to work towards a complete rationalisation of the industry. Serious opposition to the Board's policy had developed among producers and small curers by the outbreak of war. The complications of the long-contract system tended to favour the bigger curers, and the introduction of the factory quota interfered with long-standing arrangements between producers and local curers. The

[1] The Bacon Industry Act (1 and 2 Geo. 6. c. 71).

[2] The Bacon Development Board supervised research into pig rearing and feeding, and published a number of pamphlets on technical subjects such as weight, losses of pigs during transport, and hygiene in bacon factories.

Pigs Marketing Board and the Bacon Development Board were at loggerheads in the summer of 1939, and had war not broken out at that moment the revised marketing scheme would probably have proved as unworkable as its predecessor.

Provision for a government subsidy of the curing industry during the first three contract periods had been included in the Act of 1938, so as to make possible the payment of guaranteed prices to producers in the event of a rise in feed prices above a standard level; contrariwise, if feed prices fell, the curers were to make payments to the Exchequer. The subsidy was also linked to 'notional' bacon prices for the first three years, to guarantee a return to the curer. This system had been in operation only a few months when war broke out; net Exchequer payments to the industry for the 1938–9 contract period (cut short by the war) amounted to about £75,000. For the last incomplete period beginning in December 1938, less than 1½ million pigs out of the 2,100,000 asked for had been offered by the closing date, and supplementary contracts failed to elicit the desired number; by July 1939 not much more than half of even this number had been delivered. Bacon output in recent years had been helped by the use of imported carcases, and though production from home pigs had been disappointing, total output had increased enough to provide for about a quarter of total consumption instead of less than a fifth as in earlier years. Nevertheless, auguries for the future of the home industry were not good.

III

Bacon was one of the foodstuffs considered in Sir Ernest Gowers' inquiry into strategic food reserves at the end of 1936. It was, of course, especially perishable,[1] so that not more than three weeks' supply was normally held in the country, and as over half imported supplies came from Europe, mostly from Denmark, it was likely that they would be very seriously reduced within a week or so of the outbreak of a war with Germany. New sources of supply might be found in Ireland, or in North America if currency difficulties could be overcome; production from home pigs might (it was thought) be increased, but to tide over the period till bacon from these sources should be available a store of it in some form would be useful, especially if control of supplies by rationing should be delayed. Leading bacon curers agreed that bacon was not suitable for storage,

[1] A contemporary estimate of the maximum period of cold storage without risk of deterioration was ten weeks.

although experiments in cold storage by 'quick-freezing' were in progress. More promising would be plans to store frozen imported carcases, which had recently been coming in from New Zealand in fair numbers, and feeding-stuffs, so that home pig breeding could be increased. Canned bacon stocks would be far superior to either, but the trade in it from all sources averaged only about 5,000 tons a year, far too little to allow adequate stocks to be maintained and turned over. Consequently plans for laying down long-term stores were put aside; it was realised that some way of keeping bacon longer than usual would have to be found as war-time purchases from further afield and controlled distribution must delay its passage to the shop counter. One stumbling block that had arisen since the former war was the prohibition, under the Food and Drugs Acts, of the use of borax as a preservative and early in 1938 the Food (Defence Plans) Department asked the Ministry of Health if this could be relaxed in war-time.[1] The Ministry hesitated for a while, recalling unpleasant experiences at the end of the former war in handling overdue cargoes of boraxed American bacon, but finally agreed, although nothing more was done till September 1939 when contracts for Canadian bacon were being considered.[2] Nothing came, either, of the suggestions to lay down stocks of animal feeding-stuffs or baconer carcases. The country entered the war with no more than ordinary working stocks of feeding-stuffs; and a renewed plan to build up a small reserve of carcases in cold store, put up to the 'shadow' Overseas Purchases Board in July 1939 by the Director-Designate of Bacon Imports (a bacon importer who had been the original advocate of the plan) was rejected by higher authority, which preferred to use the limited funds available for other frozen meats.

The Food (Defence Plans) Department made its first essays in drawing up a control scheme for bacon and ham in 1937. The field was not one in which the first Ministry of Food had set a brilliant

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[1] The case in favour of borax was put with great force: '. . . . The only practicable and tested alternatives to the use of borax under war-time conditions would be: (a) the use of boats with refrigerated space of 14°–18°F.—such refrigerated space is not available on the Atlantic route where, under peace-time conditions, bacon is brought over at about 31°F.: (b) by packing the bacon in salt—this is not practicable in the case of tank-cured bacon . . . The bulk of North American bacon is tank-cured . . . *Therefore* it is an imperative necessity that permission should be granted for bacon from Canada and the U.S.A. to be lightly dusted with borax before shipment, if the imported supplies of this country are to be maintained.'

[2] The measure was eventually passed as the Bacon (Addition of Borax) Order (S.R. & O. (1940) No. 547). Further difficulty arose over the use of borax by home manufacturers, as under Ministry of Health regulation products containing borax had to be labelled accordingly, but this requirement was later suspended.

The Ministry of Health agreed more readily to withdraw its objections to the use of nitrites in curing, which was a common practice in the United States. In October 1939 it issued a Regulation, amending the Food and Drugs Act, permitting the use of up to 200 parts per million of sodium or potassium nitrite in curing. Because of the technical difficulties of using nitrite it was thought wise to allow it only under licence, limited to those curers who would show that operations were supervised by a qualified chemist.

example.[1] After an abortive attempt early in 1917 to control prices by voluntary agreement, a complete control of imported supplies was introduced later that year. Almost at once a desperate shortage was transformed into an embarrassing abundance, mostly in the form of fat and heavily-boraxed American bacon which was very unpopular with British consumers, so that the rationing scheme hurriedly introduced at the beginning of 1918 became superfluous from the start. Consignments of Ministry-owned imported bacon which were held up by transport difficulties and dock strikes during the summer of 1918 began to go bad and had to be disposed of at a loss. Even worse followed after the war ended. Control of bacon imports was lifted in March 1919 as a result of American pressure, but re-established later that year when prices rose because of renewed shortage; as before, large supplies immediately began to flood in and the Ministry was again left with a stock of unsaleable bacon on its hands.[2] Attempts to control the home pig market were totally ineffective; price orders were so many dead letters, for no means was found of compelling producers to bring their pigs to the authorised markets. 'Whether', wrote the Director of Meat and Livestock in 1920, 'it is due to the habits of the pig, and the conditions under which he is reared and marketed, or the intractability of the trade, or to lack of ingenuity on the part of the Meat Branch or even to a combination of all these reasons, the fact remains that the effort to control pigs has been a failure'. In 1937, however, his successors felt the prospects to be better: the pig and bacon marketing schemes, with all their shortcomings, had accustomed producers to the idea of an organised system under which farmers were linked to curers; the three Boards could be used to help draw up a scheme and to staff the bacon section of the new Ministry of Food; moreover, several of the leading traders who had co-operated with the old Ministry were still available, and a few chosen spirits known as the 'inner circle' were already contributing to the preliminary planning to such an extent that, on the files, their work is virtually indistinguishable from that of the officials.

Certain principles of the final scheme appear in the earliest drafts. In order to control price movements and maintain supplies—the avowed objects of this as of other commodity schemes—central control of both imported and home supplies, with requisitioning of existing stocks, was to be established from the start. Plans for bacon and ham

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[1] 'I suppose there is no branch of this Department's work which has been so adversely criticised as the control of bacon', was an official comment at that time. It went on to find the cause of much of the criticism in the unpopular American bacon which the Department had, however unwillingly, to purvey.

[2] See Coller, *op. cit.* p. 278-9 for an entertaining account of the means found to dispose of much of this, through the agency of a firm of exporters named Zilversmit & Pinto, who found an anonymous but enthusiastic market on the Continent for the Ministry's ageing bacon.

were intended to form a part of the general scheme for control of meat and livestock,[1] but it was emphasised that marketing arrangements for pork pigs and bacon pigs would be distinct: in the earlier stages there was talk of separating them at the farm gate, baconers continuing to go direct to curers as they did under the contract system. The Pigs Marketing and Bacon Marketing Boards might then be employed, the first to handle supplies to curers, the second, combined with representatives of the importers, to form a Bacon Marketing Committee which would allocate home and imported supplies to the distributive trade, at pool prices. Later drafts of the scheme dispensed with the Boards as such; first a Chief Bacon Agent, then a Bacon Regulation Committee of officials at Ministry Headquarters, supported by an advisory body of traders, was substituted for the Bacon Marketing Committee, while proposals to appoint Port Bacon Agents[2] to handle imports, and Area Bacon Agents in Food Divisional areas to supervise distribution, show that the Department was preparing to assume direct responsibility for all aspects of control rather than depute it to quasi-independent bodies. In March 1938, it was decided that the future Ministry would become the *first-hand purchaser* of both home-produced and imported bacon, with the peace-time first-hand distributors acting as its agents. All these changes brought the bacon scheme in line with that for meat and livestock, and it is significant that Sir Francis Boys, the Ministry's first Director of Meat and Livestock, was also a member of the Bacon Development Board.

IV

A wider group of leading traders was next called into consultation and informed of the present state of the Department's schemes, which now included an idea for distribution to London wholesalers from bulk depots round the periphery, also on the analogy of the meat scheme. As these plans touched the trade at both the primary (importing) and secondary (wholesaling) levels, two spheres of work were affected, and in theory two groups of traders, though in practice

[1] Bacon and Ham Branch operated as part of Meat and Livestock Division until January 1941, when it became a separate Division.

[2] In the later versions of the general scheme of control, the functions of these officials are described. Port Bacon Agents (who would for preference be principals of large importing firms) would be responsible for handling imported bacon between its arrival at the port and its dispatch to the next stage in the distribution chain; Area Bacon Agents (preferably wholesalers) would have mainly administrative duties, linking all sections of the trade in supervising the distribution of home and imported bacon wholesalers.

most of the leading men had interests in both fields; however, the elaboration of arrangements for importing and wholesaling bacon was deputed respectively to committees of the Bacon Agents' Association and the London Provisions Exchange. By the time of the Munich crisis a plan had been roughed out, which, had war ensued, would have had bacon (along with butter and cheese) requisitioned at the ports, where importers' clearing-houses, based on the various Provisions Exchanges, would have allocated supplies to individual traders proportioned to their business in the previous year. As the crisis passed quickly, the only emergency measure put into effect was a voluntary standstill agreement on prices of provisions which was reasonably well observed, and the Agents' committee now went on to draft a more detailed scheme of control, retaining the plan for clearing-houses based on Provisions Exchanges (with two additional ones for Hull and Leith which had no Exchanges). It was already agreed that members would continue to operate on commission as in peace-time, and it was now proposed that all should join a national association to be formed for the first-hand distribution of bacon as the Ministry's agent.

At this juncture the Agents' scheme began to meet with opposition. Successive drafts of the bacon plan had all included a preamble outlining three stages in which control would be introduced: first, a precautionary phase before the actual outbreak of war, in which business would proceed as usual but efforts would be made to prevent panic deals; second, a phase of partial control in which the government would requisition stocks, prescribe maximum prices for first-hand sales, and regulate or take charge of imports; finally, complete control at all levels of distribution, including consumer rationing. (It was assumed in all plans that control of livestock marketing and rationing would be introduced at the earliest opportunity, but these matters were outside the sphere of bacon controllers.)[1] This procedure had been agreed in principle between the Department and the committee of Agents; but in their anxiety to produce a plan that would be acceptable to officials, they put arrangements for the third stage of control in the forefront of their draft, so that the trade took fright at the prospect of a Stage III in which all identity might be submerged and the normal channels of trade replaced by some government-controlled organisation, distributing bacon from bulk depots. The Department thereupon pointed out that the procedure for Stage III might be postponed or limited to a few areas if war conditions did not immediately dislocate normal trading sufficiently to warrant its general application; and in the end it was agreed to defer the more rigorous features of control to a fourth phase when circum-

[1] Cf. the meat scheme and its similar paper phasing (pp. 176-177, above).

stances of the kind later known as 'invasion conditions' might arise and local food controllers would take extraordinary powers to maintain food distribution.

A much more serious cause of friction arose from the importers' anxiety to secure an interest in home-cured bacon. It was assumed before the war that home production would have to be expanded to fill the gap in imports; hence importers wanted curers to join with them in the provincial clearing-houses, so that the projected association would have the whole national bacon supply at its disposal. The Department had started with a similar notion but felt less ready to interfere with normal conditions, and insisted that home and imported supplies should remain separate until they entered the general pool under its direct control. It decided that the confluence of the two streams should be in the office of its local man responsible for distribution, for whom a place had already been provided in the scheme of control and who was now designated the *Area Bacon Distribution Officer*. The pattern of a local organisation for bacon control was now becoming clear. Imports would be controlled through certain large ports at each of which the Ministry would appoint a *Port Bacon Agent* to supervise arrivals and hand them for distribution to the local importers' association, with which he would keep in close touch, if possible sharing the same premises. He was to be a key man in the organisation, responsible for the inspection of cargoes, for their disposal whether to another Port Bacon Agent, to the local importers' association, or to store, as well as for requisitioning bacon in importers' hands in the initial stages of a war. The internal distributive system was based on Food Divisions, to fit in with the Department's plans for the decentralisation of control in emergency, and these areas (several being combined where necessary) were made to correspond roughly with the Port Bacon Agents' spheres of influence: it was decided that they should divide up the hinterland of their coastal strips (all of whose ports they would control so far as bacon was concerned) so as to cover the whole country. Each bacon Area would have its Distribution Officer, and also its *Pig Supply Officer* and its *Bacon Production Officer*,[1] and these area officers, with the Port Bacon Agent and the chairman of the local Importers' Association, would form an Area Bacon Regulation Committee which would be a counterpart of the Bacon Regulation Committee at Ministry headquarters.

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[1] The functions of Area Bacon Production Officers were purely supervisory except in emergency, and after a few months of war their duties became little more than nominal; some accepted an honorarium from the Ministry, others did not. Area Pig Supply Officers were dispensed with in August 1940; they had done nothing but provide headquarters with a little information about trends in pig production after war broke out. Area Pig Allocation Officers were added to the organisation after war broke out to supervise deliveries of pigs to bacon factories. (See below, p. 341.) They had similar duties to Area Livestock Supervisors operating at collecting centres, but these were also responsible for all other livestock.

Meanwhile, the discussions on wholesaling in wartime had produced a plan, intended to take effect in Stage III, which, in fact, had been the chief cause of alarm among traders when they first learned of the Agents' ideas. Trade advisers and officials alike had been led by the *idée fixe* of a mass air attack on London in the early days of a war to suppose that some abnormal method of distribution must be devised; hence the plans for peripheral depots, incorporated in several commodity schemes. Trade advisers had therefore been working on a plan for a wholesale pool, either for bacon alone, on the parallel of the Wholesale Meat Supply Associations, or (as they preferred because of the difficulties of disentangling records of bacon sales from general turnover in order to establish a datum), for all provisions—bacon, butter, cheese, and eggs. Such a plan would surely have aroused intense opposition in the trade had it been tried.[1] The endless ramifications of the distributive system after the first-hand stage would have made the establishment of any firm's proper share in a pooled trade most difficult to determine, and the surrender of individual identity and the compulsory amalgamations and closures that were envisaged, as part of something like a prematurely-conceived concentration scheme, would have given further trouble. Indeed, at the first suggestion of such a scheme there had been a growl of hostility from the C.W.S., which objected to any idea of a surrender of identity and insisted that some part of its margin should be kept out of the pool for distribution to retail societies.[2] It was not till shortly before the outbreak of war, however, that the Department, for all that it had already accepted that heroic measures in controlling internal distribution should be postponed till the onset of 'emergency' conditions, finally abandoned the plan for a 'Wholesale Supply Corporation'.

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[1] See Vol. II, pp. 281-282, for the difficulties of organising the wholesale trade to prevent breakdown through air raids. Voluntary grouping arrangements for mutual aid in emergency conditions and for the organisation of road transport under the Ministry of Transport scheme were finally left to the Area Provision and Grocery Committees representing the wholesale trade, in collaboration with Divisional Food Officers.

[2] Cf. the similar opposition to the potato depot scheme (Vol. II, p. 111).

CHAPTER XVII

The Completion of the Control Scheme, 1939–40

I

A FINAL revision of the control scheme for imported bacon was put before the trade in March 1939 and accepted despite dissatisfaction about the exclusion of home supplies. It was agreed to form a Defence Committee of bacon importers[1] at once, and press on with plans for an importers' association. The Memorandum of Association of MINDAL provided a suitable model, with little more than verbal amendments; it established a limited company, with a capital at formation[2] of £50,000 in 500,000 2s. shares, which would act as the Ministry's agent for the distribution of imported bacon. All imports would be pooled, so that members of the Association might be asked to distribute all sorts of bacon, and could not continue to handle special lines in which they had dealt in peace-time. If bacon allocated to them arrived, as a result of shipping diversion at ports in which they had no office, they might engage members of the local Importers' Association to act as their forwarding agents. All firms importing bacon before the war were eligible for membership with an allotment of shares based on their certified tonnage of imports in the datum period, which was rigidly defined as the calendar year 1938. (An attempt to substitute as an alternative the average of three years trading, in the interests of those firms that had had a particularly bad year in 1938, was defeated by a ballot of shareholders.)[3] The Management Committee decided that a datum figure of 750 tons should be the minimum qualification for membership, and arranged for a number of small importers, notably Glasgow firms importing small quantities from Ireland, to form themselves into units which would receive a bulk allocation.

This proposal was not kindly received by a group of United States' packers' Agents in Liverpool, whose imports had lately been limited

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[1] This was made up of the members of the Bacon Agents' Association who had already been engaged in drawing up the scheme, with the addition of representatives of the provincial exchanges, of Scotland, and of the C.W.S.

[2] It was incorporated on 1st September 1939.

[3] Some firms which had only begun importing bacon in 1939 received individual consideration.

by quota restrictions[1] and who were therefore ineligible individually, although they might expect far more United States bacon to come in during a war. (This group had already applied without success to be allowed to form a separate pool for United States and Empire bacon with its headquarters in Liverpool, the centre of the U.S. bacon trade.)[2] The Ministry thought they had little to complain of, as they were represented on the Management Committee of BINDAL[3] which in any case had been appointed as a group of individual traders rather than as representative of various interests. Moreover, as it was proposed that BINDAL revenues should be shared out on two bases—a dividend in respect of shares held, and also a commission on actual tonnages handled—the Ministry argued that these Agents might expect to gain if imports of American bacon coming into Liverpool did indeed increase. Actually it was intended that branches of BINDAL should allocate supplies to their members on the basis of their pre-war datum, so that this particular group would still be at a disadvantage, though no more so than others who happened to have had a bad year in 1938.

Lists of application for membership of BINDAL remained open up to the end of 1939; by then sub-agents (as members were called) numbered about 70, including individual firms and groups. Only one case of serious disagreement arose, over a claim to membership by a Glasgow firm which in peace-time imported fresh pork legs from Ireland for curing on its own premises. This firm also imported a small tonnage of cured bacon in respect of which it was allocated BINDAL shares, but it claimed extra for its pork trade, which had been nearly double the volume. BINDAL shares, however, were issued in respect of cured pig-meat only; and an attempt to find a place for the firm in MINDAL failed because Northern Ireland was not regarded as an exporting country under the meat scheme, and also because the fresh pork previously imported by the firm was now being cured in Ireland, so that MINDAL was not getting the meat. (It was in fact going in cured form to BINDAL, but no one was getting credit for it in the form of shares.) By this time it was too late to get the firm admitted to the local Wholesale Meat Supply Association, and it had to be left out in the cold as a war-time casualty.

In this as in other instances the importing agents showed themselves disinclined to be generous about admission to their association. There was a group of traders dealing in bacon produced in England from Empire carcases, who styled themselves the English and Empire

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[1] They were also among the sufferers from the fixing of the datum period as 1938. In January 1939 an Anglo-American Trade Agreement had come into force permitting bigger American bacon imports.

[2] This scheme was not sponsored by the Liverpool Provision Trade Association.

[3] The Director of Bacon Distribution in Bacon and Ham Branch, moreover, had large interests in the U.S. trade.

Bacon Agents' Association; in peace-time they sold bacon on commission on behalf of a few curers in the same way as the importing agents sold on behalf of factories abroad. Under the control scheme they became redundant, for the Area Bacon Distribution Officers controlled all home-produced bacon; but unlike some other middlemen, such as the pig dealers, whose functions also disappeared under control, they clung stubbornly to pre-war assurances that no one should be put out of business by Ministry action, and demanded, not merely compensation, but a part to play in distributing bacon. They argued that importing agents, who had previously handled, for example, Polish bacon, were given other bacon to sell; why should not they, whose stock-in-trade was still in existence though merged into the common pool of home-cured supplies, be given something proportionate to their pre-war business?

The Ministry felt that there was some substance in their case, and tried hard to find some place for them in the structure of control. One suggestion was that they should receive shares in BINDAL to the extent of their pre-war turnover (say £40,000–£50,000), and that BINDAL should be compensated either by a contribution from the curers, who were now enjoying full profits undiminished by the commission charged by their former agents, or by an *ex gratia* payment by the Ministry. The latter proposal was turned down within the Ministry, and it proved impossible to identify any part of the curers' margin with an allowance for selling costs; it was equally impossible to get those firms to make an *ex gratia* payment to their former agents, nor would they have accepted it.

In the spring of 1940, the new turn of events suggested a fresh solution. Imported bacon was now far too plentiful, and to allow it to be used up first, home-cured was being cold-stored for later distribution by BINDAL, which, it was thought, might employ the English agents to handle this English bacon. Provided the Ministry was willing to pay the full rate of commission on all bacon handled through them, BINDAL was prepared to consider the English agents' claim to membership (though doubting if it would be possible to confine their dealing to English bacon); it insisted, however, on a strict definition of the term 'agent', namely one trading on his own account, carrying the *del credere* risk, and (to avoid double profits) not associated with the curer whose bacon he handled. This definition had the effect of excluding all but a handful of the applicants, whom the Ministry felt it could disregard as the quantities of bacon involved were negligible. So the matter finally dropped and there were no further attempts to enlarge the membership of BINDAL.

Incidental to both these cases was the revival of the former notion of bringing home curers into BINDAL. Before the war, this had been a cherished plan of the importers, who visualised a severe shrinkage in the import trade and a boom in home production, but the Department had resisted it. By the beginning of 1940 the plaints of the English agents and of the U.S. packers had made Bacon Branch wonder whether, after all, BINDAL's arrangements for a share-out of war-time trade might not bear hardly on some firms; so when the English agents suggested that their problem would be solved if all bacon were brought into one organisation, the Ministry asked BINDAL to consider the idea. But opinion had swung round in BINDAL now that it had become clear that war-time supplies of feeding-stuffs and general livestock policy were not likely to encourage a large pig population. Import prospects by contrast were good, with a large Canadian contract safely concluded, and Danish imports, precarious though they might be, still arriving on a peace-time scale. At the Ministry's request the Management Committee did draw up a plan for a 'new BINDAL', to include curers with a datum output of more than 5 tons weekly; it seemed, however, that it would require an enlarged organisation for the distribution of home-cured bacon, including extra clerical staff, part of whose work would be the calculation of deductions from curers' remuneration on account of bacon sold in their own wholesale and retail businesses. (Under the existing scheme curer-wholesalers were the only group receiving the double margin[1] for both functions, but BINDAL naturally insisted that curers, if admitted to the Association, should be treated like importers, and suffer abatement of commission when they sold bacon in their own businesses.) The plan did not seem to merit so much trouble and Bacon Division finally abandoned it.

II

After Munich work on a scheme for the home bacon trade had been begun in earnest, and members of the Bacon Marketing Board were called in to collaborate. At first they proposed to stick very closely to the Bacon Marketing Scheme, making use of the threatened emergency to give effect to existing plans for the stricter control and rationalisation of the industry. Pig contracts would have to end, but all those over a certain weight should go to bacon factories from collecting centres controlled by the livestock organisation. Factory output would be based on quotas already arranged under the Bacon Marketing Scheme, and both pig and bacon prices would be guaranteed by the Ministry of Food. Curers' peace-time retail trade contacts were to be preserved, any surplus production going into the general pool of wholesale bacon. The scheme finally agreed upon was less comprehen-

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[1] Below, pp. 401-404.

sive, consideration of prices and margins and of distribution being left for separate attention; it was, however, stipulated that pigs would be paid for on a dead-weight basis, with allowances for transport charges and transit shrinkage as already provided under the Bacon Marketing Scheme. The aim was that the Ministry should control all pigs, which must be brought to approved Collecting Centres (perhaps including bacon factories) where they would be separated for pork and bacon purposes according to the needs of the moment as advised from headquarters. Curers were to be divided into three groups: *exempt*, that is those outside the Bacon Marketing Scheme, who would receive pig-meat only for sale on the meat coupon; *small*, who would not be permitted to do their own slaughtering; and *approved*, who would produce bacon from the pigs allocated to them according to prescribed standards and sell it to the Ministry of Food at prescribed prices, releasing it to distributors according to instructions from the Area Bacon Distribution Office.

Some address was required if opposition from the various interests represented on the two Marketing Boards were not to be aroused. It was arranged therefore that an *ad hoc* committee of the Bacon Development Board (hand-picked in consultation between the Department and the Chairman, Lord Portal) should first be asked to approve the scheme and allow its staff to be used in developing it, so that the Marketing Boards would be bound to follow the lead.[1] All three Boards, in the event, made no difficulties about collaborating in the scheme, but the chairman of the Pigs Marketing Board (Mr. J. A. Fox) at once put his finger on one feature, that of dead-weight payment for pigs, which was later to prove a perennial source of grievance to some farmers. Hitherto pig producers had not been brought into the discussion and no place had been reserved for their representation on the shadow staff; but Mr. Fox's point, that farmers would feel more confidence in the scheme if pig control (including arrangements for payment) were not left entirely in the hands of curers' representatives, obviously had some force. Accordingly he was designated Director of Pig Supplies, with another member of his board as deputy and ex-officio membership of the future Bacon Regulation Committee. His duties were not onerous[2] but the appointment was used with effect by the Department in dealing with a complaint from the National Farmers' Union, about the same time (May 1939), that producers had not been consulted.

[1] The Bacon Development Board was composed of representatives of the two Marketing Boards, together with 'independent' Government nominees.

[2] His only executive responsibility was the nomination and supervision of the classifiers and weighmen at bacon factories where slaughtering was to be carried out. He had been anxious to take some part in making payment for pigs, but it had already been decided that County Chairmen of Auctioneers should be responsible for paying producers and receiving payment from factories. A system of identifying pigs by producers' marks was being worked out as a part of this procedure.

The problem of controlling bacon production fell into two parts: control of pig supplies to the curers, and that of operations inside the factories. The second proved much the more straightforward, as it was possible to work from data and experience already possessed by the Bacon Development Board; as for the first, experience under the Bacon Marketing Scheme might have been warning enough of the difficulties that lay in wait. Before war started the planners were sanguine about curing under war-time conditions. They were convinced that home bacon production must expand to make up for lost imports, and that pigs hitherto lost to the pork market would become available for the factories—in fact, they were anxious lest curing capacity should not be equal to what might be a more than doubled supply of pigs. That pig supplies should be allocated according to factory capacity was advocated first as a means of utilising it to the full, and later so as to save transport; but there were always some, both in the Department and the Bacon Development Board, who realised that pig supplies might not be enough to fill every factory, and that any change that might give some curers fewer pigs than in peace-time would cause an uproar, even if some form of compensation pool were arranged into which the more fortunate would pay. It was therefore decided to allocate pigs in proportion to curers' quotas under the Bacon Marketing Scheme, although no new quotas were to be issued. Production methods were to be strictly regulated to ensure the maximum output of bacon,[1] and it was assumed that bacon output would be directly determined by the number of pigs allocated, one pig being reckoned as equivalent to one cwt. of bacon.[2] Pigs were to come from approved Collecting Centres, of which a list was being prepared by those responsible for the general control scheme for Meat and Livestock. Curers with their own killing facilities would slaughter their own pigs and might also slaughter for others without facilities (*curing curers*); they would then be acting as *distributing curers*.

Licensing of curers was, of course, to continue; but here an important innovation was proposed shortly after war began. Up to that time the plan had been that all curers licensed under the Bacon Industry Act either as *small* or *general* curers[3] should be similarly licensed under the war-time scheme, but by now it had already become clear that pig supplies were unlikely to cause any strain on curing

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[1] The types of bacon allowed under control are described below (p. 342).

[2] The method of calculating the pig allocation was rather complicated. Either 90 per cent. of the highest production in a single year from 1935–38 *or* the quota issued by the Bacon Marketing Board for the year beginning 1st December 1939—whichever was the greater—was taken as the basic figure. This was reduced by six-sevenths, to relate the Board's proposed quota to a figure nearer recent supplies, and then converted to a weekly figure which was to include the average weekly output from Irish pigs from 1st January 1939—1st July 1939. Frozen pork was also to be allocated according to usage in 1938.

[3] These were, respectively, curers of 5-15 cwt., or more than 15 cwt., of bacon weekly.

capacity, and Bacon and Ham Branch was struggling with details of a scheme for transporting pigs to factories. The majority of these small curers had their own wholesale or retail businesses in which they sold what bacon they produced; a good many of them cured only a small piece of bacon from each pig and sold the rest as pork, and the styles of bacon they produced were many and various. There were over three hundred of them, and nearly half did not exceed 5 cwt. in weekly output before the war. If they were to be licensed to cure in war-time—it was now argued—pigs or pig-meat would have to be distributed to them all, and any surplus above what they needed for their own distributive trade would have to be collected up for the general bacon pool. Bacon and Ham Branch thereupon decided that it would be simpler to stop all curing by these small men and convert them into simple distributors of bacon for the duration of control. True, the Ministry of Agriculture, in introducing the Bacon Industry Bill before Parliament in April 1938, had undertaken 'to make sure that the small curer runs no risk of having his business closed down under a rationalisation scheme',[1] but now the country was at war.

When the Bacon (Licensing of Producers) Order of October 1939[2] was issued, curers were therefore informed that only those who in 1938 had produced a weekly average of over 15 cwt. a week were to receive licences under the war-time control. The beginning of control, however, was not to be until 'the appointed day', still unnamed but intended to coincide with the start of rationing, and this left time for a violent opposition to develop. A flood of complaints poured in: some curers said they had already installed new plant under the Bacon Industry scheme which would become useless; many had old-established businesses and had been supplying customers for years through their pork butcheries with a wide range of cured and uncured products.[3] A few declared that the Ministry's plan was the culmination of what had been all along the intention of those controlling the Bacon Marketing Scheme—to put the small curer out of business. The Ministry was constrained to amend its licensing scheme so as to admit the small man as a 'Class B' curer, who would be supplied with pig carcases for curing a quantity of bacon sufficient to meet his registrations from customers if this would not involve a larger number of pigs than he used in 1938. If it did, he would be allowed bacon from the general pool to make up his registrations. (The bacon he produced and sold through his own business would be the only bacon in the country that was not at one time owned by the Ministry of Food.) Bacon and Ham Branch stated very emphatically that 'Class B' curers

[1] H. of C. Deb., Vol. 334, Cols. 786-7. 11th April 1938.

[2] S.R. & O. (1939) No. 1337.

[3] For the problem of the pork butcher, see Vol. II, pp. 668-674.

must undertake to produce bacon according to the standards laid down for 'A' curers, recently defined in the Bacon (Control of Production) Order of 27th November 1939;[1] the Small Curers' Association had agreed that this would be possible.

This concession still left those curing less than 5 cwt. a week outside the licensing scheme, but it was considered that as they must have depended mainly on their retail business there should be no hardship if they were supplied with bacon instead. Inevitably there were some borderline cases refused licences: a few argued that they did in fact produce more than the minimum 5 cwt. in 1938 but for one reason or another had not applied for licences under the Bacon Marketing Scheme, and these were eventually licensed, though reluctantly, as the Branch felt they had probably omitted to become licensed in order to avoid paying Bacon Marketing Board levies.

The Order controlling production methods came into force on 1st December 1939, some weeks before general control of distribution began, to allow time for bacon of the prescribed types to be ready for sale. In determining what types of bacon should be allowed under control, it was axiomatic that as imported supplies might be severely reduced, not an ounce of home bacon must be lost. Bacon must have first call on pig supplies—discussions were proceeding elsewhere to decide how many, if any, pigs were to go for pork—and pigs must be converted to bacon by the method producing the highest weight, namely the Wiltshire cure. Moreover, as most imported bacon was in Wiltshire sides, pricing, which was to be at a flat rate for similar cuts, would be simplified if Wiltshire bacon became the standard English type. Consequently the Midland cure, which produced only a shoulder-belly of bacon, plus the expensive York ham and a strip of pork, would have to be ended. The Ayrshire cure, which produced bacon boned and rolled plus hams, and the similar Ulster cure were to be allowed to continue as they were efficient converters of pig-carcases into bacon.

Licensed 'A' curers were obliged to place their whole output of bacon at the disposal of the Ministry and would be instructed by its local official, the Area Bacon Distribution Officer, about distribution to wholesalers. Should they be also licensed as wholesalers they would not necessarily be allowed to keep all their own bacon for their own customers, but must still distribute it as instructed. Sales to wholesalers and retailers would be at prescribed prices, which would include transport and collection of pigs—the Ministry's responsibility.

Arrangements for pig marketing formed part of the general scheme of livestock control, so that those in Bacon and Ham Branch were not directly concerned. It was not easy to achieve a satisfactory division

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[1] S.R. & O. (1939) No. 1711.

of functions between the two groups of officials, and it was some time before a reasonably permanent system was worked out. The existence of alternative markets for pigs, which had bedevilled the Bacon Marketing Scheme in peace-time, survived to create a problem not only of administration but of enforcement, because many baconers had still to pass through the same channels as porkers, and some reached the wrong destination.

Pig prices were controlled (at 13s. a score) immediately after war broke out, but within the month the Price Order was being flagrantly disregarded, prices of 16s. to 18s. being common.[1] Bacon Marketing Scheme contracts came to an end at the outbreak of war and bacon factories—even the largest—had barely half their normal pig supplies, for producers had found that far better prices were to be had on the so-called 'store' market, from which many a pig found its way straight to a pork butcher's or small curer's; some of them were reported to be doing double their peace-time trade. Feeding-stuffs became scarce and dear, and this encouraged both slaughtering and illicit sales at prices above controlled levels that had been fixed on the basis of feed prices at the outbreak of war.[2] Controlled prices for feeding-stuffs were also disregarded; revised Price Orders for both had no effect in restoring order in the pig market. On 30th November 1939 the Pig Order was cancelled, along with the abortive price orders for cattle and sheep. It was, of course impracticable to divorce arrangements for bacon pigs from those for porkers, so that control of all pig marketing had to await the coming into operation of the whole Meat and Livestock Scheme, itself dependent on a decision to ration meat as well as bacon. This eventually took place on 15th January 1940.[3]

The collecting centres selected by Meat and Livestock Division for controlled marketing of livestock were the Certification Centres used in peace-time for the Cattle Subsidy Scheme; Bacon and Ham Branch finally agreed that, with a few additions, these could serve also for pigs. District Chairmen of Auctioneers were charged with separating porkers and baconers in accordance with Headquarters instruction; they could be marked with producers' identification codes, as payment for pigs was to be on a dead-weight basis. Bacon and Ham Branch undertook to supervise the marking of pigs and their transport to factory or slaughterhouse, and at one time thought of appointing its

[1] One device used to circumvent the Price Order (S.R. & O. (1939) No. 1061) was to over-estimate the weights of pigs sent to market (payment at this time was by estimated dead-weight).

[2] High prices for pigs (quoted as in the neighbourhood of £1 per score) were the excuse offered by the Midland Curers when taken to task by Bacon Branch at the end of November for disregarding agreed prices in sales of shoulder-bellies. (The Ministry's price was probably low because the total prohibition of the Midland cure when control started would involve its taking possession of stocks of York hams—the corollary of the shoulder-bellies—and it wanted to avoid committing itself to a big loss.)

[3] Above, p. 208.

own representatives to attend collecting centres for this purpose. For a time, indeed, the Branch was given nominal control of pork pigs also—subject to a 'treaty' with the Director of Manufactured Meats—but this appears to have lapsed during the bacon glut of the first half of 1940.

Early in October 1939, before plans for collecting centres were complete, the National Farmers' Union, backed by the Ministry of Agriculture, raised an objection to producers being compelled to send their pigs thither, inasmuch as many (estimated in Bacon and Ham Branch at 12,000 out of 140,000) used to deliver pigs direct to factories. The Branch, which was none too happy about the collecting centres, agreed at once to graft an alternative method of pig delivery on to the existing plan, and created a new group of officials, the *Area Pig Allocation Officers*. These—usually one man to each county, although they might be more or less thick on the ground according to the pig population—were to arrange deliveries to factories; producers were told to notify them, instead of Chairmen of Auctioneers, if they wished to sell pigs of *bacon weight* (now defined as upwards of 150 lb. live weight or 100 lb. dead-weight).[1] Area Pig Allocation Officers were also made responsible for transport of pigs from collecting centres or producers[2] to the factories, and supplied with information from headquarters about vehicles for carrying pigs, whether belonging to curers, producers, or haulage contractors. The collecting centre scheme for all livestock marketing had been announced in advance of this 'direct delivery' scheme for pigs, without mention of any alternative, and some auctioneers were said to have got busy circularising pig producers to ask how many pigs they would have for sale. Nevertheless, the direct delivery scheme won enough support to cause auctioneers to complain of unfair discrimination under the dual system. As early as March 1940, however, it was clear that the whole machinery of pig control was working very badly and that neither pig nor bacon interests were being well served.

Detailed plans for bacon distribution beyond the first-hand stage were worked out during the summer of 1939, with the help, from July onwards, of a representative of the trade designated as Director of Bacon Distribution.[3] The keystone of controlled distribution was to

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[1] From the producers' point of view, this system had the advantage that they would mark their own pigs.

[2] Producers were expected to deliver their own pigs either to the collecting centre, or the nearest rail station when they chose to deliver to factories. They were to be charged 6d. each for pigs collected from the farm, and to receive allowances if they delivered to factories.

[3] The trade as a whole was still pondering schemes to pool home and imported supplies and distribute them through associations of Number One and Number Two suppliers. These ideas were sponsored by the importers, but rejected by the wholesalers, who thought they would not fit in with the voluntary grouping scheme for distribution of provisions and groceries, not realising that any idea of operating such a scheme except in dire emergency had now been abandoned by the Department.

be the Area Officer, joining supply, in the shape of bacon from home factories or importers' warehouses, with demand, made up of a total of orders coming up to him through the distributive chain. The consumer would have to register with the retailer of his choice; he in turn would indent on his wholesalers for the quantity of bacon needed to supply all his customers at the agreed ration level. He was to be allowed two wholesalers as his regular suppliers,[1] both in his own sector of the United Kingdom, which for purposes of bacon distribution had been divided into Scottish, Northern English and Southern English sectors; wholesale distribution was thus to be much less restricted than first-hand dealings, which were confined to the Bacon Areas.[2] Wholesalers would pass their total orders to the Area Officer, who would notify headquarters of the aggregate he required, receive bulk allotments of home-produced and imported bacon according to what was available in the district, and arrange delivery to wholesalers from BINDAL branches and factories.

III

The outline of this scheme, completing the plans for bacon control, was just ready by the deadline fixed for all commodity schemes at the end of July 1939, but those concerned were well aware that a mass of detailed work remained to be done. Hardly any attention had been given so far to the bacon itself, one of the most difficult foods to handle in the whole provisions trade. Schedules of prices at various stages of distribution were needed to accompany Price Control Orders; some trade advisers thought it would be wise to bring in compulsory price control as early as possible to avoid undue strain on the voluntary price-holding agreements on Provision Exchanges. First, however, the range of cuts and styles of bacon[3] sold over the counter must be restricted and simplified, so that the same straightforward price-list might apply to bacon sold in every village shop. Linked with this was the question of a 'weight' or 'value' basis for the bacon ration. Officials had so far agreed that rationing, as for meat, would be by value, on the argument that if customers continued to

[1] This number was agreed after prolonged discussion. Registration with up to six wholesalers had been allowed under the bacon control scheme in the former war. Some advisers, on the other hand, thought a single supplier would suffice. The Department did not guarantee that retailers would get the wholesalers of their choice, but undertook to observe their preferences if possible.

[2] Limitation of bacon wholesaling to Areas had been considered, but it was decided that a lighter control would be more effective; it would, for instance, leave northern and southern sectors each with one of the main producing areas (the Midlands for the north and the Wiltshire area for the south), and with ports on east and west coasts. Area control of wholesaling was to be left to the 'Fourth Phase', in time of serious emergency.

[3] A single large retailer listed 27 different cuts.

buy the same type of bacon as before, the richer would get less than the poorer, which was politically desirable. Some, however, doubted whether the rich would in fact continue to insist on better bacon when it meant less bacon, and thought demand for the cheaper cuts might rise and the dearer bacon be left on retailers' hands. Traders were divided: some favoured a weight ration because of difficulties of translating price into weight equivalent; others thought the public would prefer to get the bacon of its choice, the richer supplementing their smaller ration with unrationed foods. Some traders who favoured a 'value ration' changed their minds when they heard of the Department's plan to reduce the number of bacon cuts sold and to include an allowance for bone (which would eliminate the grosser irregularities of price). Finally a majority agreed in favour of ration by weight.

The list of permitted cuts was based on those in the Bacon (Control of Production) Order.[1] Cuts from Wiltshire sides were limited to three—*fore-end, middle* and *gammon*—although allowance had to be made in the Price Schedules for various other cuts that might figure among imports, such as *Picnics,*[2] *American Clear Bellies* and others. Combinations of the three permitted cuts were also allowed in the form of *three-quarter sides* (Wiltshire sides minus fore-ends), and *spencers* (Wiltshire sides minus gammons). Separate prices for *back* and *streaky* were included in the retail price list, as it would have been difficult for retailers without suitable slicing-machines to sell bacon in rashers cut through the whole middle of the side; this also allowed for an extra cut of bacon in the cheaper price range. There was some idea of compelling retailers to sell whole fore-ends and gammons boned and rolled, but this was dropped, mainly because of the work it would have entailed, and separate prices for fore- and gammon-hocks were scheduled.[3]

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[1] S.R. & O. (1939) No. 1711.

[2] Picnics comprised roughly the shoulder of the carcase; they were mainly bone and at first were sold off ration.

[3] See Vol. II, pp. 551-555, for a discussion of the difficulties of separating bacon sides into rationed and unrationed pieces. Fore-hocks and gammon-hocks were usually sold ration-free, though there were times of dire shortage when retailers' permits were cut and they were driven to bone and slice hocks in order to make up their ration requirements. The problem was further complicated by the question of cooked ham. This was originally meant to be sold on the ration as an alternative to bacon (at the rate of 3½ oz. cooked ham to 4 oz. bacon, to allow for the shrinkage that takes place when bacon is boiled), but because of the embarrassing surplus of bacon as soon as rationing began, it was agreed to allow off-ration sales—a concession which pleased the cooked meats trade, which had been anxious about its business in ham sandwiches when cooked ham was rationed. After this the trade in ham led a precarious existence for some years. Rationing Division devised a Category C of unrationed ham for which retailers received allotments when general supplies were good, but which otherwise remained unfilled; in addition, to avoid waste, retailers were always allowed to cook and sell off the ration any surplus from their allotment of rationed bacon—sometimes restricted to hams and gammons, sometimes not—but when supplies were tight, there was unlikely to be any surplus. Finally, early in 1944 the retail sale of cooked ham, except in catering establishments, was stopped altogether.

Before the war there had been much debate on whether smoked bacon should be banned in war-time, or at any rate discouraged by fixing a common price for green and smoked cuts that would allow no margin to cover the process. Trade advisers were divided, mainly according to their geographical allegiance; the Northcountrymen preferring green bacon anyway, the Southerners standing out for smoked in the name of consumer choice. On merits the balance seemed fairly even, for if smoking caused a loss of weight (*i.e.*, of water) and used labour, materials, and extra transport, it improved keeping qualities and was helpful in making slightly dubious bacon acceptable. When war broke out the 'anti-smokers' were in the ascendant; but no firm decision had actually been taken. Rumours of the Ministry's intentions, however, began circulating in the trade and wholesalers began to reduce staff on the pretext that they would not be needed when smoking was abolished. This brought the Transport and General Workers' Union into play; deputations waited on the Ministry representing that 5,000 men would be put out of work. In the end it was decided that smoking should continue, for though Bacon and Ham Branch thought the trade union's alarm exaggerated, the economics to be secured by the abolition of smoking would be largely counterbalanced (it was now thought) by the extra allowance required by retailers for shrinkage of the green bacon in the shop. An allowance to wholesalers for smoking was worked into the price structure; only minor adjustments were required in retail prices. In view of the inferior, salty, or 'forward' bacon which traders had to handle in the course of the war, it was certainly as well that smoking was allowed.

It was agreed that there was to be no unnecessary interference with the normal channels of wholesale trade; but before this complex mechanism could be eased into the framework of a distribution scheme, its component parts had to be sorted out and identified; each trader had to be classified and the appropriate licence issued to him. This was a result of the decision[1] to limit bacon traders combining two or more distributive functions to a single margin of profit, allowing only costs for other services performed; and as so many of them had a dual or treble business, the process took much time and trouble. The first-hand distributors (BINDAL and the Class A curers) were easily recognisable, but wholesalers were of many kinds. A straight wholesaler was defined for the purpose of the scheme as one who had been nominated by retailers as their supplier for an aggregate quantity of more than 6 cwt. per week, and who had been a wholesaler before the war, buying direct from bacon factories or importing agents. Such a man was termed a *nominated wholesaler*, and had to be licensed as such by the Area Officer, undertaking to sell bacon only at wholesale

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[1] See below, p. 402.

prices. If a man combined wholesaling with either importing or curing, acting also as one of the Ministry's distributing agents, he would be classed as an *importer-wholesaler* or a *curer-wholesaler*.[1] Traders combining wholesale with retail business, who had the required number of nominations from independent firms but could not undertake to sell only at wholesale rates, were called *non-nominated wholesalers*. In the early stages of discussion no separate niche was set aside for *secondary wholesalers* who were to be treated as retailers; but the Ministry yielded to strong arguments from the wholesale trade that these firms filled a vital part in handling retail orders that might be too small for the bigger wholesalers to bother about.[2] They were unable to order direct from agents who would not have the transport to deal with them, and were unlikely to allow them as much credit as they needed. A separate category was therefore created of those who mustered sufficient retailers' nominations to make up a total of not less than 1 cwt. and not more than 20 cwt. of bacon weekly; they were allowed to sell at wholesale rates, with special allowances to the wholesalers who supplied them.

IV

The whole machine of bacon control was at length set in motion with the start of bacon rationing on 8th January 1940; but before then there had been a period of partial control, of some interest and no little difficulty. When war started, the Bacon Regulation Committee at the headquarters of the new Ministry began to meet daily and to put into effect the plans already agreed for the second phase of control. The Provision Exchanges were asked to observe as maxima current prices of bacon and hams[3] pending Ministry announcements of price control; a fortnight later it was reported that prices had been fairly steady, although there was some chafing, especially on the Liverpool Exchange, at the low rates traders were compelled to observe for North American bacon in comparison with continental supplies. On September 15th the Ministry agreed to a rise of 3s. per cwt. for Canadian bacon, to encourage shipments, and early in October to a small general rise in wholesale price levels.[4] From then on, weekly

[1] Class B curers (see above) were treated as simple wholesaler-retailers for purposes of allocation. They were told to indent on their Area Officers or nominate two wholesalers like the rest, and their own output was deducted from the total needed to fill their requirements.

[2] Bacon was usually packed in bales of four sides, which might be beyond the capacity of the smaller retailers. In the years before the war the proportion of retailers skilled in handling bacon had dwindled and trade in cuts—as opposed to whole sides—and even in rashers had increased.

[3] Prices of various selections of bacon of the same nationality were levelled out at the price of the highest.

[4] Danish from 100s. to 110s.; Irish from 101s. to 105s.; English from 100s. to 105s.

advices were sent from the Ministry of prices to be observed on Exchanges; prices were deliberately advanced from time to time with the idea of making a profit which would accrue to the Ministry. From 7th September the London Provisions Exchange had included prices for Midland and Ayrshire cured bacon in its lists, so that bacon of all types was brought within the range of prescribed prices; and by October, distinctions of nationality had been eliminated so that Wiltshire sides from all sources were selling at a single price.[1] Wholesalers were meanwhile expected to be charging only their usual margins[2] on sales to retailers, but found ways of enlarging them unobtrusively by increasing their trade in bacon cuts, for which no prescribed prices existed. By the end of October they were selling whole sides at prices described as out of all parity with the prices charged by the sub-agents of BINDAL, and their Association sought to justify this by the argument that turnover had shrunk to less than half the normal level; but, observing the principle that factors arising from the war could not be accepted as a justification for a bigger trading margin, the Ministry insisted on the wholesalers revising their price levels; early in December traders in London, Manchester, and Liverpool agreed upon standard prices which, they said, involved some 'fairly smart reductions on the prices they were issuing'.

On the whole, the gentlemen's agreement to stabilise first-hand prices worked remarkably well.[3] There had been cases of sales of home-cured bacon above the prescribed prices, and these might have grown had not the Ministry taken home-produced supplies into its own hands along with imported; but the great volume of complaints about bacon that reached Bacon Branch, from trade and from public, concerned not price but quantity. The Ministry took control of all imported bacon except Southern Irish by a Requisition Order of 16th September[4] (another Order of 30th September took care of Southern Irish supplies) and henceforth was able to direct distribution through BINDAL, which began operations on 13th September. The Services had the first claim on supplies, and it had been resolved that a stock[5]

[1] Bacon cured in the United Kingdom from imported pork sold for 10s. cwt. less.

[2] The Wholesale Produce Merchants' Association agreed on a list of prices for sides and cuts. Some houses found it expedient to sell only cuts, partly to help spread out the bacon.

[3] There had been one attempt at a breakaway movement by a group of ham canners who proposed to break contracts placed before the outbreak of war and issue new price lists. The Ministry left the chairman of the London Provision Exchange to deal with this rebellion.

[4] S.R. & O. (1939) No. 1199. Phase two of the pre-war plan had included a statement that stocks in importers' hands at the outbreak of war would be requisitioned. The legal requirement that property individually owned should be individually requisitioned, and the impossibility of securing goods which passed so rapidly from hand to hand without a standstill order, had caused this plan to be abandoned, but certain consignments had been requisitioned for particular purposes; thus Canadian bacon entering Liverpool in the first week of war was reserved for the Services.

[5] 20,000 tons, enough for three weeks, was agreed as a suitable amount.

should be husbanded in cold storage against the time when rationing began and it would be necessary (as the Department thought) to have more than the normal trading stocks at each stage of distribution in order to guarantee the ration. The remainder was to go to BINDAL sub-agents *pro rata* to their supplies in the datum period, for distribution to their usual customers in the same proportion. At first the ratio was 75 per cent. of datum; home curers, who had been asked how much bacon they would have ready each week during September, were requested to fall into line with the importing agents by limiting their sales to a like proportion and releasing the rest to BINDAL. But imported bacon supplies soon fell off sharply; Danish shipments were stopped altogether for a while after the outbreak of war, and afterwards three shipments were seized by the enemy; the Services made heavy demands as reservists were called up; diversion of shipping to unaccustomed ports, the ensuing cross-hauls, and rail and road dislocation, all added to the confusion.

By the end of September it was estimated that imported supplies were down to rather less than half normal; they were irregularly distributed so that some areas had as little as a quarter—some Food Divisions indeed complained that they had only one-tenth—of normal. The effect of evacuation in shifting demand was not yet known, but was obviously very considerable in some of the reception areas. The distribution of home-produced bacon was even more erratic. Curers did not heed requests to limit distribution in line with BINDAL supplies—in fact, they had every incentive to keep up their supplies to old customers as long as they could in order to maintain their goodwill—and until the whole distributive machine was working, with the Area Officers at the controls, it was impossible to prevent them from doing so. Requisition of home-cured bacon was impracticable; the only apparent solution was its diversion into channels which the Ministry already controlled: and on 11th October this was secured by the Home Produced Bacon (Distribution) Order,[1] which ordered curers licensed under the Bacon Marketing Scheme to hand over their entire output to BINDAL for distribution.[2] They were allowed to keep for their own trade whatever percentage BINDAL was using at the time as a basis of distribution; this led to complaints (which persisted until full control began) that they kept back the best bacon for their own customers and let their worst go into the pool. The Ministry had gone as far as it could, for the moment, in drawing all bacon into its net, but the meshes were too coarse to gather all

[1] S.R. & O. (1939) No. 1370. It was replaced by a 'Number 2' Distribution Order (*ibid.* No. 1889) at the end of December as a preliminary to the introduction of the full control scheme. The terms were similar, the phrase 'a person authorised by the Minister to purchase bacon on his behalf' being substituted for 'authorised agent', defined in the first Order to include BINDAL.

[2] BINDAL had agreed to handle it for a commission of 1 per cent.

in. Curers exempt under the Bacon Marketing Scheme were not affected by the Distribution Order; as they were not obliged to hand over all their bacon to BINDAL and receive the BINDAL price, they could afford to buy pigs above the controlled price and sell bacon at their own price while large firms were desperately short of pigs.[1]

On 28th October the War Cabinet sanctioned the rationing of bacon and shortly afterwards consumers were instructed to register with retailers.[2] As the registration proceeded it revealed considerable shifts of population and showed that the allocation of supplies on a datum basis was much too generous to London, the more so since the London datum was swollen by the orders of multiple shops ultimately destined for provincial branches. It was estimated that an extra 1,200 tons of bacon would be needed weekly to bring provincial areas up to their proper level if London's supplies were not cut. Bacon and Ham Branch determined early in December to adjust bulk supplies to areas according to numbers of registrations and placed extra stocks of bacon at the disposal of Area Officers to help any wholesalers who had not enough for the customers who had nominated them, but refused to follow the example of Butter Branch in starting distribution right down the line on the basis of unofficial figures of registrations before returns could be checked. (It was said that Butter Branch's temporary scheme had resulted in the distribution of butter to a population of 85 million.) The branch had hoped to be able to start allotments to shops on a regular basis from 16th December, when the 'BH2' forms showing retailers' total requirements for registered customers should have been in the hands of their chosen wholesalers, but owing to delays at the various stages of the rationing procedure, there were districts where, on the appointed day, the 'BH2' forms had not even been sent out from the Food Offices, let alone returned to wholesalers. At the start of rationing the requisite data for allocations had still not been assembled; 'insurance' stocks were placed with Area Officers to ensure that the Ministry should not fail to meet the guaranteed ration. By that time, however, the shortage was being

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[1] Although the fundamental difficulty was absolute shortage rather than maldistribution, certain Food Divisions continued to clamour for fair shares. To the resentment of Newcastle at seeing bacon imports sent away south was joined that of Birmingham at the spectacle of locally-produced bacon being handed to outsiders. The practice of consigning imports to cold store before distribution was a 'phenomenal proceeding' (which added, incidentally, to the delay), and aroused suspicions of incompetence, especially when part of the stock that Bacon and Ham Branch was painfully trying to scrape together in order to give rationing a good send-off was known to be lying in store in a district where supplies were short.

[2] Some retailers thereupon refused to serve customers who had not registered with them, and demanded bacon forthwith to supply those who had.

There was some evidence of a concerted movement among Co-operative Societies to ask for more bacon to serve a bigger clientele. In Sheffield, for instance, the local Trades Council appealed to the Ministry, but Bacon and Ham Branch maintained that there was plenty of bacon in Sheffield, and if a Co-operative customer could not buy bacon at her usual shop, she had only to try elsewhere.

transformed into an embarrassing surplus. A sluggish Christmas trade had already been reported and it was clear that a 4 oz. ration would soon lead to overflowing stores.

This was partly the result of a contingency against which the bacon controllers had failed to provide in advance. They had very soon taken hold of all bacon entering the country, but it was necessary—as they had realised when drawing up their plans in pre-war days—to extend control a stage further by becoming the exclusive importers of bacon. During the autumn of 1939 discussions were going on with trade delegations from the principal overseas suppliers of bacon and ham—Denmark, Canada, and Eire—to settle long-term contracts, but negotiations were protracted and difficult because of the difference between the prices asked and those the Ministry was prepared to pay.[1] In the meantime, bacon continued to be shipped to this country on consignment in the old way, and was then requisitioned by the Ministry of Food on arrival. The settlement of prices for this requisitioned bacon was a problem on its own, which complicated discussions about contracts: thus for Canadian bacon requisitioned up to the opening of control the Ministry offered 95s. 9d. a cwt. representing the market price at the outbreak of war, plus 3s. 9d. for increased freight charges and war risk insurance, plus another 3s. allowed to stimulate Canadian imports; but the Canadians would accept this for only the first month of the period, and the Ministry had to offer a compromise at a price between it and the much higher price settled by the new contract.[2] For imports from countries with which no long-term contracts were in prospect, the Ministry had to settle compensation rates for requisitioned bacon with individual importers. Where goods had been bought on consignment, importers often had running accounts on which advances were paid so that it was impossible to determine how much had been advanced against any particular shipment requisitioned. Even more complicated were the cases in which goods had been bought on c.i.f. terms—a common practice in the American ham trade—at contract prices higher than the requisitioned price agreed with agents importing on consignment. The Treasury agreed that Bacon Branch should refuse to offer anything better than consignment terms, even though it should mean that the firms would appeal to the Compensation Tribunal; but when one large importer did so and in consequence the Treasury Solicitor was brought in, he described the Branch's case as 'very weak' and advised settlement of such claims on the best possible terms, following whatever could be agreed upon as 'market' prices at the time of requisition.

[1] Below, pp. 352-362.

[2] Misunderstandings had been caused among the Canadian packers because the Ministry had fixed prices on the London Provisions Exchange well above the levels they were offering for the contract.

The settlement of claims for compensation was, however, a minor matter compared with the disadvantage of having to accept, often on unfavourable terms, any bacon that private traders cared to import, or for which keen business men in the exporting countries thought they saw a market. The Irish began to send over highly unsuitable styles and cuts; the American packers, vastly increased quantities of bacon that was not only unwanted (especially after the tide turned and good supplies began to arrive from Denmark and elsewhere), but required the outlay of precious dollars; and the Ministry was forced to pay higher prices to private importers than it need have done if importing the bacon itself.[1]

An Order prohibiting private imports was clearly essential, but was not ready until the end of January 1940[2]. Not only pressure of work on the Board of Trade but the desire to tread softly on American susceptibilities made for delay. The news that private imports except under licence were to be stopped and that licences were unlikely to be issued in future except for goods actually *en route* from the packing houses at the time the Order came into force, caused consternation among the United States packers and their agents. The Ministry of Food wanted to stop all imports from the United States as soon as possible, even if it meant repudiating contracts, since the bacon was only an embarrassment as cold stores were rapidly filling up; the agents wanted to squeeze as much as possible into the definition of what could legitimately be admitted by 20th January, when the ban came into operation. This already covered a good deal as under the Neutrality Act goods had to change hands in the United States before they were loaded from the point of production, but the agents tried to stretch it further to include goods contracted for, which, as Bacon and Ham Branch pointed out, might be still in the form of live hogs. The Branch knew that a greatly enlarged curing programme for the English market had been started during the autumn of 1939 when the United Kingdom was short of bacon, and that agents had made speculative agreements to take the bacon on the assumption that it would be requisitioned at their price. The agents, with American diplomatic backing, tried to get acceptance for the bacon in cure on the strength of an assurance given by the Ministry to the U.S. Embassy that goods put in cure especially for the English market would receive special consideration; but the hugely increased amount of bacon, as distinct from ham, that had latterly come forward from the United States could justly be pointed to as evidence that it would be speculative trade rather than normal 'quota' exports that would be hit by the

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[1] The Director of Bacon Imports learned that some American agents had persuaded English merchants that they could be sure of recouping themselves of whatever price they paid for the imports since the Ministry would have to requisition.

[2] S.R. & O. (1940) No. 40. See Vol. I, pp. 71–72.

prohibition. The Ministry declined to allow any 'tapering-off' of bacon imports, as the United States authorities had suggested. Bacon actually 'rolling' up to midnight on 6th February would be accepted; but no more. As an official candidly put it to the Embassy in March 1940:

> 'I do not see how the Ministry can be expected to take supplies of a commodity which they did not order and of which they already have an embarrassing surplus, to pay for them in a currency of which the limited supplies are far more urgently needed for other goods, and to fetch them in ships which cannot be spared'.

The point about shipping was perhaps not strictly valid, for the bacon consignments presumably came in in 'free' liner space and not at the expense of higher priority cargo. In principle, however, the case for exclusion was unanswerable.

CHAPTER XVIII

Overseas Supplies before Lend/Lease, 1939–41

I

THE procurement of bacon overseas, though it accounted for a major and in the end predominant part of war-time supplies, presented fewer technical problems to the control and perhaps bulked less large in administrators' minds than the marginal amount derived from home sources. There was little opportunity for the elaborate exercises of buying skill that characterised the work of some other Commodity Divisions, and the possibilities of looking ahead were severely limited. The most the Ministry could do was to adapt itself as might be to changing circumstances. For the first few months of war it was faced with a glut that could neither be foreseen nor prevented, next with a period when the ration hung by a thread. By mid-1941 the position was stabilised and the ration, though reasonably assured for the duration, yet largely beyond the Commodity Division's control.

Before the war no way had been found of laying down any stock of bacon to cushion the impact of war-time shortage, which would have been felt shortly upon European supplies being cut off. The United Kingdom could rely (it was assumed) on home and Irish supplies continuing and perhaps increasing, but those would be scarcely enough to make up a four-ounce ration, about two-thirds of normal consumption. The only other sizeable source of supply was North America; but the United States was barred for want of dollars, and a Canadian contract might be limited by exchange considerations and by the extent to which the Canadians would be willing to expand production at the price the British could offer. It was accepted, however, that up to 70 per cent. more bacon must be got from Canada than had been coming in recent years, and negotiations for a contract were opened within a fortnight of the declaration of war. There would still be a gap of between one and two thousand tons per week between total supplies and the requirements of a four-ounce civilian ration, for the Service Departments had established a prior claim on about 1,200 tons per week in order to maintain their normal bacon issue to an expanding body of men; and before war started there was nothing to suggest whence this could come unless, perhaps, expanded home production.

In the event, the assumptions on which this supply programme had been built up were not fulfilled; European shipments did not stop—they even increased, thanks partly to 'political' purchases from the Baltic countries and the Balkans. At the same time, home and Irish supplies kept up and began to increase early in 1940 when a flush of pigs set in; in addition there were bigger supplies from Canada, and until the Order prohibiting imports could take effect, an influx of unsolicited goods sent on consignment by various foreign exporters. In consequence the four-ounce ration with which bacon control started on 8th January 1940 was doubled by the end of the month (which was tantamount to de-rationing),[1] and did not revert to four ounces until after the Germans over-ran Europe.

The picture of bacon imports during the early months of the war was thus confused, even slightly comic. On the one hand, firm contracts were concluded with the regular suppliers—Denmark, Eire, and Canada; on the other, short-term agreements were made for differing reasons with various other countries. These included some, like Holland and the Scandinavian and Baltic states, that had always been suppliers in a small way; they made good bacon, comparable with Danish, which the Ministry was glad to have at a time when all supplies looked precarious and it wanted to build up a reserve against the introduction of rationing; and they would otherwise have let their pig-meat go to Germany. As their prices had always been related to Danish, negotiations with them had to be conducted in step with those for the major contract with Denmark, opened towards the end of September 1939. Towards the end of the year short-term contracts were signed with Holland and Sweden for a few hundred tons weekly 'exportable surplus' on terms similar to those agreed with the Danes; the Swedes were to get the Danish price, the Dutch a few shillings less. The Baltic States (especially Lithuania) were anxious to continue their trade with the United Kingdom, despite shipping difficulties, and could provide about 750 tons weekly among them; a loose form of contract was discussed, but went no further, as by the New Year the Treasury was discouraging purchases from the Baltic States because of the risks attending the accumulation of sterling balances in countries so vulnerably situated. Currency considerations now influenced the Treasury to ask that purchases from Holland and Sweden should also be discontinued, a request which coincided with a demand from those two countries for a higher price, in step with an increase recently agreed for Danish bacon.

In this instance the Ministry was glad to fall in with the Treasury's wishes, for it found itself with more bacon than it knew what to do

[1] Before rationing started it was known that bacon supplies were far too big for a four-ounce ration, but since that figure had been announced the Ministry felt bound to stick to it at least until the rationing system was safely established.

with; and when the Prohibition of Imports Order[1] took effect on January 26th the Baltic States and Norway (which had been sending small quantities) were told that no licences would be issued for purchases from them, and the Swedes, Dutch, and Danes were warned that less bacon would be needed in future. The Baltic States, however, at once invoked their treaty rights, and Foreign Office, Ministry of Economic Warfare, and Board of Trade, all fell upon the Ministry of Food to point out that its embargo constituted a breach of the Trade Agreements of 1934[2] guaranteeing the Baltic States an equitable share of foreign imports and might embarrass delicate negotiations proceeding with the Baltic governments, who were trying to stave off German requests for all their agricultural surpluses until war trading agreements could be concluded with the United Kingdom. The Ministry of Food attempted to defend itself on supply grounds, though it weakened its case by admitting that pre-emptive purchases might be treated more respectfully than those dictated merely by treaty obligations. It claimed, moreover, that the bacon had been arriving in poor condition after an arduous journey. However, it finally agreed to take limited quantities from the Baltic States on terms which they were thought unlikely to accept (including c.i.f. payment for shipment in foreign bottoms). Imports from Norway and Sweden, in common with Continental imports generally,[3] were now reduced by about one-third, but an embarrassing situation was bluntly ended by the seizure of Norway and Denmark.[4]

II

Once the initial dislocation of shipping was over, it became clear that supplies from Denmark might be expected to continue, failing

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[1] Above, p. 350.

[2] The Ministry, in common apparently with the Treasury, had ignored this possibility. Cf. the much more important instance of meat (above, p. 194).

[3] The Baltic States exporters had been transporting the bacon by land and sea to a Norwegian port from which it would be transshipped at their expense in a British vessel.

[4] The Balkan market which had been opened up in late 1939 was an even less serious contributor to the country's bacon stock. Soon after war started various pressing offers were received from Roumania, Bulgaria, Hungary, and Yugoslavia, totalling some hundreds of tons weekly, and the Ministry of Economic Warfare encouraged purchase because their only alternative market was Germany. Experimental purchases were arranged through the usual trade channels, and supplies continued to come in, though erratically, until the spread of the war to the Mediterranean made shipping impossible, but the experiment was not particularly successful, as the type of pig-meat used was fat and oily and the standards of butchering, curing, and packing often low. Delays *en route* meant that some shipments arrived in an 'advanced' condition, but Bacon Branch exhorted the trade against seeking unnecessary condemnation: 'this bacon is bought as part of the activities of the Ministry of Economic Warfare and we must, of course, ensure its consumption and not its destruction . . . rather than that it should be burned in the incinerator, any such bacon should be offered to soap makers or high explosive manufacturers'.

some new development in the war situation, if an agreement could be reached on price. Just before the outbreak of war the kroner had moved against sterling to the extent of about 10 per cent. (20·40 compared with 22·40 formerly), and this rendered a bacon price quoted in sterling correspondingly less attractive. When a Danish trade delegation arrived at the end of September 1939 they asked a price about 10 per cent. above the pre-war level, to cover increased costs of production (including higher feed prices, freight, and insurance), which meant about 111s. cwt. instead of 98s. The Ministry of Food was anxious for a long-term contract, and opened negotiations with the figure of about 100s. in mind; the Danes, on the other hand, having just concluded an agreement to supply Germany with heavy pigs at a better price than the farmers would get on the English bacon market, clearly wanted to leave themselves free to sell their output to the best advantage. They argued that economic conditions were unstable and that slaughterings of Danish sows had already started because of the lower prices offered to farmers by the co-operative bacon factories; an attractive price would be needed to encourage a level of breeding above what could be supported on home-grown feeding-stuffs. Alarmed at the prospect of a decline in Danish production, the Ministry raised its offer to 105s., which the Danes grudgingly accepted, agreeing to continue shipment at the existing rate of 3,500 to 3,750 tons a week; at that stage the Ministry would have liked more, but the Danes explained that German respect for their neutrality depended on their maintaining the existing ratio of their exports to Germany and the United Kingdom.

No one expected that the Danes would be long satisfied with this price, and by mid-November they were asking that negotiations be reopened, as production costs had now risen by 25 per cent. and the slaughter of sows was still going on; nor had they overlooked the recent rise in English bacon prices. By this time, however, the Ministry had the Canadian contract behind it, and felt on stronger ground. Its trade advisers thought the Danes were exaggerating increases in cost, and pointed out that the pre-war ratio of bacon prices to feed prices had been abnormally favourable. (In fact, this had been so ever since the import quota system had created an artificial shortage of Danish bacon in Britain.) However, it was thought fair to offer a moderate increase, to 112s. cwt., linked with an offer for butter. At first the Danes rejected this, proposing 115s. (which was substantially below their earlier figure of 127s. 6d.) but they were obviously shaken by the news that the Canadians had agreed to supply 125,000 tons over the year at 102s. While it was true that if the price offered to the Danish farmers was not good enough they would cut down production, the fact remained that during the next few months they would have quantities of pigs for disposal and would want to keep the bacon factories operating. The delegation finally gave way and accepted the 112s., hoping to secure a better price in the New Year.

By that time, however, arrivals exceeded requirements, stocks were piling up, and the Ministry was casting around for ways of disposing of the surplus. It not only rejected out of hand the Danes' next request for a price increase, but asked them to hold over shipments for a fortnight to relieve pressure on English stores;[1] and in early February it gave notice that imports and possibly prices must be reduced in the near future. Meanwhile the Treasury had been negotiating a Payments Agreement to limit Danish spending to the sterling area, which the Danes were reluctant to conclude for fear the Germans regarded it as a breach of neutrality and interfered with their trade. The Ministry of Economic Warfare had proposed that payments for Danish butter and bacon should be blocked so as to compel them to sign the agreement; and in January 1940, the Treasury inquired about the consequences of a complete stoppage of Danish imports at German instance. The Ministry of Food thought that even so, thanks to the big bacon stock in hand, it should be possible to get through the summer, that is until the time came when Canada should have more to send, without dropping the ration below four ounces. But it recognised that current estimates of the expendability of Danish supplies rested on the unsure assumption that home and Irish production could be maintained; moreover, if the Danes were to cut pig production to the level they could support with home-grown feed, it would be a long time before they could restore full-scale bacon deliveries to the United Kingdom. As the Ministry of Food had occasion to remind the Treasury more than once, large bacon contracts require some guarantee of continuity, inasmuch as nearly two years must elapse between the adoption of a new breeding programme and its visible effects on market supplies. It seemed good policy to keep the Danish bacon market open, though on a more modest scale.

The reduction of imports mentioned in the Ministry's formal notice of early February was from 3,500 tons a week to 2,500, which would still leave the United Kingdom with a surplus over average consumption, but would compel the Danes to start slaughtering young pigs. The policy it embodied raised fears in the Ministry of Economic Warfare and the Board of Trade lest it should spoil the Danish market for British exports, jeopardise the War Trade Agreement, and lead to the export of pigs to Germany. With the last particularly in mind, the Ministry now proposed to guarantee a market for 2,500 tons per week for the next six months, so that the Danes could reduce their stock gradually; the Treasury on the other hand wanted to see all bacon

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[1] Total storage space available had been reduced by 75 per cent. in the past month, about 19,000 tons of bacon was in store, and stocks were expected to reach 35,000 tons (about five weeks' consumption) by the end of January 1940.

imports reduced as soon as possible. All, including the Danes, were eventually induced to agree to the Ministry's proposal. The question of price was left over to the end of March; but the Ministry had had to reduce its selling price by 11s. 6d. per cwt., in an effort to reduce the glut, and the Treasury not only wanted to get rid of the resulting subsidy but considered that lower prices for bacon and butter might oblige the Danes to restore the former sterling parity. They were therefore told, protesting, that they must, from 1st April 1940, bear the 11s. 6d. reduction in price that had been fixed in the Ministry; but before a new agreement could be formally concluded it was gone with the wind of the German invasion on 10th April.[1]

III

Negotiations for bacon supplies from Eire were quasi-domestic in character, for although quantities had been regulated by quota in peace-time and were subject to long-term contract in war-time like those from other overseas sources, prices had perforce to be determined by the rates fixed for English bacon curers, which in turn were based on the price of English pigs. This was unavoidable because Northern Ireland curers and pig-keepers came within the Ministry's system of control;[2] if better prices had been available in the north, pigs from the south would have been sent over the border to collect them. (The same situation on a larger scale cropped up in North America; Canadian hog prices had to be fixed with an eye to those available in the United States after the Lend/Lease programme had given a stimulus to hog production.) The Eire representatives, indeed, claimed a price above English rates because imported feeding-stuffs were not subsidised there, but the Ministry declined to subsidise pig-keepers there. The quantity to be covered by contract was left at its pre-war level of 500 tons per week, which was small in comparision with supplies from other sources, but relatively secure as long as production could be kept up. Increased production, said the Southern Irish, would call for a higher price.

Early in November 1939 both parties were ready to sign an agreement allowing Eire curers the current English bacon price (of 111s. 10d. cwt.) f.o.b., varying according to alterations in the pig price. Almost as an afterthought the agreement was submitted for sanction to the Treasury, with no suspicion that any objection might be raised to a contract within the sterling area; but the Treasury

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[1] The Ministry maintained its stiff attitude to the last, and although the new reduced prices had not been committed to a formal letter, insisted that they should still apply to shipments arriving between 1st April and the German invasion.

[2] Northern Ireland was also, of course, subject to rationing.

queried whether Eire bacon or even Northern Irish should fetch the same price as English. (The Eire curers were to pay their own transport expenses to the Irish port, but the Northern Irish were to receive an ex-factory price, which left them better off than in pre-war days when they had borne the cost of putting their bacon on the English market.)[1] When the Ministry pointed out that Eire curers, as well as having to bear the cost of collecting pigs from farms (which in England was mainly borne by the Ministry), would be deprived of the advantage of selling bacon on wholesale or retail terms enjoyed by English curers, it exposed another flank to Treasury fire, for this was the one case where bacon traders were allowed a double margin.[2] While Treasury approval was thus being delayed the price of English pigs had been decontrolled along with other livestock; English bacon was selling at far higher prices than the Irish producers received; and the Irish representatives now wanted a new price based on current market values of English pigs, which according to them would have produced a figure of 155s. cwt. for bacon. In the meantime, Irish shippers were sending over a variety of odd cuts, including 'fresh hams' of uncured but salted meat, in an effort to avoid the price control on imports. So great was the difficulty of price-fixing for the interim period prior to control that Bacon Branch even considered abandoning requisitioning, but realised that this would have invited a flood of unwanted bacon from Eire and the United States. Finally a figure was settled on the basis of ruling prices on the English market during the period of decontrol, and from 29th January 1940 the price was based on the new controlled rate for English bacon.[3]

Subsequent developments suggested that this price was attractive to Eire pig-producers, for in March 1940 the High Commissioner's Office began to press Bacon Branch to accept an extra 750 tons per month. Naturally this was rejected; but when the offer was renewed in April the loss of Danish supplies influenced the Branch to return a qualified acceptance, even though lack of cold storage made it impossible to take much more for the time being. The price was the chief obstacle; Eire bacon was the most costly import, showing a heavy loss on the reduced Ministry selling price, while Canadian still showed a profit. While before the war Eire bacon had sold on the average for about 6s. cwt. less than Danish, it now cost 27s. more

[1] The intention underlying this varying treatment was that the Ministry should secure control of the bacon at the earliest possible point. As Eire was effectively a foreign country, this would in its case be the port; but in Northern Ireland it would be the factory gate. The advantage thus given to Northern Irish curers in comparison with pre-war conditions was thought good business to encourage production near home; it may be contrasted, however, with the price for livestock imports, which was also based on English prices but paid at English ports.

[2] Below, pp. 402-404.

[3] 133s. 6d. for Wiltshire sides. Only 115s. cwt. was to be paid for gammons since the Ministry wanted to discourage them.

than the new price agreed with the Danes immediately before the German invasion. To avoid discouraging production that it might want in the autumn, the Ministry offered to take the surplus bacon off the curers' hands at a price which would show it neither profit nor loss (calculated at about 35s. below the contract rate). Dublin rejected this offer, and the bacon negotiations (which were being carried on in conjunction with discussions on dairy products), hung fire for a time, as prices that would have been acceptable to the Southern Irish must have had repercussions on those paid to other Dominions. Producers there, however, were anxious to get rid of their surplus bacon, and it was arranged at the beginning of July that the Ministry should accept an extra 3,000 tons spread over the next two or three months, at a provisional price of 95s.

By the end of the month, however, very little extra bacon had arrived; Ministry stocks, which at the end of April had amounted to 33,000 tons, had been melting away at an alarming rate,[1] for very little had been arriving from Canada, and recent releases seemed to have amounted to a good deal more than ought to have been needed to meet the ration at the four-ounce level to which it had returned on 8th June.[2] Bacon Branch had been counting on the extra bacon from Eire to make up supplies for the next few weeks and began to press for it. In the end the bulk of the so-called surplus was received, but by the end of September regular shipments were 750 tons behind. It was concluded in the Ministry that Eireann Ministers had acted in good faith in promising the extra supply, but that—possibly because of the low price—it had been dissipated internally before it could be exported.[3] Certainly the exporting authorities there had hard work afterwards to scrape together enough to fill the quota. The price to be paid for it was not settled for months; the Ministry stood firm on the figure of 98s. 9d. it had originally offered, and in March 1941 the Southern Irish finally accepted.

During the autumn of 1940 talks were going on over a general trade agreement with Eire, centring mainly on the means of bridging the gap between what Eire regarded as an economic price and what

[1] Only 11,000 tons remained in July—the minimum necessary for smooth distribution.

[2] For the reasons, see Vol. II, p. 554.

[3] A letter from a Southern Irish curer intercepted by the Censorship authorities in November 1940 contained some interesting revelations about the devices to which the Pig and Bacon Commission (which handled Eire exports) and curers had to resort to fill the 'surplus' quota. 'The Pig and Bacon Commission asked for and got from Britain an increased Export Quota and promised Britain the bacon at 95s. We were informed that if we did not export the bacon our subsequent quota would be reduced or withdrawn. In order to get sufficient pigs we were compelled to pay about 160s. cwt. for them. Even so we could not get enough. The Pig and Bacon Commission promised to pay us a bounty of 32s. cwt. on this extra quota ex a Stabilisation Fund, but after having made the promise they evidently discovered that they had not sufficient money in the Fund to pay everybody and they put a levy of 4s. cwt. on all bacon sales from September onwards. In other words, they collect from the curer in order to fulfil a promise they previously made him . . .'

the United Kingdom was prepared to pay having regard to Dominions contracts. On bacon (a Treasury official wrote), 'We are, of course, on a cleft stick, one prong being our dislike of Eire manoeuvres to get unjustifiably high prices, and the other being our anxiety to get as much bacon as possible from Eire in order to save dollars.' At that time the Southern Irish seemed to have plenty of pigs, and as the price available for 'surplus' bacon was so unattractive, they had resorted to sending more pigs both live and as carcases of bacon weight so that the Ministry's Meat and Livestock Division had imposed quota restrictions. Future production, however, depended very much on the extent to which Southern Irish pigs could be maintained on home-grown feeding-stuffs, as the British controlled the ships and would naturally ensure that such imported feeding-stuffs as there might still be space for came to the United Kingdom. Just before the old bacon contract ended, the Ministry agreed to renew it for a slightly larger quantity at the old price; but at the end of December 1940 British Ministers decided that the gravity of the shipping situation precluded the supply to Eire of any further feeding-stuffs. The effect on bacon production there appeared very quickly; by February 1941 exports to the United Kingdom had already fallen below the contract level and in April the Eire Department of Agriculture reported that it could not be fulfilled; shortage of feed and the unattractiveness of the bacon market had caused much slaughtering of young pigs and brood sows. Exports continued to fall off during the summer, and in October 1941 stopped altogether; they were not resumed while the war lasted.

IV

It had been recognised before the war that larger imports from Canada would be the mainstay of Britain's war-time bacon supply, and in September 1939 the Canadians were at once asked to name their price for supplying up to 2 million cwt. of bacon in the next six months.[1] They soon made an offer of approximately 111s. cwt. landed at current exchange rates, equal to 20s. cwt. above prices ruling immediately before the war. The Ministry felt that this was too much (although it was partly compensation for the fall in the value of sterling); not only was it out of line with what was known of Canadian production costs but to have conceded it would have had a serious effect on the negotiations with European countries. The Canadians argued that a hog price above the present depressed level

[1] This was a rather smaller quantity than the 120,000 tons (2,400,000 cwt.) previously mentioned, but it was regarded as a minimum.

would be needed to encourage the increase in production that a big United Kingdom contract would entail; the Ministry, that Canada's stocks of cereals were so large as to carry in their wake large hog populations. Unprecedented quantities of Canadian bacon were being attracted to the United Kingdom by the agreed requisition price—95s. 3d. cwt.[1]—and the Ministry contended that but for the war Canadian bacon must have fallen to 89s. or less. Eventually the Canadians accepted the Ministry's final offer of a flat rate of 102s. landed (for which Treasury sanction had had urgently to be sought) but pointed out that they would be providing the United Kingdom with bacon at well below the rate charged by other suppliers and had a right to expect preferential treatment in the future. The quantity supplied was if possible to average 50,000 cwt. a week, more than the Ministry had asked for, and there was even a hint of additional quantities that might be taken at the contract price.

By January 1940 arrivals from Canada were well over 500,000 cwt., and such was the strain on cold stores that the Canadian Bacon Board had to be asked to limit shipments to those for which shipping was booked and store the remainder at Ministry expense. The Canadian hog population in December 1939 had been the highest ever reported for the season, foreshadowing a big increase in surplus pig-meat available for export, and in June 1940, when the bacon ration reverted to four ounces, the Canadian Bacon Board hastened to assure the Ministry that it was ready to send extra supplies at a price *below* the contract level. But by this time cold winds were blowing from the Exchange Requirements Committee; Bacon Branch, much as it would have liked to double the Canadian contract now that all European supplies had come to an end, had to temporise.[2]

In point of fact, the Ministry was not yet certain how much bacon would actually be needed for a four-ounce ration plus off-ration sales, as the take-up of an eight-ounce ration had been surprisingly small. Home production was high at the moment, and likely to remain so until the 'slaughter policy' had run its course, but some time in the next year would probably fall off rapidly. By August 1940 the picture was no clearer; for a variety of reasons,[3] releases of bacon had so far been little below those when an eight-ounce ration had been in force, and stocks in cold store had fallen below the danger-level of

[1] The heavy shipments may have been encouraged during October by the packers' belief that they would get the Ministry's first-hand selling price announced on the Provision Exchanges, which was deliberately increased by stages with the idea that the profit should accrue to the Ministry.

[2] As early as March the Treasury had begun to press for a reduction of Canadian bacon imports to something less than 50 per cent.; Bacon Branch had had to admit that, assuming Continental supplies were maintained, it could keep up a four-ounce ration without any Canadian bacon at all, just as a little earlier it had admitted that the ration could be sustained without Danish bacon.

[3] p. 359, n. 2 above.

the two weeks' supply regarded as essential for the smooth running of the distributive machinery. Bacon Branch was so alarmed that it asked the Canadians to bring forward the October shipments due under the contract to August and September. The best estimate that could be made of consumption in the forthcoming year was 7,500 tons per week,[1] including allowances for the Services and unrationed cuts, which in round figures would call for a total of 400,000 tons of bacon for the year. This, it was finally concluded, could only be made up by the import of an extra 60,000 tons of Canadian bacon over the amount of the current contract (130,000 tons), which would not involve much extra expense if the Canadians were willing, as seemed likely, to reduce their price. The Ministry's Overseas Purchases Board agreed that it was important on psychological grounds to keep up a four-ounce ration, and difficult for practical reasons to reduce it, but hoped that 20,000 tons of bacon might be got from the United States under some barter or credit arrangement.

At the end of August, however, the Exchange Requirements Committee, bent on following a recent Cabinet directive to restrict dollar imports, refused to sanction any increase in the Canadian import programme, or any United States imports at all.[2] The Treasury suggested that food administrators should look again at the possibilities of economising in unrationed bacon, or of reducing the ration for certain groups or even generally. The Ministry quailed at the former, involving as it did complications with caterers and ham sandwiches, which had been a source of trouble from the beginning of rationing. As for the latter, it reiterated its belief that though it might be administratively possible to distribute, for example, three rations of bacon in four weeks, this was bound to have a serious and depressing effect upon the general bearing and goodwill of the 'industrial classes' who were supposed to prize bacon, along with tea and sugar, especially highly. The time—early September—was, of course, that of the opening of the all-out air attack on London, when a reduction in supplies of such an all-purpose, easily-cooked article as bacon would have been a special blow. It became almost a matter of faith in Bacon Division that the four-ounce ration should remain intact as a contribution to war-time morale—and so it did until 'VE-day' had passed.[3]

Meanwhile the Canadian Government had been pressing for discussions on the renewal of the bacon contract, which, as it reminded the Ministry, had been due in August. Ministry officials were con-

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[1] This proved to be reasonably accurate.

[2] Vol. I, p. 233.

[3] The fact that after the war grocers were able to cut rations as small as two ounces (when the level was one ounce they usually supplied single ration book holders in alternate weeks) disposes of the war-time argument that anything less than four ounces would be impracticable; but there was no doubt that it was inconvenient.

vinced that Canada would be willing to provide the means of payment for the extra bacon, and agreed with the Treasury that the Chancellor of the Exchequer should, in formally notifying the Minister of the Exchange Requirement Committee's veto, suggest an approach to the High Commissioner so that this could be discussed along with purchases of other commodities. The letter came from the Chancellor; but through some hitch the Minister had not been primed and so failed to act upon the reference to the High Commissioner. In the long run nothing was lost through this mishap, for a conference was arranged with Canadian Ministers at which the whole range of food purchases from Canada was discussed, and a new bacon contract was eventually signed in November. In the meantime, however, Bacon Branch was in acute difficulties; at the beginning of September stocks were down to less than a week's supply, and supplies in sight could maintain the four-ounce ration only till the end of October (and then without margin for sinkings or air raid losses).[1] The October shipments due under the old Canadian contract had been drawn forward already and it was now necessary to repeat the process. The Treasury could hardly refuse sanction for 10,000 tons to be shipped in October, for otherwise there would have been no Canadian arrivals in that month at all; but it was vexed to learn afterwards that this 10,000 tons had been represented to the Canadians as an additional quantity under the old contract, instead of an anticipated quantity under the new, so that it would have to find an extra £1 million in dollars.[2]

In mid-September the Minister put the case for the full import programme of 190,000 tons of bacon from North America before the Food Policy Committee, which accepted the compromise that dollar exchange for 10,000 tons over and above the old level should be allowed during the next three months, to allow time for some credit agreement with the Canadians, and possibly the Americans after the next presidential election. The Committee was obviously worried at the idea of a smaller ration and turned down all suggestions of reducing it, except for the Services and young children.[3] The Treasury perforce agreed to an extra 1,000 tons a week being taken as an interim measure to relieve the Canadian surplus and conceal from Canadian farmers that a larger contract had not yet been concluded; for the Canadian Bacon Board maintained that price quotations based on the old 130,000 ton contract would lead to a migration of hogs over

[1] During the period September—December 1940 6,500 tons of bacon were lost at sea and 300 tons in air raids.

[2] This anomalous purchase was the subject of special price negotiations during the visit of the Canadian Ministers. A price somewhat below that of the old contract was agreed.

[3] The reduction in the children's ration was later discovered to be impracticable because there was no way of readily distinguishing a child registered customer for bacon from an adult. See Vol. II, p. 555.

the United States border and a rise in price. The Board, in fact, was as anxious to continue sending regular supplies at the rate of 3,500 tons per week (or between 180 and 190,000 tons a year) as the Ministry was to receive it; for this would both dispose of the Canadian surplus and guarantee the British ration. Yet difficulties still arose at the conference with the Canadian Ministers because the dollars available for all food purchases were limited and the desired quantity of bacon at the lowest price the Canadians said they could accept looked like taking too large a share. In the end it was the bacon trading account that benefited from this situation, for the Canadians agreed to subsidise their producers and so enable a new contract to be made for the full 190,000 tons at £80 a ton f.o.b.—£11 per ton below the old price.[1]

Bacon Branch's difficulties, however, were not yet eased. Its September shipment from Canada had met with misfortune *en route*; enemy raiders were active in the Atlantic, and at the beginning of October, out of 10,000 tons, 2,500 tons were reported lost and 5,000 more delayed through the dispersal of convoys; only the remaining 2,500 had arrived. Stocks in hand were barely a week's supply.[2] To improve the stock position a little, the issue of 'category C' supplies of hams and gammons for sale cooked off the ration was suspended, ostensibly for a limited period; this was expected to save 200-250 tons per week. But a month later the situation was even worse. On 2nd November 1940 there was only about 2,500 tons of bacon in stock after allowing for the current week's release; this, with the amount expected from home production and Ireland, would not be quite enough to meet the following week's requirements, and the ration for the next and succeeding weeks depended entirely on supplies coming in from Canada. Nearly 4,000 tons were near at hand,[3] but whether they would be in time for the following week's release was problematical; in this extremity, Bacon Branch proposed to fall back on a reserve of 2,700 tons spread among selected wholesalers to meet 'extreme emergencies'. With the help of this iron reserve the ration could yet be kept up for another week or two, and meanwhile 11,000 tons was known to be on the way. The tide then turned, and by the end of November there were two weeks' stock in hand, with good supplies in sight for the immediate future.

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[1] As a *quid pro quo* a small increase in cheese prices was agreed to by the Ministry.

[2] Bacon Branch habitually expressed current stocks *after* allowing for releases to traders during the forthcoming week, and *without* allowing for supplies afloat *en route* for the United Kingdom.

[3] The exact details of the shipping position at the time give a vivid impression of the Branch's hand-to-mouth existence. One ship with 2,100 tons of bacon was reported in the Mersey proceeding up canal to dock at Manchester; the bacon would not be the first cargo to be discharged. Another with 900 tons was expected to arrive any moment. Another with 727 tons was 'on the rocks off the north-east coast but the refrigerating machinery is still working and salvage of the bacon cargo is not hopeless'.

Yet the further outlook was still uncertain. Commenting on the preliminary results of the September census of pigs, the statisticians had observed that although there was no immediate need to revise their previous estimate of 170,000 tons of bacon from home production during the second year of war, there were so many uncertain factors—the possible diversion of pigs to the pork market, the impact of rationing of animal feeding-stuffs, the growth of illicit slaughter, the varying level of production through the year—that too much should not be built on it. Towards the close of the year, indeed, it was beginning to look as though the amounts of bacon on contract might, after all, not be enough.

A new threat to home bacon production now developed because of the redeployment of shipping. Estimates of home production in the second year of war had included 45,000 tons manufactured from baconer carcases imported in about equal quantities from Australia and New Zealand as part of the general meat agreement.[1] Bacon Branch also counted on its reserve of frozen pork to even out deficiencies in the supply of pigs in the course of the year. Stocks in cold store had to be drawn on at the beginning of 1941 to help out the struggling meat ration, and Bacon Division (as it had now become) had been hoping to build up its stocks in the next few months to lessen the effect on home production when pig supplies began to fall off in the spring. In January 1941, however, a switch of refrigerated shipping took place from the Southern Dominions to the River Plate,[2] and there now appeared little prospect of the unshipped balance of the baconer carcases (about 25,000 tons) ever arriving. This would mean that the slender margin on which the four-ounce ration depended would be wiped out, and as production from home pig supplies was expected to decline from the present level of about 4,000 tons per week to about 1,200 tons per week by August 1941, the ration was in danger. There could be, however, no question of changing the policy of concentrating on the shorter haul; all that could be done was to try to fill the gap from some other source, perhaps Canada or the

[1] Above, pp. 230–231. Bacon Branch had wished to be the consignee of the frozen carcases, which could be stored at ports by the Port Bacon Agents, but it was arranged that the cargoes should be discharged as a whole to Meat and Livestock Division, although the Dominions advised Bacon Branch direct of their due quantities of carcases shipped. In the spring of 1941 the latter became dissatisfied because it had not received its due; there was a discrepancy of 3,500 tons which in the end had to be written off. It seemed possible that some of the consignments might have been above or below the specified bacon weight range (of 120–160 lb.) and had been taken for pork, or that they had been wrongly labelled. There was no question of the Ministry paying for pork it had not received, and the trouble arose mainly from the mutual mistrust of the meat and bacon controls. The second was inclined to blame MINDAL, which seemed unable to give up-to-date figures of its stock position, and MINDAL for its part thought the conversation factor of weight from numbers of carcases was faulty. Matters were improved later by the clearer marking of baconer carcases to avoid the possibility of confusion on the quayside.

[2] Above, p. 232.

United States.[1] By the end of March 1941, indeed, Bacon Division was beginning to realise that the deficiency in home production would be greater still because the decline in pig supplies had come upon it much sooner than it had expected. The December census had suggested that the fall in pig numbers was still well below what was required in view of the feed situation, and that a glut of pigs was to be expected after the start of feeding-stuffs rationing in February 1941, which should last until mid-summer. That expectation proved false; estimates of home pig supplies for the rest of the second year of war were now to be cut by one-third. An extra 23,000 tons of bacon imports would be needed before August if the ration were to be saved.

[1] Australia and New Zealand were naturally disgusted at being suddenly informed that exports were to be cut when they had recently been encouraging farmers to concentrate on baconers. They both had quantities of baconer carcases actually in store for the United Kingdom, and these the Ministry agreed to take.

CHAPTER XIX

Overseas Supplies in the Later Years of War

I

THE prospect of bacon on Lend/Lease, which became an imminent reality in mid-February 1941,[1] was viewed by Bacon Division with mixed feelings. Aware of the differences in American and British tastes in bacon, and doubting in consequence whether anything the United States might send would be of 'ration quality', the Division decided to ask for about 12,000 tons—half the expected shortfall on ration requirements. It hoped to make up the remainder by extra shipments from Canada, but was faced with difficulties. For some time there had been signs that the United Kingdom would have to offer Canada a better price in order to maintain supplies; rumours of Lend/Lease had already caused a rise in prices in Chicago big enough to attract surplus Canadian hogs over the border. Higher authority in the Ministry was, however, disinclined to be hasty about increasing the Canadian price, for fear of prejudicing negotiations for the next year. Indeed, so long as the Canadian dollar problem remained unsettled, the Ministry could not even say that bigger bacon imports, entailing higher farrowings, would probably be needed in the third year of war. In the meantime, and pending some financial arrangement with the Canadian Government, it was decided to ask for an acceleration of shipments under the existing contract; a course to which the Treasury only very reluctantly agreed but which became all the more necessary when it was discovered early in April 1941 that no Wiltshire sides suitable for the ration could be expected from the United States before the autumn.

By this time it was abundantly clear that even the maintenance of Canadian shipments, let alone their increase, would require a higher price to be paid. On 4th April the United States Department of Agriculture had announced its aim of raising hog prices to 9 cents a lb.,[2] to encourage heavier pigs as the only way of producing a larger quantity of pig-meat in a short time. Not only was this bound, unless counteracted, to attract Canadian hogs over the border; it would also encourage the production of what, in British eyes, was an undesirable variety of bacon. The type of lard-hog bred in the United

[1] Vol. I, p. 233.

[2] The previous September the price had been 5½ cents.

States produced, even at light weights, a fatter type of bacon than the British market used; at heavier weights it might produce something quite unsaleable on the ration. The American price increase was embarrassing for the Canadians; anxious to dispose of supplies not contracted for, they had made it known that they were ready to finance purchases on as favourable terms as Lend/Lease, and thus faced with the prospect of heavy subsidies, were as interested as the United Kingdom in keeping bacon prices down. But something had to be done at once if hogs were not to disappear from the Canadian market completely: 'with the utmost difficulty', the Treasury was persuaded to agree to the payment of 85s. a cwt.—a price rather below current levels on the United States market—for the remainder of the contract quantity,[1] on condition that any further price rise occasioned by U.S. changes would be borne by Canada (though the United Kingdom would get the benefit of a fall).

It was already time for the third Canadian contract to be settled, as the acceleration of shipments would make the second run out earlier. In contrast with negotiations for the first two contracts, which had been mainly a matter of finding a price that the Canadians would accept and the Treasury approve,[2] those henceforth promised to be complex, for it would be impossible to discuss either quantity or price without reference to conditions in the United States and Lend/Lease possibilities. The Ministry was morally bound—and certainly preferred—to take most of its bacon from Canada, which had been given assurances on the subject of Lend/Lease as early as February 1941;[3] but the Americans had bacon they wished to send, and that would be available without currency difficulties. As the Ministry's Mission in Washington pointed out in May 1941, if the Department of Agriculture made special efforts to increase production of any commodity it would be 'up to' the United Kingdom to take it; moreover the Department would be especially sensitive on the matter of pork products on account of its experience after an over-production of pork in 1935, when quantities had to be destroyed. One result of Lend/Lease was indeed the creation of a new overseas market for the United States, simultaneously providing an alternative outlet for Canadian pigs and driving up bacon prices with those of other farm products. In consequence agricultural price-fixing in Canada was henceforth influenced more by political considerations than by costs, or United Kingdom views on what constituted a fair price. The

[1] A contingency of this kind had been provided for in the Canadian Agreement, which had taken the form of an exchange of letters between Lord Woolton and Mr. Gardiner, Canadian Minister of Agriculture.

[2] One sign of the changed times was that the *venue* for contract discussions was henceforth Washington instead of London.

[3] Vol. I, pp. 241–2.

Canadian farmers' own views were now coloured by what the United States farmer was getting, as well as the Canadian industrial worker's rates of pay. The Canadian Government had perforce to drive as hard a bargain as it could with the United Kingdom; there was no question (as some British officials had hoped) that it might place an embargo on the sale of hogs over the border without improving its own price. Moreover it had agreed to provide the means for United Kingdom purchases and although the British Treasury wanted to limit the debt[1] the Canadian Treasury likewise wanted to limit its subsidy burdens.

On the other hand, the British procurement problem could now be stated more simply than in 1940, when estimates of requirements and of home and Irish production were all uncertain, and imports from North America were limited by currency shortage. A year's bacon supply with the ration at four ounces (including Service requirements) could now be estimated with fair accuracy at a little under 400,000 tons; of this, between 40 and 50,000 could be expected from home and Irish production, leaving about 350,000 tons to come from North America: the import programme, allowing a percentage for sinkings and something for unrationed cuts, was actually fixed at 368,000 tons, for which priority in refrigerated space had been secured. Canada hoped to supply 268,000 tons during the coming season without increasing her hog production, and the British Food Mission in Washington was asked to arrange for the balance of 100,000 tons to be made up from Lend/Lease supplies. The Mission had already sent word that this quantity would probably be available, but was not sanguine about the proportion that would prove suitable for the ration and the chances of the Department of Agriculture altering its policy so as to encourage the production of lighter hogs; however, it hoped to be able to make up regular weekly shipments from North America to about the 7,000 tons needed for the ration, *provided* it received sufficient notice of the refrigerated space that would be available after Canadian shipments had been allowed for. The Americans, generally speaking, found it convenient to play the subsidiary part in supplying bacon to the United Kingdom; especially after they had entered the war, there was a strong home demand for bacon both on the part of domestic consumers and of contractors canning for the Services. The British Food Mission nevertheless had a delicate task in keeping shipments of United States bacon steady enough to prevent the Department of Agriculture losing interest in its procurement—which would have rebounded on meat supplies, by which the British set more store—while satisfying Bacon Division's insistent clamour for lean

[1] The Treasury was worried at the amount of blocked sterling Canada was accumulating. At the time of the discussion of the third Canadian contract, the thousand million dollar gift was still a thing of the future.

Wiltshires, obtainable so much more easily in Canada. It was a relief when Lend/Lease shipments to Russia created another outlet for the fat United States bacon.

Meanwhile, two increases in the price offered by the Canadian Bacon Board, partly covered by the higher prices the United Kingdom was paying for the remainder of the contract, had done nothing to check the disappearance of pig-meat, which was now the cheapest on sale, into home consumption and over the border, and it was clear that the Canadian Government would have to intervene to control the market. In July the Canadian Minister of Agriculture placed an embargo on the export of hogs and pork to the United States, limited domestic consumption by 25 per cent., and raised the price of pork. This was welcome evidence of Canada's intention of making every effort to fulfil her contract; but Mr. Gardiner insisted that the Bacon Board must be able to offer a price equivalent to 100s. cwt. f.o.b. if the quantity promised for the next year was to be forthcoming. The British Treasury had tried to set a limit of 91s. cwt. for bacon, and the Ministry of Food wanted at all events to keep the price below 93s., equivalent to the current price in the United Kingdom, but since the Canadians would not consider anything less than 100s., so it had to be.[1]

Market conditions were by now bearing out Canadian fears that too low a price would make it impossible for them to fulfil the United Kingdom contract. The first hint of a new supply crisis had come in June, when the Bacon Board offered surplus refrigerated space to the British Food Mission for American shipments. Soon afterwards it informed the Ministry that shipments for the next two months would be below the normal contract of 3,600 tons per week, instead of above it as had been hoped; apparently stocks in cold store had been used up in supplying the Ministry's first request for extra bacon, and current supplies of hogs were small, as usual at that time of year. To save the ration the British had to fall back on the United States; but all that the Department of Agriculture had available at this stage was a variety of cuts, mainly hams and bellies, bought up shortly after the Lend/Lease programme was announced. The Ministry had perforce to accept what there was,[2] asking only that the lighter hams and bellies should be sent first; but in the state of confusion into which shipping had then fallen, the British Food Mission had to fill up refrigerated space with whatever was available, including cuts at which even the Ministry's Manufactured Meats Department looked

[1] In July 1941, current prices for hogs in Chicago were said to correspond to a price for Canadian bacon of upwards of 104s. 6d.

[2] Bacon Division had already considered and rejected this cured pig-meat as part of the extra 23,000 tons of bacon needed for the second year's supplies, but being now bound to accept it agreed to do so 'for experimental purposes', that is, for whatever use could be found for it.

askance.[1] A report on the bacon stock position drawn up at the beginning of July therefore included only 11,000 tons of United States bacon fit for the ration out of 20,000 tons expected to arrive in the next two months.

II

The Ministry had now to launch a publicity campaign, one of several[2] required at the time, to induce consumers to accept the unusually fat and salty bacon and instruct them in the technique of making it edible. Public Relations Division had to walk delicately between the suggestions that, at this stage of the war, the British public must accept thankfully whatever it was offered, and that the bacon, though it might satisfy the Americans, was not what the British public had been accustomed to. Indeed, it was not; it was much fatter even than streaky bacon[3] and the cure was over-salty for British tastes. Whether this particular bacon was any more to the taste of American palates was doubtful. Many trade experts in Britain felt that American packers could be got to provide more suitable bacon if they were told that it was to be put out raw, in rashers, not in joints already boiled; but in any case the bulk of the early Lend/Lease supplies were from the hurried purchases of 'large elderly grandmothers whose corporate personalities must be fearful to behold' —purchases aimed at keeping up prices and encouraging future production. Anyway, (as the Food Mission repeatedly said) nothing else would be available until the autumn, and the Department of Agriculture, a marginal buyer on a free market, could not pick and choose. Lord Woolton took the opportunity of a meeting with Mr. Harry Hopkins in July to let him know that the British were disappointed with the quantity and quality of Lend/Lease shipments so far:[4] but it was realised that the Department of Agriculture's inadequacies were due more to lack of power than of goodwill.

Meanwhile, British consumers were being advised to overcome the

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[1] Manufactured Meats Branch preferred fresh meat; as an official remarked, from cured meat they would 'probably have to produce a different type of sausage, but I cannot conceive that the new type could be worse than the one we are getting now'.

[2] Others concerned carrots, national wheatmeal bread, and wet-salted cod (Vol. II, p. 33).

[3] The 'belly' in American-style bacon, weighing 20 lbs. or more, was equivalent to the 'streak' on a Wiltshire side, weighing 7-10 lbs.

[4] Six months after the passing of the Lease-and-Lend Act, shipments of foodstuffs to the United Kingdom under the Act had amounted to 1 per cent. of its annual requirements, and some of the bacon and eggs had not been worth their refrigerated space.

saltiness of the bacon by soaking, and were plied with recipes, reminding them of the uses of the bacon fat in cooking and its splendid nutritive values. Bacon Division began shortly to wonder if the sales campaign was being over-done and was not focussing attention on the drawbacks of the goods, for Fleet Street was beginning to make merry at the expense of the 'imported bacon' extolled in the Ministry's advertisements. Surprisingly enough, after a few weeks' experience most Area Officers reported that sales were going reasonably well and that grumbles had been few; one or two cases were reported from the London areas of traders compelling their customers to take part of their allowance in belly bacon—so contravening the ban on conditional sales—but not enough to warrant special action.

There remained the bellies weighing over 25 lbs., which would have been impossible to dispose of on the ration, and that seemed to make up about one-half or more of shipments coming in during July, August and September 1941.[1] By the end of July, stocks were accumulating, and the outlet to manufacturers, who disliked taking cured meat, was very limited. The Minister agreed to their disposal free of coupon, and Bacon and Rationing Divisions exercised their ingenuity in devising fresh means of sale; the category 'C' allowance of bacon for sale cooked off the ration, dormant since the previous summer, was revived and amended to enable cooked belly bacon to be sold coupon free, and a new channel of disposal was opened by the creation of a category 'F' bacon, which catering establishments could draw on to the extent of four times their entitlement of category 'A' (*i.e.*, ration) bacon. This last device proved remarkably successful. In September Bacon Division was able to report the sale of 1,000 tons per week of fat bellies.[2] Indeed, the category 'F' bacon went so well that by the end of 1941 Bacon Division was asking for it, even at the expense of Wiltshires; but by this time most of the Department of Agriculture's stocks had been used up at home for school lunches.

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[1] In October it was calculated that about 60 per cent. of Lend/Lease bacon had been used for the ration, including Services supplies, but while shipments were arriving it was difficult to judge, as cargoes appeared to be made up haphazard of any available bacon.

[2] Before the gratifying results of this experiment had been seen, a suggestion had been received from American sources that the fat bacon could be disposed of at a low price to encourage sales. It may have had some connection with current American suspicions (thought to be inspired by enemy propaganda) that the United Kingdom was profiteering on Lend/Lease goods by selling them on the domestic market at normal prices. It was not easy to convince the Americans that it would be impracticable to supply Lend/Lease goods free or cheap and outside the normal distributive system to special groups of deserving persons (perhaps to the accompaniment of suitable publicity). Possibly a good many American food administrators never grasped what was meant by the British system of bacon rationing, with its transmission of supplies down the chain of distribution, each link with its appropriate margin, to the final stage of the retail sale of two or three rashers per head of the population; to them, bacon was meat, a kind of pork cured to eat for breakfast, fresh or canned, or boiled at any time, and if Wiltshire sides were not available, bellies or hams should do quite well in the meantime.

By then the crisis in bacon supplies was over; but in July, when the first American arrivals were coming in, prospects for maintaining the ration were black, and were to remain so for at least another three months. The news of Canadian shipments was still bad, Irish supplies were now dwindling to nothing, and the latest pig census showed a further substantial drop in breeding stock at home. A fresh review of the stock situation in the middle of the month concluded that only 3,000 tons would be left by the end of September,[1] and impelled the Division to draw on its slender reserve of frozen carcases, which it had hoped to eke out until the following year. Withdrawals were first doubled, then trebled; at this rate, the stock of carcases would be down to 7,000 tons by October. This gave the Division grounds to renew its appeal for more baconer carcases, valuable for underpinning the bacon ration in a crisis, as they could be held in cold store until required. Its first appeal to Meat Division failed, but by August that Division had a surplus of imported meat, and was willing to place 10,000 tons of its refrigerated shipping space at the disposal of Bacon Division in exchange for cold storage at home left empty by the running-down of bacon stocks. To provide the Southern Dominions with an export programme of reasonable size, a total of 20,000 tons of baconers was ordered for the next year: New Zealand responded at once with a promise of 11,000 tons, though stipulating for payment shipped or unshipped, understandably enough in the light of previous experience; but the Australian Government was only able to promise 6,000 tons over the year, excusing itself with references to the difficulties and exasperation of exporters, and their criticism of official changes of policy. The joint imports, however, gave Bacon Division a total of some 25,000 tons up to the end of 1942, which was thought adequate to make up any deficiency in imports of bacon as such.[2]

Thanks to the baconer carcases and the fat bellies, the Ministry managed to squeeze through the danger period of the late summer of 1941. By October the hog run had started in North America; the Canadian Bacon Board notified the Food Mission that it would have 27,000 tons for shipment that month, and the United States Depart-

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[1] This figure, however, left out of account an estimate of 7 per cent. losses by sinkings, which was more than actual recent losses and provided a possible margin of 4,000 tons.

[2] The following year the situation seemed likely to be repeated. In June 1942, when import prospects were good, the Food Supply Board favoured the stoppage of shipments of baconer carcases from the Southern Dominions, but in deference to the views of Bacon Division (which had been trying without success to secure alternative supplies from the United States), compromised by approving shipments in 'residual' space and in a form that could be used for either meat or bacon rations; and the two Dominions were asked for a total of 15,000 tons in 1942–3.

By 1942, however, the Southern Dominions were supplying a large part of the meat requirements of U.S. forces in the Pacific, and the supply of baconer carcases to the United Kingdom dried up. Later supplies came out of the allocations of frozen meat from the United States and Canada. In 1944 56,000 tons was set aside to enable Bacon Division to keep up weekly supplies for curers, and provide a stock.

ment of Agriculture invited tenders for Wiltshires (insisting, to Bacon Division's dismay, on a specification of 3¼ in. fat at the shoulder). But refrigerated space both at sea and at home was still a problem,[1] and it seemed likely that it would run short in the New Year: even in October, owing to bunching of convoys, there was about a fortnight's gap in arrivals from North America, and the stock position became momentarily very critical. In early November the Bacon Board reported that more than the promised weekly quantity of 5,800 tons would thenceforward be available, and anything surplus to shipping space would be stored fresh frozen; the following February, the Board had nearly filled all available space with the frozen pork that had accumulated during the shipping shortage. Before the end of 1941 Bacon Division could say that stocks were back to a safe level (that is, something over the 22,000 tons, or three weeks' requirements, now agreed as the 'danger level' for bacon).

In January 1942 the first shipments of the new season's supplies of United States bacon began to arrive, including Wiltshires. Reports on these were mixed. Some were quite good, especially from those packers who had made bacon for the United Kingdom market in peace-time; others had been made from poor hogs, badly butchered, or were too heavily boraxed; certain packers, of course, had never produced Wiltshires before, and it was not expected that they would ever be able to show a product as good as the Canadian. For the time, however, the trade was glad to get a change from bellies and made no complaint. The chief defect of quality, apart from excessive fatness (which the Mission hoped might improve if they succeeded in persuading the Department of Agriculture to modify its weight policy), was over-liberal use of borax and salt which no amount of complaint to the packers was ever completely to check.[2] Bacon Division found many faults in the method of packing and consignment, which if anything grew worse as the war went on. Boxes had to be substituted for bales, for which packing materials were not available, and often arrived broken and had to be recoopered; markings of boxes were often incorrect or missing, cargoes contained mixed types of bacon, and shipping papers were inaccurate and ill-organised, so that sorting had to be postponed till the bacon reached the store and distribution to the trade was held up.

Despite shortages of shipping which kept weekly arrivals from North America below the 7,000 tons per week planned, stocks by the end of March 1942 were over 40,000 tons and were expected to become

[1] Experiments in shipping bacon in un-refrigerated space had not been successful; and in any case un-refrigerated space was just as scarce as refrigerated, as Bacon Division had found when trying to order cargoes of unrationed bacon, which did not require refrigeration.

[2] In 1943 it was remarked that the U.S. Government must be paying for about 30 per cent. of the bacon weight in salt.

higher because of surprisingly large home production[1] and low sinkings. Usage had also fallen off because bacon formerly set aside for Service canning contracts had now been for the most part replaced by United States supplies; furthermore, issues against buying permits had been tightened up and 'C' and 'F' issues restricted. Bacon Division began to be troubled by the large amount of American on offer; fearing that this might compel the Ministry to reduce Canadian supplies, it cut down orders for unrationed bacon from 5,000 to 1,500 tons a month, as there were good stocks in hand. Looking ahead to the fourth year of war, the Division wanted if possible to arrange to do without American bacon altogether, foi it had been told that the proportion of Wiltshires available in future would be smaller; moreover, Meat Division could do with pork instead.

On grounds of policy, however, it was decided not to ask for less bacon from the United States: for the Ministry cherished hopes of increasing the bacon ration to six ounces as part of a more generous distribution of meat of all kinds, which would relieve the strain on cereals as well as varying the diet. If Canada, as was hoped, could increase her bacon supplies to above 300,000 tons, anything additional from the United States could be used to increase the ration. The project turned, however, on a number of uncertainties: the possibility of switching refrigerated ships, for meat as well as bacon, from the Southern Dominions to the North Atlantic; the success of procurement in the United States, and the early introduction of rationing there. Already in the summer of 1942, with refrigerated space more plentiful on the North Atlantic because of intensive shipbuilding and reduced sinkings, there was not enough American pork to fill it. In August the British Food Mission spoke of meat shortages in certain districts of the United States, and forecast shortfalls in bacon exports for September and October; soon afterwards the Americans made the unwelcome suggestion that the Ministry should take frozen uncured pork cuts instead of bacon to ease the strain on their packers. In October the Department of Agriculture formally notified the Mission that a return to heavy hog production was necessary to provide for all Service, Lend/Lease, and domestic requirements, adding that it would be only fair for the United Kingdom to accept a share of the fatter bacon as United States citizens would have to do so; some of them had lately had to go without bacon altogether. Bacon Division replied despairingly that some of the fat pork, fresh or cured, would be better not sent, and that it was reconsidering its annual order of 100,000 tons of Lend/Lease bacon;[2] for the moment it could only

[1] At this time it was running at 1,600-1,700 tons per week, against an estimate of 1,000 tons.

[2] Bacon Division decided in any case that the estimate of rationable supplies from the United States should be reduced to 50,000 tons.

depend on the Mission to do the best it could.[1] All idea of increasing the British meat or bacon rations had been dropped some time ago, and the plan for raising United States meat shipments to Britain was now represented as a ship-saving device from which such an increase was expressly excluded.[2]

III

After the high hopes of the summer of 1942, the word went out once again in October that the ration was in danger. The seasonal fall in Canadian hog supplies had set in in May, but for a while shipments were kept up to a high level by withdrawals from stock. By August, stocks were exhausted and shipments small; U.S. supplies included little rationable bacon. The Canadian hog run, expected to begin in September, was delayed, partly because of hesitancy in bringing animals forward once it became known that the new Anglo-Canadian contract, for a rather bigger quantity (equivalent to about 300,000 tons) had been settled at 10s. above last year's price, so that a rise might be expected in the Bacon Board's offer. Bacon Division took the usual precautions by stopping issue of category 'C' bacon and placing all cuts upon the ration; and dipped once again into its reserve of baconer carcases, reducing it in the course of the winter to 2,500 tons. As fresh supplies from the Southern Hemisphere seemed unlikely because of the diversion of Australian meat supplies to troops in that theatre of war, the British Food Mission arranged for about 30,000 tons of fresh frozen Wiltshire sides to be sent from Canada and the United States as a substitute for this iron reserve. Canadian supplies continued disappointing because of prolonged bad weather and the spread of illicit slaughtering, the inevitable corollary of the 25 per cent. cut in domestic bacon consumption introduced by the Department of Agriculture in an effort to honour its commitments to the United Kingdom. Supplies were at their lowest ebb at

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[1] In December 1942 the Food Mission explained to the Ministry that the effect of the Limitation Order imposed on packers by the U.S. Department of Agriculture to pre-empt supplies for the Services and Lend/Lease would be finally to remove any hope that future supplies for the United Kingdom might be taken only from those packers able to cure to the British taste. The Administration would have to spread its orders as widely as possible.

There is some hint of cross-Atlantic bickering at this point between Bacon Division and the Mission, which felt the Division was unnecessarily rigid in its requirements, To make Wiltshires at all disturbed the production schedule of most packers, and under present conditions in the American meat market, and with refrigerated shipping space going begging, it was impolitic to be too nice about accepting what was offered. Import Plans Division had some sympathy for the Mission and agreed that Bacon Division, having had things made too easy for them of late, had little incentive to adapt their distributive system. In September 1942, as a tactful gesture, the Mission agreed to take a quantity of 'picnics' off the hands of the Department of Agriculture.

[2] Vol. I, p. 243-44; above, pp. 254-256.

the beginning of February 1943, when there was only about two weeks' supply including the quantity earmarked for the following week's distribution,[1] and the Food Mission in Ottawa was bombarded with appeals to increase shipments; to make matters worse, losses at sea just then were rather above the amount allowed for. Enough came in, however, to stave off real shortage, and in February the Mission was able to report that the hog run had improved with better weather, and that the Bacon Board had placed further limitations on the domestic pork market to guarantee fulfilment of the United Kingdom by the end of the year; it seemed likely, too, that Canada would follow the United States example and ration meat.

Despite the poor supplies, shortage of shipping, aggravated by labour troubles and damage to vessels, had caused difficulty in loading all winter, and serious consequences threatened as the warmer weather approached with the summer of 1943. Hog deliveries by this time were better than the previous season, in consequence of rationing (now in force) and a general improvement in meat supplies of all kinds, and as channels of transport became congested, the interval from the moment when the bacon was put into cure till it reached the ship had nearly doubled. Concurrently, refrigerated space in U.S. ports was being filled with general cargo because there was no American bacon available; the Food Mission, which was supposed to co-ordinate shipping arrangements between U.S. and Canadian ports[2]

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[1] At this time the 'danger level' for bacon stocks was fixed at 28,000 tons (about four weeks' supply) to include supplies passing into the distributive machine, in keeping with the practice in other commodity Divisions. Later in 1943, the Division determined that the minimum stock level to ensure fluidity of distribution should be four weeks' consumption of imported bacon, and the 'prudent stock level' six weeks' consumption, representing the time spent in transit from North American port to United Kingdom warehouse. This may be compared with the eight to ten weeks now stated as the maximum keeping period of the bacon, more than double the length of time quoted at the opening of bacon control, before the harder cure and preservatives used in transatlantic curing methods had been permitted for bacon sold in the United Kingdom. The limiting factor for bacon stocks was always storage space; by 1942, the allocation for bacon had been increased to 60-70,000 tons, to allow for a good stock to cover the drop in imports each summer.

Statements of bacon stocks were always complicated by the statisticians' habit of giving totals of imported supplies in 'nominal' tons, the product of a conversion formula used to state numbers of boxes or bales of bacon in terms of tonnage, which produced a weight of bacon some 7 per cent. lower than it actually was. From the point of view of Bacon Division, this had the advantage of giving them a little extra bacon 'up their sleeve' over totals quoted in Cabinet reports (its difference amounted to over 20,000 tons over the whole import programme); but the British Food Mission was hopelessly confused when, in April 1943, it received a cable mentioning 'tons' of both kinds, and showing an apparent reduction of 500 tons per week in United Kingdom consumption. Later that year the conversion formula was amended to reduce the discrepancy to 3 per cent., but the possibility of confusion was still there, and caused further bewilderment in the Food Mission when the following year's import programme was under discussion.

[2] For various reasons, both Americans and Canadians were reluctant to see their bacon railed across the border. The Canadians complained of the expense; the Americans suspected—perhaps with grounds—that their bacon in Canadian ports was always left till the last.

and might have been able to rail the surplus Canadian bacon to U.S. ports, objected to land transport of bacon in the hot weather in unsatisfactory freight-cars. Yet a little later refrigerated space reserved for Canadian bacon had to be let go because there was not enough to fill a number of ships happening to present themselves at the same moment; efforts were constantly made to get more precise loading dates from the steamship companies, but it was impossible to avoid the upsetting of programmes by 'bunching' of steamers.

Summarising the situation in July 1943, the Mission in Ottawa expressed a guarded optimism. With the aid of a further domestic restriction, limiting packers' issues to the home market to 50 per cent. of the 1941 level, and recent hog deliveries as much as 40 per cent. above those of the previous year, the contract might be fulfilled or at worst run about a month overdue; provided the Ministry could get through the lean period of September and October, supplies seemed assured for a time thereafter. Moreover, the American Food Administration announced at this moment that, thanks to the attractive margin for bacon manufacture offered by recent price adjustments it had accumulated about 100,000 tons of 'cured pork' which it was anxious to dispose of to the United Kingdom. This temporary improvement, though welcome, could not conceal the truth that all over the North American continent the bacon supply position was tending to change for the worse. Service requirements and domestic prosperity had increased the home demand, and there were signs of a decline in hog production, partly cyclical, partly the result of feed and labour shortages and transport congestion which encouraged farmers to turn over to grain production as easier and more profitable. The inherent weakness of food control in the United States now became evident. So far as British imports were concerned, bacon was less affected than meat[1] chiefly because the United States had always been a marginal source of supply (except for off-ration supplements). Some American bacon did in fact continue to be available, as it paid the packers better than meat;[2] but from 1943 onwards the Ministry of Food was never able to rely on definite quantities, and after the autumn of 1944 it received very little.

Canadian internal politics now, for the first time, intervened with disastrous effect in negotiations for the next bacon contract. Early in September 1943, Bacon Division threw out the suggestion that producers might be reassured and its own position safeguarded by an offer of a two-year contract. This was welcomed by the Canadians with such enthusiasm that it proved impracticable to withdraw it, despite Treas-

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[1] Vol. I, pp. 244-5; above, pp. 255-256.

[2] In September 1943 figures of shipments were ahead of schedule, totalling more than 75 per cent. of the 100,000 tons of bacon guaranteed for the year: but only 2,000 tons of frozen pork out of the 22,000 promised had arrived.

ury disapproval of a long-term contract, inevitably at a higher price, that might outrun the duration of the Mutual Aid financial arrangements. Bacon Division had asked for at least as much bacon as was provided by the current contract (300,000 tons for the year 1943–4), but the Canadian Meat Board had thought a rather smaller figure might be more realistic, especially as it now looked as though the 300,000 tons target would not be reached in 1942–3. Some price inducement would in any case be necessary to cover the increased cost of feed, and this the Board proposed should be provided by a government subsidy apart from the contract price.

No one on the United Kingdom side, however, was prepared for the shock of the Canadian announcement, towards the end of October 1943, that the best they could offer was 400 million lb. (about 180,000 tons), for one year only. It emerged that the Minister of Agriculture had proposed a hog subsidy to provide for exports of 600 million lb., but had been opposed by his Cabinet colleagues, partly through an objection to subsidies in general, partly because they considered that such a subsidy on hogs delivered to packers working for the export market would be unfair to the smaller firms catering for the domestic market, who would have to increase their hog prices out of their own pocket. Furthermore, some Canadians believed that now that sinkings had decreased the United Kingdom must be well stocked with bacon, and could afford to receive less; and they argued that any increase in home pork consumption would release more beef for export. To balance the advantage of a higher United Kingdom price for the export packers, the Canadian Government decided to increase the turnover of the rest by removing the limitations on domestic consumption. The action reflected some of the general discontent, then developing in Canada, with prolonged restrictions and the effort required by Mutual Aid and other measures whose intentions were obscure to the man in the street.

Its effects were immediate, and deplorable not only in British eyes. Canadian packers and the general public assumed that the United Kingdom no longer needed so much bacon; the impetus to produce food for the mother country was lost, and demands were voiced for the re-opening of the border to allow the sale of hogs in the United States. By December 1943, domestic consumption of bacon had more than doubled, and the Meat Board[1] was beginning to fear that it might not even get the 400-odd million lb. promised for the first year of the two-year contract finally agreed for 1943–45. The Food Mission sensed that the Canadian Government was regretting its decision and seeking some way of reverting to its old policy of domestic restriction, for which the rise in consumption would provide the justification.

[1] The Canadian Bacon Board was reconstituted as the Meat Board by Canadian Order in Council P.C.4187 of 3rd June, 1943.

Meanwhile, it struggled—with the aid of the new Minister of Food in person, who attended a conference of Canadian provincial ministers of agriculture in December 1943—to correct the impression that the United Kingdom needed less bacon; arguing that, even allowing for arrivals of 100,000 tons from the United States during 1944 (which was far from certain), there would still be a deficiency over the year of nearly 100,000 tons. North America was virtually the only source of bacon in sufficient quantity to maintain the United Kingdom ration, and this would probably have to go down to 3 ounces after March 1944. The Canadians responded with an offer that was, from the United Kingdom point of view, embarrassing; a five-year contract for an annual supply of 500 million, perhaps rising to 600 million, pounds a year.

The British objections to a contract that might be expected to extend well into the post-war period were evident, if not conclusive. World prices might fall below the contract level after the war; the United Kingdom might well have no Canadian exchange to spare for bacon[1] once Mutual Aid ended; the Ministry of Agriculture, now engaged in plans for a four-year guarantee of British agricultural prices, was bound to object to a longer-term contract for imports. On the other hand, whatever the post-war state of home and European agriculture, Canadian bacon would still be needed in substantial quantities for some time after an armistice when United States supplies would probably be diverted to European relief; and Bacon Division, foreseeing delays in re-establishing pig herds nearer home during the reconstruction period, had some months earlier advocated a long-term contract with Canada to make sure of supplies up to at least 1947. At this juncture the Food Mission advised that a long-term contract would be the best way of allaying Canadian producers' fears, aroused by talk of a revival of Danish exports, and a four-year contract was suggested, with quantities and prices tapering off in the later years. The Canadians, though they would naturally have preferred a fixed price for the whole period, offered to supply minimum quantities decreasing from 500 million lb. in 1944 to 400 million in 1947, with prices dropping at the same speed as they had risen in previous years; to this were added escape clauses allowing either party to review the contract after the first two years if world bacon prices moved unexpectedly away from the contract price or if United Kingdom exchange problems proved insoluble after the Mutual Aid facilities were withdrawn.

By May 1944, the four-year contract was ready: the final details

[1] This obvious point had actually been made by the British Agricultural Attaché in Washington in a speech at Regina, Saskatchewan, in November 1943, which attracted little general attention but was momentarily used by the Canadian Minister of Agriculture as an argument for reducing hog numbers. The five-year contract proposal appears to have represented Mr. Gardiner's second thoughts.

had been settled, the Heads of Agreement were prepared for Ministers' signatures, and in England it was planned to manipulate the announcement of the contract so that it would follow that of the Ministry of Agriculture for a four-year plan for British agriculture. Suddenly it was learned that the Canadian Minister, before signing the contract, had mentioned it in Parliament: and hard upon this came the news that he had retracted his earlier statement and was now unwilling to sign at all on the grounds that he had only just realised that the terms involved a tapering-off of the price towards the end of the contract period. As he was about to embark on an election campaign in Saskatchewan, of which a 'floor price' for agriculture was one of the main features, his change of front had comprehensible political motives.[1]

The shadow of the abortive four-year contract lay over bacon import plans for some time to come, but in fact this was the end of it. At this moment the Ministry of Food was not particularly concerned about prospects for 1947, although it would have liked to settle supplies for 1946; but the more immediate future covered by the existing two-year contract was uncertain. Since the New Year of 1944, in despite of the gloomy forecasts, supplies from both Canada and the United States had been heavier than in any previous year, far exceeding the capacity of insulated shipping space and British cold stores. In January the Canadian Ministry of Agriculture, in what the Food Mission thought was an effort to retrieve some of the prestige lost by its announcement of reduced exports, had agreed to pay a subsidy on hogs delivered to government-inspected packing plants from which export supplies were drawn. This appeared to stimulate hog deliveries immediately; by February the Meat Board was able to forecast total deliveries of nearly 50 per cent. above the autumn estimates. All available refrigerated shipping was now switched from the South to the North American routes, but could not lift the supplies accumulating in the packing houses: in March, Canadian meat rationing was lifted, an example which the United States seemed likely to follow. This would be all the more unfortunate in view of the exceptional efforts recently made by the Mission in Washington to fill up from the United States the expected shortfall in Canadian supplies.

In the United Kingdom a virtual glut was setting in, for although 70–80,000 tons of storage space was now available for bacon, this was about the maximum that could comfortably be stored without risk of deterioration. As an alternative to the embarrassment of increasing the ration, about a thousand tons of bacon was released weekly against category 'C' permits from April 1944 onwards; later

[1] A long-term wheat agreement had just been concluded at a price favourable to Canada, which may have stiffened his determination to keep up hog prices.

that month, with shipments coming in even faster through the use of troopships, category 'C' issues were increased to the limit of 2,000 tons a week, home curers were told to hold an extra week's output, Bacon Division began to repay the hog sides previously borrowed from Meat and Livestock Division, the maximum weight of pigs for home curing was reduced, and Service Departments were invited to double their bacon issues.[1] In May about 70,000 tons was expected to arrive, double the amount to be issued, and the cold stores and bacon traders, hard pressed for labour, could not handle the flow fast enough. New arrivals had sometimes to be kept at anchorage or transferred to other ports for lack of storage and because of port congestion through the speeding-up of the 'Bolero' programme of shipments for the invasion of Europe; some cargoes went bad. At the beginning of July the General Department of the Ministry bowed to the inevitable (as Bacon Division had some time previously), and agreed to a temporary increase in the ration to 6 ounces.

It was always on the cards that the country might have to suffer later on for this compulsory self-indulgence. Bacon Division was confident that the Canadians would not regard the United Kingdom as having over-drawn its account and deduct the 50,000 extra tons from later shipments[2] but it was ever more clear that supplies from Canada and from the United States depended on the political situation rather than the quantities named in agreements. There had for some time been prophecies that North American hog production would probably go down in 1945; in view of the startling discrepancy between the previous year's forecasts and actual performance these might have been disregarded, but figures of sow farrowings in the spring of 1944, and Canadian reports of plans for further substantial decreases in the coming autumn in favour of wheat planting gave good cause to expect a drop in marketings. In August 1944 the Mission in Ottawa had spoken of 500 million lb. from Canada in 1945, even without restrictions on domestic consumption, but a sight of the hog-run figures shortly afterwards suggested that supplies, for the immediate future at least, would be about one-fifth below expectations. The Mission in Washington reported that the bacon affairs of the War Food Administration were in confusion, resulting, as it seemed, from lack of liaison between the branches responsible respectively for procurement, warehousing, and stock-keeping; the quantities of bacon the British had been told to expect—some 6 or 7,000 tons a month—did not and probably never had existed, and because of misunderstandings about stock levels the Administration had not bought all it might have done. Hog runs were now very disappointing and no more than

[1] This plan was given up, mainly because of Treasury opposition to the increased cost.

[2] In May the Canadian Meat Board had estimated that there would be a total of over 700 million lb. of bacon exported in 1944—the highest yet.

3,000 tons per month could be expected before December; in fact, despite a 'solemn pledge' by the Administration of 16,000 tons between October and the end of the year, only 6,000 tons were shipped in that time. The Americans still hoped to catch up in January and February 1945, but the Mission was sceptical of their ability to do so.

In early September Bacon Division, whose estimate of bacon stocks at the end of the year had been lowered from over 50,000 to 20,000 tons in the last month, was once again in its familiar seasonal state of anxiety about the ration. The 50 per cent. ration increase had been due to end that month in any case; the category 'C' issues, which the Minister had been hoping to keep up into the winter, were brought down by two drops from 2,000 tons per week to nil, improving forward stock estimates by some 5,000 tons. Strenuous efforts were also made to get men released from the Services to work on curing the frozen pork sides that were once more available, both on transfer from Meat and Livestock Division and through the resumption of shipments from the Southern Dominions. For the immediate future the situation was less than critical; its full rigour would be felt the following year, when, with the war most likely over, and with it American aid, the United Kingdom would be left solely dependent on Canadian (and possibly some Danish) bacon.[1]

Domestic consumption of pork in Canada, freed from restrictions, was now about half as much again as it had been a year earlier, and as the Meat Board itself realised the only way to increase exports was a renewal of controls in the home market. The Canadian Minister of Agriculture himself was understood to feel, however, that the United Kingdom had brought its troubles on its own head by refusing a four-year contract on his terms a few months earlier. The Ottawa Food Mission considered that to help steady Canadian production and so move towards a surplus, they should be assured that the United Kingdom still wanted their bacon for some years to come; but the Treasury in London, with an eye on future financial arrangements with Canada, was anxious not to give too much away. The Ministry's Director of Bacon and Ham, who had just crossed the Atlantic to

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[1] Negotiations for Danish food purchases were begun in June 1945, when the Danes asked 160s. cwt. for bacon, nearly 50 per cent. above the price-level of the current Canadian contract, and equally high prices for eggs and butter. They argued that high prices were necessary because of the state of inflation forced on them under the German occupation. The United Kingdom refused the Danish proposals and made a counter-offer of lower prices (which the Danes refused), and was then subjected to strong criticism by the Americans, who wanted high prices to encourage European production. A compromise was finally reached in September when the United Kingdom agreed to the high prices originally proposed for the 'military period', when supplies were expected to go mainly to the Services on the Continent, with a gradual drop to parity with world prices by the end of 1946. But in September 1945, when the ration was down to three ounces and looked like dropping to two, it was decided to take whatever the Danes could send for the civilian public. As an official wrote at the time, 'Now that we look like having to pay the United States in dollars, the Danish prices must look relatively bargain basement deals'. A few thousand tons arrived before the end of that year.

discuss future supplies, was warned to temporise if the question of a contract was raised, but to make it clear that the United Kingdom still hoped for the quantity of bacon mentioned in the abortive four-year contract. When, as expected, the Meat Board raised the subject and referred to the re-establishment of Danish trade, Ministry of Food officials replied obliquely with a reminder that it would probably be necessary to find a substitute for United States bacon imports. This was taken as an assurance—which was repeated in discussions at a higher level between Lord Keynes and Mr. Gardiner at the end of that year—that Canadian imports would still be needed.

The main achievement of the visit was an appeal from the Meat Board to packers to exercise voluntary control on deliveries to the home market till the full hog run set in. This produced an immediate improvement in supplies, but restrictions on Canadian consumption would be needed in 1945 if the United Kingdom were to get enough for the four-ounce ration, and those might still be found 'politically impracticable' unless Canada were offered some advantage in the shape of a new contract. However, the Meat Board, anxious about the possible re-emergence of Danish competition in the United Kingdom bacon market, wanted to keep bacon shipments as high as possible, and was uneasy about how Canada's high level of meat consumption would appear at the Combined Food Board.[1] Early in January 1945, Mr. Gardiner was induced to agree to restrict home consumption by a requisition of all first-quality and a variable percentage of second-quality hogs at the packing plants. As estimates of hog production for 1945 were declining, this did not guarantee that United Kingdom needs would be filled.[2] Even so, there were still shipping difficulties, so that some bacon had to come in general cargo; and delay in turn-round of refrigerated railcars led to complaints by the Canadian railways that the packers were using them as stores.

In mid-March the Food Mission in Ottawa, appraising the current situation in the hog market, concluded that, even if the basis of requisition for export remained unchanged in the second quarter of the year—which was uncertain—shipments might be only about 50,000 tons. Little United States bacon had arrived since the New Year, and none could be counted on after the allocation for the current quarter had been exhausted, so that the Ministry would face the opening of the difficult third quarter (when not more than 35,000 tons could be expected from Canada) with less than three weeks' bacon in hand. A deficiency of 9,000 tons would have accrued by the end of September, and, as Bacon Division cabled the Mission, 'any delays

[1] Bacon ('cured pork') supplies were lumped in with meat for the purpose of Combined Food Board allocation. At this time meat was still rationed in the United States.

[2] By the end of February, the estimates of hog runs made at the time requisitioning had been started had already proved 25–35 per cent. above the mark.

in loading and/or arrivals here may well put us in queer street by the end of May'. After so many false alarms, Bacon Division had at length been driven back to its last ditch; at that time of year even renewed rationing in Canada could do little to help. As for United States shipments, these were more than ever uncertain, thanks to the breakdown of negotiations at the Combined Food Board over the 1945 meat allocation.[1] During the high-level meetings that followed, Colonel Llewellin visited Ottawa, signed a new bacon contract prolonging the existing conditions to cover the year 1946,[2] and made a last minute attempt to get enough extra Canadian bacon in May and June to stave off a cut in the ration;[3] the Americans, however, could promise no meat or bacon till the last quarter of the year. The long struggle to maintain the four-ounce ration was lost in the moment of national victory; the announcement of a reduction to three ounces followed hard afterwards, when such were bacon stocks and prospects that the Division grudged even the 1,600 tons lost when delay in getting the Minister's consent postponed the cut by a week. Far worse, however, was to come in the lean years of peace when the country's financial difficulties, limiting purchases from Europe and Canada alike, reduced the British consumer to a scant rasher a week. For most of the war Britain had been dependent on the good will, coinciding with the self-interest, of her transatlantic friends to enable her to import the bulk of her bacon ration. When the incentive of the common cause was withdrawn, she was left alone to make the difficult transition to a peace-time economy in which once again Denmark would be the main source of supply.

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[1] Vol. I, pp. 251-254; above, pp. 267-268; Roll, *op. cit.* pp. 186-207 *passim*.

[2] The demise of the long-term contract had been formally confirmed some months earlier.

[3] This was to be done by curing frozen meat drawn from store, but it was already too late; in the event, May shipments were lower than ever because of short production in Victory Week.

CHAPTER XX

Home Production: The Control of Pigs

I

THE problems of pig marketing at the outset of control were partly common to livestock generally,[1] partly idiosyncratic, partly due to imperfect liaison between the meat and bacon controls. Unlike the meat controllers, who had from the outset realised that discretion in livestock allocation must be given to the men on the spot, the bacon controllers had planned to allocate pigs from headquarters. This was to be done by relying on the rule, common to all livestock, that producers must give 12 days' notice of their intention to offer pigs to the Ministry. Pig producers were instructed to distinguish between baconers, porkers, and 'manufacturing' pigs (sows and boars) in their entries to collecting centres; the information so received would be forwarded to Ministry headquarters, where officials from the two controls would put their heads together and make an advance allocation to each of the three uses. The success of this disposition of paper pigs depended, of course, on the extent to which the returns coincided with the reality. The bacon controllers had yet to learn the lesson of the last war: '. . . farmers are bad at forms'.[2] Even before control had started, on 15th January 1940, it was clear that they were as bad at forms as ever. The closing day for entries was the 4th, and at that date total notifications received amounted on an average to seven pigs per collecting centre. Obviously many pigs were going to arrive unheralded and therefore unable to take instructions from Headquarters. It was thereupon determined that, from 22nd January onwards, such pigs would not be accepted; but on humanitarian grounds this could not be applied to pigs sent by rail to bacon factories. Nevertheless, entries thereafter came to bear a fair, though never exact, correspondence to the numbers actually forthcoming.

More serious was the failure of farmers to distinguish between the classes of pig. Those sent to bacon factories were frequently overweight, and had to be diverted to Wholesale Meat Supply Associations; auctioneers at collecting centres found that the classification of entries bore but a casual relationship to the numbers of each class actually making their appearance. Some auctioneers themselves, it

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[1] Above, p. 208 ff.

[2] Beveridge, *op. cit.* p. 258 (apropos of feeding-stuffs rationing).

was reported, were not good at sorting their pigs out, unweighed, into the right category. In these circumstances the minutely detailed weekly allocations sent down from headquarters simply could not be applied; on the one hand Area Livestock Supervisors complained that they were given insufficient discretion (though they no doubt took it), on the other, complaints reached Bacon Branch that porkers were being sent to slaughterhouses that were not equipped to deal with them, while others that had previously handled pigs now had none at all. Area Livestock Supervisors were told to adjust allocations of pork pigs 'where necessary', but interpreted this instruction with such enthusiasm that their subordinates, the District Chairmen of Auctioneers, thought they could safely ignore all instructions from headquarters, and slaughterhouse managers, and Area Pig Allocation Officers who were supposed to arrange transport were said to be bewildered by conflicting reports of pig consignments on the way.

This sort of confusion was something that could be cleared up, given time; a different sort of trouble arose from the decision to pay for pigs by dead-weight and the consequent need for a fool-proof method of identifying each and every animal. The system chosen, ear-marking each pig sent to a collecting-centre with its producer's code by a tattooing instrument in the form of a needle-punch, had been selected, after considerable thought, as being the most reliable in standing up to factory processes ('dehairing' and scalding) done before carcases were weighed; but it did not work at all well at first. Some market workers handled the punches clumsily and caused a great deal of squealing and bleeding among the pigs, and as this went on in the open market, it naturally provoked an outcry about cruelty to animals which was taken up by local authorities, the police, a great many individuals public and private,[1] and the animal welfare organisations. This, it was realised, was likely to affect the Ministry out of all proportion to its importance—for many of the complainants were unfamiliar with the casual cruelties imposed on all livestock—and care was taken to have conditions at collecting centres thoroughly scrutinised: a senior official went himself to Rugby to watch marking in progress. It was concluded that the operation, though not painless, was less painful than many others carried out in the normal routine of husbandry out of the public eye, and need cause no more than momentary inconvenience to the animal if skilfully performed. As a gesture the Ministry agreed that only one ear need be marked—so that the pig would not suffer the torments of anticipating the operation on the second—but as operators became more practised, disorder in the markets became less and complaints gradually died down.

Another consequence of payment by dead-weight was the longer delay before the producer could get his money. The disadvantage was

[1] Including Mr. George Arliss, the actor.

more keenly felt in marketing through collecting centres, when payment was made by slaughterhouses and factories through County Chairmen of Auctioneers, than when pigs were sent to factories, which paid direct. Producers found they had to wait up to six weeks for cash; a serious matter for many of the small men, who could not get feeding-stuffs on credit. At best they might be discouraged from carrying on pig-keeping; at worst, they might get into serious financial difficulties if they had debts to settle. The situation encouraged some producers to send unsuitable pigs straight to factories, in the hope of being paid more promptly. As most factories and slaughterhouses were sending out their payments reasonably quickly, it seemed that the fault must lie in the offices of the Chairmen of Auctioneers, on whom the Ministry was heavily dependent for the success of livestock control.[1] For their part the auctioneers, disappointed of the monopoly in handling pigs, were bent on the abolition of direct consignment, as leading to confusion in allocations; their remedy for delays in payment, as put forward in March 1940, would have been the extension to pigs of the live-weight system applied to other livestock. To Bacon Branch this solution was unacceptable; although the direct consignment system had been tacked on as an afterthought, it was working better than the collecting centres. The auctioneers might complain that pigs gave them more trouble than all other livestock put together; exactly the same thing had been said by the Ministry of Food in the First World War: but the situation would not be helped if they had all pigs to deal with instead of only some. They had no cause for jealousy, for they had been handling at least as big a proportion of the total pig supply as they did pre-war, and what was more had had their pre-war commission of 9d. per pig doubled on the assumption that the direct system would divert part of the stream of pigs from them. Their case, in fact, had very little substance, but it did reflect something of the confusion caused by the dual control.

The more serious causes of this were removed by a revised plan of pig control introduced in June 1940, under which the influence of Bacon Branch was largely withdrawn from the collecting centres. Representatives of the two controls continued to hold weekly meetings at headquarters to share out pig supplies, but confined themselves to block allocations to each centre, leaving it to the Area Livestock Supervisor to supply factory requirements notified to him out of the bacon pigs at his disposal and to distribute the rest among slaughterhouses as he thought fit. At the same time Area Meat and Livestock Forwarding Officers took over the work of arranging transport for

[1] The District Chairmen of Auctioneers were in charge of markets and controlled the allocation and dispatch of pigs; Meat and Livestock inspectors often found that until the Chairman so ordered no pig might leave the market, perhaps until he had completed the sales of other livestock.

pigs to factory or slaughterhouse, and Area Pig Allocation Officers ceased to attend collecting centres.[1] The headquarters post of Director of Pig Supplies likewise disappeared.

At the same time the Ministry had reconsidered the whole question of live-weight versus dead-weight payments. The Pigs Marketing Board had originally recommended dead-weight payment because the killing-out weight of pigs is more difficult to estimate from the live-weight than that of sheep or cattle, and the task of fixing equitable prices correspondingly harder. Moreover, pigs delivered direct to factories in peace-time had received dead-weight payment, and it was thought essential to pay for all on the same basis. The smaller producers would no doubt have preferred to have had their pigs weighed in front of them, so that they could be sure of getting payment for their own animals, and this would, of course, have obviated the whole troublesome process of ear-marking, as well as the delay. A survey of collecting centres disclosed, however, that few had suitable weighing machines for pigs, so the whole idea had to be abandoned.[2] A drive was made to wipe out arrears of payments, and by the summer of 1940 it was hoped to achieve all payments within seven to ten days. By then there were signs that a new producers' grievance was developing, this time over losses caused by pigs shrinking in transit to factories; it was said that some producers preferred to market their pigs at pork weights, even though the price per score was less favourable, to ensure that they were slaughtered at a nearby slaughter-house instead of at a factory perhaps 100 miles or more away.

II

To a post-war observer, aware that the home curing industry emerged from the war in a shrunken state, with 30 per cent. of its potential idle, and heavily dependent on overseas supplies of frozen pork, the estimates of home production made on the eve of war by those planning bacon control seem almost pathetic. One memorandum of July 1939 spoke, for example, of nearly trebled production of about 250,000 tons per annum, exclusive of output from frozen carcases and Northern Ireland supplies, assuming that most of the current annual output of about 5½ million pigs went into the factories instead of the pork market. If normal supplies continued to come in from Eire and

[1] Bacon Branch had revived the suggestion than an official should be stationed at collecting centres to supervise the selection and dispatch of bacon pigs, but this task was left to the auctioneers.

[2] The auctioneers had advocated payment by estimated dead-weight, but experience of this during the attempt at control by the Provisional Prices Order early in the war had convinced Bacon Branch that this was a pure gamble.

Canada, this quantity would suffice for a 4-ounce ration, plus Service requirements; in this way the precarious dependence on European supplies would be brought to an end, and there would be no need to seek dollar supplies in the United States. It was acknowledged that the home pig population was largely maintained by imported feeding-stuffs, for which currency and shipping space might not be available in war-time, but results of research at the Bacon Development Board were used to show that a return to older methods of pig-keeping, using bulky foods, waste material, and potatoes, could eliminate up to three-quarters of the pig's needs of imported concentrates.[1] Subsidies would be needed for production of both pigs and potatoes, but a high price for home-produced bacon was considered a lesser evil than the expenditure of dollars. The difficulty was that even if pig-keeping methods were revolutionised in this way—as indeed they were in the course of the war, though more by compulsion than design—the extra supplies of potatoes and other root crops could not be available until a year of war had elapsed; in the meantime there was no way to make up for a reduction in imports, nor—an essential part of the scheme—to carry on to bacon weight pigs that previously would have gone to the pork market at an earlier age.

A crisis in fact developed over feeding-stuffs for pigs before there had been time to devise any policy of crop production or allocation of feeds among various types of livestock.[2] Home production of pigs received a setback; at the same time, the idea of directing all pigs into the bacon market was dropped, a proportion being set aside,[3] first to provide stock-in-trade for the pork butchers, later to back up the meat ration, an inevitable policy so long as prospects of overseas supplies of bacon continued so unexpectedly good. In the summer of 1940, when the full rigours of Britain's war-time food situation were revealed, a livestock policy had already been adopted, on general nutritional grounds, that placed pigs and poultry at the bottom of the priority list for scarce supplies of feeding-stuffs. But in the last months of 1939, when the first feeding difficulties appeared, it had not dawned

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[1] A memorandum on 'Maintaining Pig and Bacon Output in War-Time', based on data from the research department of the Bacon Development Board, sought to show that with another half million acres of potatoes and other fodder crops, nearly 1 cwt. of bacon could be produced at home for every cwt. of concentrates, without loss in the yield in energy value from English arable land.

[2] Cereal imports suffered worst in the first weeks of war, mainly through shortage of ships, but some maize cargoes were lost, which was particularly unfortunate for pig feeders. The meetings with the Ministry of Agriculture to which reference is made in this paragraph were called to consider the news that maize and barley imports would be seriously short. It was decided to release imported wheat to the provender merchants; but wheat is not a good food for pigs.

[3] As later discussion will show, pig prices were consistently fixed to encourage the production of bacon-weight pigs, but there was always a proportion of clean pigs unsuitable for bacon production, being either too heavy or too light, apart from the rigs, stags, boars, and sows used for the manufacturing meat trade. Home pig farmers were less skilled than, say, Danish farmers in producing the right weight of pigs for bacon.

on officials in Bacon Branch that nothing was to be done for pigs. Towards the end of October, the Branch noted anxiously that meetings with the Ministry of Agriculture, at which questions of pig policy had been discussed, had taken place without reference to it, and that there had been talk of a slaughter policy; early in November it was deploring the absence of a firm policy for feed supplies or pig production, which seemed likely to result, now that control of pig marketing had virtually broken down, in the disappearance of the bulk of the country's pig supply into the flourishing pork market.

The Ministry of Agriculture's census of pig population in December 1939 showed that the situation was not so bad as had been feared; indeed, numbers showed only a slight decrease on those returned for the previous December (although this might have been in part the effect of the inclusion in the returns of some from holdings not covered by the earlier census). Effective meat control, beginning in January 1940, ended large-scale slaughterings for the pork market, and although the price of feeding-stuffs had increased, controlled prices for pigs were high enough to give a satisfactory return to producers. Prices, indeed, were too encouraging; the supply of pigs, especially heavy-weights,[1] was excessive, so that from March onwards bacon factories had more than they could cope with—and this at a time when bacon imports were embarrassingly large. The Ministry was driven to various shifts, including the derationing of pork[2], to dispose of the surplus; but rapid developments in the war situation soon made it clear that the glut of pigs could not last long.

The generous prices fixed for pigs at the outset of livestock control owed something to the desire of the Ministry of Agriculture to include an element for 'incentive' for all branches of home production, and something to uncertainty about war-time changes in production costs. The Bacon Industry Act had laid down a formula for linking pig contract prices to the average price of a standard ration of pig feed over the preceding sixteen weeks; pigs were to sell at 12s. 6d. a score when the feed price was 8s. 6d. per cwt., with increases of rather less than 1d. per score for each 1d. increase in the price of feed. When war broke out, however, producers were getting about 12s. 6d. per score with feed prices 7s. 6d., and the first Pig Prices Order fixed the ratio at 13s. : 8s. Bacon Branch thought that some better margin was needed to encourage the feeding of pigs to bacon weight, inasmuch as in peace-time half the pigs had been sold on the pork market where prices were often more attractive, and proposed the ratio of 13s.: 7s. 6d., with a simple increase of one penny per score for every penny

[1] Many heavy-weight pigs had been formerly absorbed by the Midland-style cure, now outlawed 'for the duration'.

[2] Pork went back into the meat ration at the beginning of 1941, to help out the acute shortage of other meat. Vol. II, pp. 673-674.

on the price of feed; and this was accepted by the Ministry of Agriculture.

By the end of 1939, however, shortages and price rises of feeding-stuffs of all types had so confused prospects for pig producers that their representatives suggested that a formula of this sort was no longer appropriate for determining pig prices. The ingredients of the standard feed were no longer available; the compound rations offered by provender merchants were not 'balanced', and so were unsuitable for pig feeding, and producers had to make up with home-grown grain (at inflated prices), and roughage, mainly potatoes. This diet resulted in a smaller gain in weight per pound of food consumed, so that pigs took longer to fatten and all-round costs were increased. Apart from this, the control of pig prices, after two ineffectual adjustments, had been abandoned along with that of other stock at the beginning of December, and on the eve of full control in January, market prices of over £1 per score prevailed. The Ministry of Food, however, determined to retain the formula in principle; making allowances for increases in imported feed prices according to the revised schedules prepared in December, it arrived at the figure of 18s. per score for bacon pigs of standard weight. As this included more than double the allowance for provender merchants' margins used in the original calculation, as well as an altered ratio for pig to feed prices and a bigger allowance for rises in feed prices, and was, moreover, intended to be based on current feed prices instead of an average over a period, the Ministry felt that it offered fair compensation to producers for the increased cost of pig-keeping. The Ministry of Agriculture, however, wanted to make the figure 18s. 6d. to give some extra incentive;[1] and so it was fixed, despite the misgivings of the Ministry of Food, which pointed out that pigs would now offer the most attractive of all livestock prices—contrary to Government policy—and that English bacon prices would be far above imported.

By March 1940 the farmers, supported by the Ministry of Agriculture, were again pressing for a price increase because of feeding difficulties; although controlled prices of 'straight' feeding-stuffs had not risen, merchants were now concentrating on 'mixed' rations for which they received extra allowances, and were restricting deliveries to small lots. The Ministry of Food opposed any increase that might encourage pig producers to encroach further on supplies of feeding-stuffs, which, it was clear, must decline still more,[2] and argued that

[1] The National Farmers Union had asked for 20s. which Ministry of Food officials thought was calculated to enable pig producers to compete successfully for feed with producers of other livestock.

[2] The Ministry of Agriculture took the line that pig prices must be so fixed as to give a reasonable return to producers at current costs, and that priority between various types of livestock should be determined by rationing, but the Ministry of Food retorted that no discernible progress was being made with a rationing scheme.

even to retain the existing price would be virtually to raise it, as a seasonal fall usually took place in the spring; on the other hand, it wanted drastic reductions in prices of the heavy pigs that were choking the factories. A compromise was reached at 19s. per score, the Ministry of Food bowing to the weight of opinion of all the Agricultural Departments. (It was most impressed by that of the Northern Ireland Ministry of Agriculture, which usually took a modest line over producers' prices.) Sharper price reductions were, however, to penalise over-weight pigs.

In April 1940 however, the biggest increases yet in feeding-stuffs prices were now proposed, to balance the Ministry's trading account. Pig feeds would be worst affected by these changes, and at least an extra 1s. per score over and above the new price could have been justified if production was to be supported. The Ministry of Food was prepared to consider some such figure for pigs, but would not agree to a rise in fatstock or milk prices and so found itself once again at variance with the Agricultural Departments, which insisted on price revision of all livestock products to cover increased costs if feeding-stuffs prices were not to be—as the Treasury insisted they should not be—subsidised. The Ministry of Food's arguments were endorsed by the Food Policy Committee, which ruled that feeding-stuffs prices should be raised without consequential increases in prices of milk or livestock, and that pigs should get only the 6d. increase previously agreed on. On 24th May Ministers formally adopted a scale of priorities that placed milk first and pigs last along with poultry,[1] and warnings to this effect were publicly issued.

As yet, however, this scale of priorities was not fully translated into price inducements. The failure to raise the price of baconers above 19s. might indeed be considered discouraging—it provoked the resignation of the Ministry's Director of Pig Supplies—but the general farm price award on account of the rise in statutory wages on 1st July included an extra 2s. for them.[2] However, the Lord President's Committee subsequently ruled that the increase should be withdrawn for the year 1940–41, that is, at the end of September. The announcement of this change was all too successful, where the exhortations of the Ministry of Agriculture had failed, in bringing pigs forward for

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[1] Vol. I, pp. 88-91. The announcement of the revised pig prices was made to the N.F.U. simultaneously with that of rises in feeding-stuffs prices, and caused something of a sensation.

[2] Bacon and Ham Branch moved to Colwyn Bay at the end of June 1940, and seems to have lost touch with daily developments at this crucial moment. Apparently it was not consulted over the rise in price in July (though here the Ministry as a whole was given very little time to comment and felt that the Government had been rushed into a decision by the Agricultural Departments), or over the first proposals for later reductions, which included a 3s. cut in baconer prices. The Branch protested that such a drastic cut would bring about a glut succeeded by a shortage that might endanger the ration, and succeeded in getting it halved.

slaughter. The purpose of the price increase of July had been to encourage liquidation of specialist pig-breeders' stock; but it had failed of its impact because they had not been told that it would be temporary. Now the rush to enter pigs for sale before prices fell at the end of September was so great that acceptance had to be limited to quotas fixed so that the factories, which could not take more than about 100,000 pigs weekly, should not be overloaded. The rule was to be 'first come, first served', an inevitably unfair one as some pigs might grow on into higher and cheaper weight categories while awaiting acceptance; in an effort to clear arrears of all pigs entered before the reduced price schedules came into force, the Ministry of Food got the Treasury to agree to postpone it for a week in which no fresh pigs would be accepted.[1]

III

From the autumn of 1940 onwards the objects of pig price policy were defined as, first, to reduce numbers to some lower level—provisionally agreed as one-third of the pre-war figure—and thereafter to hold production in a state of balance, making it neither so attractive that producers might be tempted to divert feed from animals that stood higher in official estimation, nor so unrewarding that the population should fall rapidly and Bacon Division's estimates of future supplies be upset. Although the National Farmers' Union clung to the methods of the Bacon Industry Act in formulating its price demands—in February 1941 it arrived at 26s. 6d. per score as the fair current price—factors affecting production costs had become so complex that paper calculations had no bearing on the reality. It became the habit to watch the production trends shown by the Ministry of Agriculture's quarterly census in order to assess the effects of current conditions, but these could be an unreliable guide. The figures of December 1940, for instance, showed a reduction of only 4 per cent. in the total pig population since June, and even an increase of 20 per cent. in pigs over five months old, though number of young pigs and breeding stock were well down. Rationing of animal feeding-stuffs, under which pigs were to get enough for only one-third of their pre-war numbers, was to begin on 1st February 1941, and there appeared to be still about a million too many pigs; so heavy marketings were expected as soon as rationing started, with perhaps a repetition of the history

[1] It was permissible for pigs to be sent in without advance notification for emergency slaughter if, for example, they had been in contact with disease, or their owner could get no food for them. At this time five or six times the usual number of pigs were sent in for emergency slaughter, and prices, normally the same as for standard pigs, were reduced by 1s. to discourage the use of this 'emergency exit'.

of the previous September. In fact, they never materialised; by March, Bacon Division had concluded that many of the pigs counted in December must have been imaginary, farmers having deliberately inflated their returns in case their rations were to be based on them. Apart from this, killing of pigs by self-suppliers was on the increase—licences for some 25,000 pigs a month had recently been issued by Food Executive Officers—and illicit slaughtering might have accounted for double that number. When the March census figures came in, Bacon Division found it would have to reduce its estimate of home bacon pigs for the next six months by half a million; what with the loss of baconer carcases expected from Australia and New Zealand, estimates of home-cured bacon in that period had to be cut by one-third.

Prospects of supplies of feeding-stuffs continued to deteriorate—in April the allowance to pigs was halved—and although it was clear early in 1941 that breeding had been much reduced, the inter-departmental Conference on Livestock Policy,[1] in which the 'milk enthusiasts' were paramount, thought there were still too many fattening pigs. It decided in March to stimulate slaughtering by better prices for lighter pigs, and temporary increases for pigs of all bacon weights, falling by degrees until the summer, when numbers should have reached a level at which they could be stabilised by a judicious price increase. In June it was reported that numbers of pigs had fallen less fast than the Conference had expected so that prices were kept for a while longer at the lowest point in the scale. The June census however indicated that the pig population had been reduced to 2 millions, less than half pre-war numbers, while an even greater reduction in breeding stock suggested that the downward trend would continue, though it might be arrested by the growing activity of pig clubs. It looked as though by the end of the year the decline would have gone far enough, and that the time had come to consider a price increase.

In July the farmers' representatives were told that, while the Government thought that pig numbers should not be allowed to fall below, broadly speaking, one-third of their pre-war level, the decision as to the actual figure was to be left to them. Under the simplified scheme of feeding-stuffs rationing that was shortly to be introduced, no more rationed feeding-stuffs would be allocated to pigs on general farms;[2] they would have to be fed on waste or low-quality materials, chat potatoes (of which up to one million tons was expected in the coming season, mainly from Northern Ireland), tail corn, swill, which

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[1] For this body, see Vol. I, pp. 176-179; above, pp. 237-238; Murray, *op. cit.* pp. 117-122.

[2] Farms carrying more than one pig for every two acres were to be classed as specialist and given small allowances.

was now becoming available in quantity from Service camps, and small amounts of the weatings offered to farmers selling wheat as part of the general issue for livestock feeding. Pigs need cereal foods for a short while after weaning, but afterwards can be maintained indefinitely on swill and potatoes; but fattening is slower and requires more labour than when concentrates are used, and so it was for the individual farmer to decide whether pig-feeding with whatever he could get or grow would show a profit at the price.

This was eventually fixed at 23s. a score for pigs of standard weight (now defined as 6½ to 10 score), and was meant to take sufficient account of the increased costs of swill feeding. It was no longer necessary to encourage slaughter at the lighter weights—on the contrary the Ministry now accepted that it was more economic, with war-time diets containing much roughage, which the larger pigs were better able to digest, to feed on to heavier weights. The Agricultural Research Council had been experimenting for some time to find the optimum slaughter weights and in 1942 reported that the 12 score pig was the ideal. Arguments for heavier pigs had been resisted from the first by Bacon Division because of the inferior bacon they produced, which was all the more unwelcome at a time when representatives in North America were maintaining that fat bacon was of no use to the United Kingdom. But the Division fought a losing battle against the farmers, backed by these scientific findings. In March 1942 the weight-limit for top-price pigs was raised to 11 score, and in January 1943 to 12 score, despite Bacon Division's protests that 'the rashers are excessively large in relation to the four-ounce ration . . . the excessive fat . . . becomes nothing better than an expensive substitute for lard and may well be almost completely wasted in many cases. The lean tends to become stringy and unpalatable . . .' During 1944 the Division was having to accept pigs for curing up to 14 score (the reduction for 13 score weights was only 6d. and producers often overdid fattening). Because of complaints at the quality of the bacon it began to transfer all pigs over 12 score to the Wholesale Meat Supply Associations which could only use them for manufacturing, a very extravagant use of pig-meat bought at baconer prices. The reduction in the weight of the standard pig became one of the Division's cardinal post-war aims.

With the increase in weights of pigs sent to market, the question of shrinkage in transit became more of a grievance; heavy pigs lose more than light-weights while travelling, but the allowances were geared to distances travelled, and not to weights. Moreover, the rates had not changed since control began in January 1940, when pigs were 3s. 6d. a score less, and had then been based, with slight alterations, on those adopted for the 1940 Pigs Marketing Board contract with a pig price of 12s. a score. At the end of 1941 Bacon Division recommended an increase of about one-quarter, declaring, when the Treasury objected that the farmers themselves had not asked for an increase, that it felt morally bound to make the amendment as the allowance should in principle be based on the value of the pig-meat, which was affected by circumstances over which producers had no control. By 1942 the farmers themselves had begun to press for an adjustment of the scale; this time the Treasury was won over by Bacon Division's arguments, and a scale of allowances roughly 30 per cent. above the old one was announced at the same time as an increase of 1s. per score in the price of the standard pig—to allow for a rise in the minimum agricultural wage—and an extension of the weight range to 11 score. The farmers found this inadequate and in December 1942 a further increase brought the allowance up to double the 1939 rates, corresponding to the doubling in pig prices.

Discontent nevertheless persisted for some time over weight losses in transit, as the farmers now fastened on the difference in losses between pigs going from collecting centres to slaughterhouses and to factories. Though the average rate of shrinkage, according to the pre-war experiments of the Bacon Development Board, was about 25 per cent., with a variation of but 2½ per cent. each way according to length of distance travelled, some farmers claimed that the spread was wider than this and certainly more than the shrinkage allowance provided for. The advantage was with the pigs that went to the pork market which, as they were few in number, were usually slaughtered close at hand and suffered the minimum loss of weight. There were many reasons why pigs sent to factories should lose more weight than they used to—travel was slower, journeys were in some cases prolonged on account of the closure of factories under the concentration scheme,[1] and the pigs themselves were heavier. But the farmers were convinced that the factories were in some way to blame for the poor killing-out figures, perhaps through the use of incinerators for 'singeing' the pigs—porkers were scalded instead to remove the hair—perhaps by different modes of dressing, perhaps by dishonesty in returning weights which somehow escaped the notice of the check-weighmen employed at factories by the Ministry. During 1943 tests were carried out to compare weight losses between pigs going from collecting centres to various destinations, which showed more clearly than anything else the wide variations in weight losses of different weights of pigs, caused as much by the peculiarities of individual pigs as by their disposal. Inconclusive as the results were, they satisfied the farmers, perhaps serving to convince them that they were treated just as fairly by the factories as by the slaughterhouses; and no more was heard of transit shrinkage until after the war.

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[1] Below, pp. 424-428.

IV

It had been hoped that the rise in pig prices in the autumn of 1941, with the admission of heavier weights, would give enough encouragement to breeding to stabilise the pig population after its sharp decline. Up to the following summer it looked as though this had been so, but the censuses of September and December 1942 showed 'an alarming drop'—about one quarter since June—in numbers of breeding stock, probably due to shortage of the cereals essential for breeding sows and young pigs. At this stage of the war, when four-fifths of the country's bacon supply was coming from North America and a substantial proportion of home-cured was made from imported carcases, it could not be maintained that a reduction in home pigs was a vital threat to the bacon ration, though the home supplies were undoubtedly useful in filling the gap in transatlantic shipments occurring regularly each autumn before the North American 'hog run' started, and the supply of frozen carcases was unreliable. Pigs, however, were now seen in a new light as the most efficient converters of waste products into edible (if unappetising) foods: at the beginning of 1943 the key to the problem of adjusting the pig population appeared to be its ability to absorb swill. If at present there were too few pigs to eat what was available, then either more pigs or heavier pigs were needed. Bacon Division firmly demanded more pigs, for which extra feeding-stuffs would be required during their first weeks of life; if the total allocation for pigs could not be enlarged, the Division suggested redistributing it so that it all went to breeding sows; but this proved administratively impracticable. The Ministry of Agriculture had a plan to encourage breeding by offering an attractive price for 'sow gilts' (young females that had one litter), but this had to be discarded because it was found impossible to devise a reliable slaughterhouse test for telling the age of such animals. The only substitute for these contrivances was that, unwelcome to Bacon Division, and in the outcome expensive, of raising the weight limit for baconers to 12 score.

Pig-keeping remained at a low ebb throughout 1943 despite the Ministry of Agriculture's propaganda for 'a few pigs on every farm' to act as scavengers. Limited breeding and the demands of 'self-suppliers'[1] kept prices on the store market so high that some commercial pig feeders felt the returns were not worth the trouble and went out of pigs altogether. By this time, indeed, the activities of self-suppliers amounted to a heavy drain on the country's pig resources. In December 1943 (admittedly a favourite month for killing a pig) it was estimated that slaughtering by self-suppliers would exceed

[1] Appendix C.

Ministry slaughterings by 30 per cent.; self-suppliers competed with commercial pig-keepers for stock feed as well as for stores and were not worried about the prices they paid. (During 1942, Bacon Division had tried to restrict self-suppliers' privileges, but all their proposals had been rejected at the Lord President's Committee.) An improvement in supplies of animal feeding-stuffs during 1943 had made possible the issue of a special allowance to farrowing sows as an incentive to breeding, and at the New Year 1944 Bacon Division backed the National Farmers' Union's proposal for an increase of 2s. per score on all classes of pigs to encourage feeding; but prospects for feeding-stuffs were again obscure and this time the Ministry of Agriculture itself preferred to wait until the situation should be clearer.

Discussions had now started on the proposed four-year guarantees for British agriculture, including livestock prices. Because of the uncertainty over feeding-stuffs, pigs were not mentioned in the prices for milk and meat announced by the Minister of Agriculture in May 1944—an omission which producers contrasted with recent references to a long-term bacon contract with Canada. The Ministries of Food and Agriculture had agreed in April to guarantee a market for all home-produced pigs up to 1947 and to encourage the expansion of production up to pre-war levels as supplies of feeding-stuffs improved; but the Ministry of Agriculture later proposed to go further by encouraging expansion 'to the fullest extent permitted by the supplies of feeding-stuffs which can be made available', and despite the unwillingness of the Ministry of Food to commit itself to accept an unlimited output of fat pigs, these were the terms used by the Minister of Agriculture in announcing pig price guarantees in the House of Commons in December 1944. The point was largely academic, for the experts in Bacon Division held that it would not be possible to restore the prewar pig population until 1949 at the earliest, if a safe rate of increase in breeding—so as to safeguard the quality of stock—were to take place. An expansion of breeding had already been encouraged by the special feed issue for farrowing, but the lack of feed or of price incentive to carry on a larger number of pigs had dampened enthusiasm and the spurt had faded away. At that time it was thought that there was not enough waste material and pig-feed for even the existing numbers of young pigs, and that something must be done at once to improve supplies; Bacon Division recommended that a new basis for distributing rations should be adopted, as the one in use was still based on the census returns of June 1939, although the distribution of pigs had naturally altered considerably since then. The Division also felt, like the Agricultural Departments—though the Ministry of Food's austere Home Agricultural Supplies Committee dissented—that it was high time to increase pig prices, which had remained basically unchanged since January 1942. It wished at the same time to adjust the schedules so as to encourage lighter pigs, but the reluctance of the Ministry of Agriculture to shift demand from waste materials to imported concentrates while import prospects were still uncertain, reinforced by its anxiety that farmers should not suffer loss through marketing lighter pigs, caused this change to be deferred until the price review of February 1945. Then an overall increase of 1s. per score was so allocated that pigs of standard weight (now limited to ten score) received 2s. more than the old price, but 11 score pigs only 6d. If the same number of pigs were delivered as before, the farmers' returns would be less, but the Ministry of Food hoped to secure a larger total of animals averaging one score less in weight.[1]

The trend of pig marketing during 1945 bore out this evaluation of the position. The shortage of feeding-stuffs brought about an increase in weekly marketings of about 20,000 between January and April, and there was a rush of heavy-weight pigs in June and July before the increased price discrimination came into force.[2] The March census showed a decline in pig numbers but it was hoped that the re-establishment of a pig-ration in April (at a scale to feed a quarter of the pre-war pig population); and the better prices offered, would encourage breeding and stabilise the situation. Neither the June nor the September census, however, showed any increase in breeding, although total numbers had increased slightly. Marketing fell off sharply after the high level reached early in the year, possibly because the reduction in the bacon ration to three ounces immediately after 'VE day' stimulated the activities of self-suppliers and illicit slaughterers. Because of the deterioration in world cereal supplies during the year, pig rations had to be virtually eliminated during 1946, so that all plans for restoring the pre-war population had to be set aside.[3]

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[1] Bacon Division argued that, besides the heavy pigs, it had been receiving a number of pigs below 5 score; if the average weight of pigs came down, even if the total of feeding-stuffs remained the same, it should be possible to share them out more evenly.

[2] During this period at least one-third of the country's bacon supply came from home production, and when imports fell off sharply in the late summer they were actually exceeded by home supplies.

[3] In March 1945, a special inquiry was made into the chances of getting an extra 100,000 tons of home-produced pig-meat during 1946, in response to a request by the Prime Minister for more eggs and pork. If immediate action had been taken to arrest slaughtering of breeding stock a programme might have been launched to produce 75,000 extra tons of pork and 500 million eggs in 1946 by bringing in 300,000 tons of grain from the Plate during the months immediately after VE day when shipping would be momentarily easier, and by dipping into stocks of wheat and protein. To continue the programme in 1946, foreign exchange (or blocked sterling), shipping, supplies of grain and of protein would all be needed; all these were on the knees of the gods—'I want to make it quite clear,' wrote a high official, 'that at present we have no idea where the extra 140,000 tons of protein is to come from'. Home stocks might have been preserved if approval could have been got to divert barley from whisky distillings; but this was turned down. To embark on such a programme would have involved immense risks; moreover, officials were very doubtful about the prospects of securing the extra skilled labour that would be needed in the bacon factories to handle virtually double the current production, which was itself almost beyond the capacity of the existing labour force.

CHAPTER XXI

The Remuneration of Distributors and Curers

I

THE fixing of distributive profit-margins for bacon was the hardest single task to be faced at the outset of control; one, moreover, that had to be done against time before rationing could start. Bacon, by general agreement, was the most expensive article to handle out of the whole provisions trade. In the space of a few weeks, rigorously limited by its keeping properties, it had to be washed, perhaps smoked, cut into various pieces which sold at different prices and might have to be sorted among firms doing various classes of business, and finally, after undergoing shrinkage as it passed from hand to hand, be rashered in the shop by a (preferably) skilled assistant. These processes were split up between traders to form distributive chains of varying length; at the one extreme the retail multiple buying at the first-hand price and performing all the operations itself or through associated companies; at the other, primary wholesaler, secondary wholesaler, and corner shop, with perhaps an independent 'smoker' intervening.[1] In general, the multiple both charged lower prices in peace-time and secured higher profits, on account of its integrated organisation, which eliminated commercial travellers and the risk of bad debts, its ability to buy cheaper, and its neglect of the less remunerative, sparsely populated, districts. Its smaller rivals were enabled, as well as obliged, to charge more, by reason of the extra services or the more varied qualities they provided.

Under control a great many of these differences were doomed to disappear. It was early decided that all bacon selling at first-hand would be the property of the Ministry and would fetch a uniform price, that of home-cured, which would be derived from the price of pigs according to the formula used in the marketing scheme.[2] Wholesale prices would likewise be fixed (for reasons that will appear shortly); retail, on the other hand, would be maxima only. Trade advisers suggested 9 per cent. (on sales) and 20 per cent. as fair margins for wholesalers and retailers respectively; there was no time

[1] Bacon-smokers were not controlled *per se* and no explicit provision was made for their remuneration, which was met by the wholesaler out of his margin.

[2] First hopes that home-produced bacon would be cheaper than imported so that an average could be struck were disappointed before control came into operation.

for a costings investigation before rationing started, and accordingly these figures were adopted in building up the initial price schedules in the Bacon (Prices) Order.[1] The Order, however, told only part of the story, for the bacon traders advising the Department had made up their minds, apparently following a precedent in the first period of control, that firms performing more than one function in distributing bacon should not enjoy the full profit margin in respect of each. Already on the eve of war they had drawn up plans for categorising each and every trader in bacon, allotting him his place in the control scheme, and determining the nature, though not as yet the precise extent, of his remuneration. The plans envisaged three different scales of reward, for (1) wholesalers (2) 'company shops' (3) retailers; *ex hypothesi*, (2) was to be less than the sum of (1) and (3), or in other words, multiples were not to be allowed to buy at the first-hand price. For mixed businesses, such as wholesalers owning some retail shops, the remuneration was to be split up according to the amount of business done in each category.

With some amendments in detail these plans were carried into effect; they represented the first, and in the event the last, thorough-going and successful attempt by the Ministry to deprive multiple retailers of a double margin for wholesale and retail functions. The lengthy controversy over double margins in general has been discussed elsewhere[2] in this study; generally speaking, economists were for allowing a double margin and trade advisers against doing so. The argument of the latter, that multiples would have no incentive to cut prices under control and would therefore be given an undue advantage over their competitors if their margins were not pruned, has a plausible fairness about it that appealed to others besides the independent grocers in whose interests it was most strongly urged. But—leaving aside the administrative difficulties of working a differential margins scheme, which in the end were fatal to all except the original, bacon—there remains the objection that to single out multiples is simply to discriminate against one identifiable group of low-cost distributors, while others go scot-free. At no time during the long double-margins controversy does this point, with its corollary that the tax-collector, through his system of individual assessment,

[1] S.R. & O. (1940) No. 12. It included the following provisions:

(*a*) Wholesale prices should include delivery to buyers' premises.

(*b*) 3s. per cwt. was allowed for the service of boning and rolling.

(*c*) Retail prices covered sales without bone. Separate prices were quoted for green, smoked, and pale-dried bacon. Wholesale prices were quoted bone-in, apart from Ulster and Ayrshire Rolls for which special prices were fixed allowing the same margins. Northern Irish bacon was treated as an import and handled by BINDAL; output surplus to Northern Ireland's requirements was bought by the Northern Irish Ministry of Agriculture for the United Kingdom f.o.b. Irish port.

[2] Vol. I, pp. 105-10.

is the man to deal with excessive profits, appear to have been taken. It was, perhaps, obscured by the Treasury dictum about margins being payment for 'services rendered' by traders, which made it possible to argue on their behalf that the performance of a particular operation in the normal course of trade, such as the despatch of sales representatives or the granting of credit to buyers, should automatically attract an 'appropriate' margin of profit. Similar in principle was the claim that a retailer should be enabled to earn a net profit on each and every article in which he dealt, rather than that the Ministry should consider the level of profits on a 'basket' of controlled foods.

In the case of bacon the strong convictions of the trade advisers, their ability to differentiate between each and every class of business, and the willingness of the multiples to accept less than the double margin—all these, coupled with the high cost of distribution that made the prospective financial savings seem worth while—were enough to stifle doubts based on economic principle; even Lord Stamp's committee, for all that it supported the grant of a double margin, did not object to a compromise solution. The scheme eventually embodied in the Ministry's terms and conditions of sale for bacon rested on the denial to all except the simon-pure—'nominated'—wholesaler, free from any taint of retail dealings, of the right to buy at the first-hand price. Other wholesalers, whether secondary or doing a mixed business, multiples, and of course retailers, had to pay the wholesale price even when buying direct from the Ministry's agent. Thereafter, the Ministry operated a system of surcharges and rebates by which each transaction was rewarded according to its deserts; thus a secondary wholesaler,[1] buying and selling at the same (wholesale) price, received the whole of the wholesale margin by way of rebate, while the Ministry recovered this amount, less an allowance to cover *his* services, from the primary wholesaler. In the same way, the Ministry recovered from its agents the difference between the first-hand and wholesale prices in respect of a wholesaler-retailer's purchases, and allowed the latter a rebate in respect of his sales by wholesale only. The effect of these arrangements was that the most roundabout system of distribution, with a wholesale margin amounting to 15s. or 16s. a cwt. according to the delivery distance, was financed out of a levy on the most direct—the multiple, which got only 4s. a cwt. whether it bought from an agent or from a wholesaler. The levy, however, showed the Ministry a handsome profit, estimated in 1942 at £450,000 a year; though presumably this was reflected by a fall in the yield of the Excess Profits Tax paid by multiples. Notwithstanding the Wilts United Dairies case, the legality

[1] No provision had been made for secondary wholesalers in the original scheme, but the trade was able to show that they fulfilled a useful function. Above, p. 345.

of the arrangements never seems to have been questioned, inside or outside the Ministry.[1]

The anomalies inseparable from any scheme of this kind, in which distinctions of remuneration depend on some attribute of the respective firms, can be illustrated by two borderline cases. The English and Scottish Co-operative Wholesale Societies flatly refused to concede any abatement of their wholesale margin, on the ground that the retail societies—which were their shareholders—were separate entities and, moreover, were not obliged to buy from them. On the other hand they agreed to a reduction in their commission as members of BINDAL, in common with other importer-wholesalers. The second case was that of curer-wholesalers, who were allowed full curing and wholesaling margins on the argument—consistent with the 'services rendered' maxim—that the former was a manufacturing, not a distributive, margin. (It would be wrong to term this argument sophistical; rather was it an oversimplification which assumed that different-seeming operations must be conceptually separate.)

II

Fortunately for the Ministry, the bacon scheme met with general acceptance on the part of the trade, perhaps because the margins offered at the outset were ample. (Not until they were virtually agreed upon was Treasury sanction sought and the Commodity Division to learn that percentage margins were objectionable *per se* and the specific increases it proposed considered to be unjustified. However, as rationing was due to start, the Treasury could do no more than stipulate that a complete justification must be forthcoming within three months.) One large group of firms, however, did stand out against the limitation on double margins for no less than four years, and the dispute is sufficiently instructive to be worth recounting at length.

The Lovell and Christmas group comprised firms of importers (i.e.

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[1] The question of *vires* in this instance appears to be complicated by the co-existence of surcharges and rebates. The Ministry undoubtedly had the right to sell the bacon at what price it thought fit, and presumably to grant what rebates it pleased. It could also make what stipulations it liked about the duty of agents to refund monies received by them. The questionable feature of the scheme appears to be the recovery of monies from 'nominated' wholesalers, who had taken possession of the bacon at first-hand price, in respect of sales by them to secondary wholesalers and multiples. To the layman this would appear to be on all fours with the levy on milk distributors exporting milk out of the south-western counties, which the House of Lords declared illegal in 1922 (Vol. II, p. 177). It was certainly a point that might have been taken by Lovell and Christmas, Limited, in their long wrangle with the Ministry.

It is of some interest that the treatment of multiples in the bacon scheme was far more drastic than anything proposed in the abortive double margins proposals of 1942–3 for foodstuffs generally; then it was proposed that they should get two-thirds of the wholesale margin, whereas for bacon they got only 36 per cent. of it—plus, of course, the much higher retail margin.

bacon Agents), importer-wholesalers, wholesalers, and a retail grocery chain (The World's Stores). Apart from the importer-wholesalers, which carried out both functions within the same business, the separate companies had each a single trading function and did much of their business with outside firms. The principal firm (Lovell and Christmas, Limited) had, however, a controlling interest in the rest, so that margins on bacon transactions within the group were liable to abatement. At first the group made no objection to the application of this rule to sales between agents and associated wholesalers,[1] but did object to disclosing to BINDAL—that is, to their competitors—the connection between their importing and wholesaling companies. Instead they arranged to make periodic statements direct to the Finance Director of Bacon Division of transactions between the two, so that the refund of commission could be made. They claimed that their case was unique, and merited the same individual treatment by the Ministry as had been given to the co-operatives; and though BINDAL naturally objected, the direct arrangement was for a time allowed to continue.

Like the Co-operative movement, however, the group would not accept that the principle of withholding double margins ought properly to apply to business done by their associated wholesalers with their multiple retail chain. They argued that the wholesalers had no control over the multiple, were not directly associated with it, and received no advantage from dealing with it, and that its branches could equally well have nominated independent wholesalers as their suppliers, when the Ministry could have had no claim against it. This was indisputable, but the Ministry's view was that, for bacon at any rate, it could not ignore the fact of common ownership (though it had in the case of the Co-operative Wholesale Societies). 'In the application of the general principle', wrote a high official, 'we must look to the destination of the final profit'; which for wholesale and retail businesses alike would be the parent company. In June 1940, therefore, the Ministry claimed from the wholesalers concerned 5s. for every hundredweight of bacon they had sold to the multiple;[2] and the group, on practical as well as moral grounds (for they said

[1] Later on they were to complain that the differing bacon and butter schemes had both worked to the detriment of their agency business. Bacon agents suffered reduction of commission on sales both to associated companies and in their own wholesale business; butter agents could sell to associated firms without loss of commission, but received no commission on sales within an importer-wholesaler business. It so happened that most of the group's butter dealings were done by their importer-wholesalers.

[2] The group were allowed to keep 4s. for the service of delivering to individual branches of a multiple concern where they did so, but where they delivered to a central depot, they got nothing. Bacon Division contended that the practice of collecting the bacon from the factory or cold store and taking it into wholesale warehouses before delivering it to the central depot was superfluous. An independent firm carrying out the same procedure would have received 5s. cwt., while at the same time the multiple depot got 4s.

they had lost money through war-time difficulties), declined to meet the 'academic administrative difficulties' of the Ministry.

As the firm appealed first to higher authority, the matter passed out of Bacon Division's hands for a while. Meanwhile the group acquired a new grievance, from an arrangement made by BINDAL with the Ministry in the summer of 1940, in connection with a review of BINDAL commission, to collect rebates of commission from importer-wholesalers. BINDAL now informed the group that in future not only must they refund the differential for their importer-wholesaler business direct to the Association, but that their wholesale requirements must be filled from their own allocation of imported bacon as far as possible; in other words, that unless their import business were larger than their wholesaling, all their bacon must be handled at a reduced rate of commission. BINDAL added, for good measure, that in any case of doubt as to the wholesale interests of a member, its Management Committee would treat him as an importer-wholesaler for his whole trade, unless he could satisfy them otherwise. This was clearly aimed at the group's continued refusal to disclose their wholesale interests to BINDAL, except for totals of quantities sold through associated firms on which they refunded commission. Early in 1941 the dispute came to a head; the group found that practically all the bacon for some of their wholesalers had been allocated through their import section,[1] and BINDAL, finding discrepancies between the total sales to subsidiary wholesalers as returned by the group and as checked from Area Distribution Officers' records, warned them that this would continue until they made a full disclosure of all their wholesale interests.[2]

The group now protested to the Minister. They said that not only were they having to forfeit 9d. cwt. (the amount of the rebate) on practically all their import business, but they were losing their contacts with the firms outside the group with which much of their pre-war trade had been done. They implied that they were being victimised by BINDAL; but BINDAL maintained that all firms were treated alike, and that especial care was taken to see that no sub-agent was allowed to consolidate a new contact with a wholesaler with whom he had not dealt before the war. Some doubt was felt in the Ministry about the propriety of BINDAL's way of compelling importers to sell their bacon to associated firms at a reduced commission, but Bacon Division explained that even if an importer-

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[1] In February 1940 Lovell and Christmas had tried to get Bacon Division to guarantee that the proportions allocated to their wholesale organisations through their importers should not be larger than they were in peace-time. The Division gave no guarantee but promised to look into the matter; later the group construed this as an undertaking by the Ministry.

[2] It should be made clear that the Chairman and Chief Executive Officer of BINDAL were well aware of the group's associations, although the Management Committee as a whole was not.

wholesaler were allowed to serve independent wholesalers, leaving its own subsidiaries to be served by other importers, the refund of the 9d. margin for the same quantity of bacon would still have to be made, by a more complicated system of accounting, while there would be waste of transport.

The dispute was still unsettled at the end of 1941, and remained in abeyance during 1942 while the Ministry was occupied in reconsidering its 'double margins' policy. The group could probably afford to let sleeping dogs lie, for they continued to draw the full wholesale margin on sales between their wholesale and retail businesses (apart from 2s. cwt. which they refunded according to the Ministry's rule for distribution to a multiple concern), and made no settlement of the arrears of commission from the beginning of 1940 claimed by BINDAL. On the other hand they found hardship in the reduction of commission on most of their trade in imported bacon, and injustice in the rupture of their connections with old customers. These were the reasons for a personal approach by the chairman of the parent company to the Permanent Secretary of the Ministry at the end of 1943, which eventually led to complete capitulation by the group; its constituent wholesalers refunded margins back to the beginning of bacon control, and BINDAL was informed of the group's associations, so that they could proceed to a settlement.

The group's resistance had been worn down, but no satisfactory answer had been made to its arguments; it was, no doubt, hampered politically by its size and wealth, which precluded appeals *ad misericordiam*. Having regard to the operations of Excess Profits Tax, one may doubt whether the practical effect of the Ministry's ruling was great; and this may be a reason why the company in the end made its submission. Nevertheless, the financial arrangements for bacon had such questionable features that it is perhaps a pity that, unlike the milk levy of 1917, they were not challenged in the courts. That they were not reflects the difference in sophistication between the south and north banks of the Thames, between Tooley Street and (say) Mincing Lane. It is unlikely that Tate and Lyle, or Unilever, would have given the Ministry best so easily.

III

Preoccupied with the double margins question, Bacon Division had given comparatively little thought at the outset to the actual size of the margins each class of trader was to receive; but the fact that so little complaint was evoked suggests that the error, if any, had been on the side of generosity. (The wholesalers at first objected that their margin was too low, but it was thought that their real complaint was against the very existence of rationing; and for a brief space they were indeed shown to be right.) There was, in fact, to be no major alteration in margins throughout the war; their history is that of a running fight in which the Ministry's Costings Division, usually supported by Finance Department but not by the trade element in Bacon Division, sought to establish that the margins were excessive.

The remuneration of the importers, organised in BINDAL, was the most straightforward, as they were accustomed to work on a commission reckoned on quantity. When BINDAL began operations in September 1939, this commission was provisionally fixed at 2¼ per cent.,[1] subject to retrospective review. This figure was a compromise between the 2 per cent. that Agents were said to recover on imports at the peace-time level of about 7,500,000 cwt. annually, and the 2½ per cent. they had asked for, allowing for management expenses roughly estimated at £100,000. Importer-wholesalers, including the Co-operative Wholesale Society, were, of course, not to be allowed a double margin, and at first there was some idea of recovering all or almost all the importers' commission from the group, but the figure of ¾ per cent. was eventually fixed as the amount that members of BINDAL should forgo in respect of their wholesale turnover. However, in May 1940 a Costings Report showed that the average gross margin earned by importers before the war was no more than 1·6 per cent., equivalent to 1s. 6d. per cwt. It was contended on their behalf that this figure was unfairly depressed by the inclusion of accounts of the Danish Bacon Company which deliberately ran its business in this country on a low margin (possibly to avoid British taxation); if half its sales were excluded from the calculation, a figure of 1s. 7½d. was reached. Allowing for the services done by BINDAL on the Ministry's behalf (which included assumption of *del credere* risks, and of responsibility for inspection in cases of claims against the Ministry), Bacon Branch thought that 2 per cent. on current prices with a maximum of 1s. 9d. cwt. would be a fair rate of commission. The Association asked 2s. 3d. in view of the decreased turnover, but this contravened the Treasury principle that such a decrease could not be used *per se* to justify an increased rate of remuneration.[2] The Ministry felt itself to be very heavily dependent on BINDAL for the distribution of imports, and was conscious that some recent cargoes had been exceptionally

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[1] ¼ per cent. was retained by BINDAL headquarters to cover administrative expenses on the understanding that the commission would be supplemented from time to time by equalisation payments. When the Ministry revised the BINDAL commission in July 1940, members were allowed to keep 1s. 9d. per cwt. on sales.

[2] In accordance with Treasury principles, the commission had to be expressed as money, not as a percentage that would automatically be raised if the price of bacon went up.

difficult to handle; so in July 1940 it raised its offer to 2s. cwt., and this was accepted. The new rate was retrospective to the start of control in January, and BINDAL was left with the extra commission earned before that date in recognition of its services in distributing home-cured bacon. The Costings Report had confirmed that the ⅜ per cent. deduction from importer-wholesalers left them with a fair margin for services rendered according to pre-war experience, and BINDAL was asked to collect the abatements of commission thus due to the Ministry.

By the end of 1941 the Ministry's Finance Department thought the time had come to review BINDAL earnings. The volume of imports had increased by about one half and the total commission, in consequence, from about £400,000 to about £600,000 per annum; but the volume of work could not have increased materially as sub-agents were merely distributing bigger quantities to the same customers. The Department argued that the original agreement had presupposed a continuing level of imports of about one million cwt. a quarter; now that they had risen, it suggested that future commission should be computed on a sliding scale, with the rate per cwt. dropping below the existing 2s. when imports exceeded 4,500,000 cwt. per annum. BINDAL retorted that there had never been any suggestion at the time that the commission might be altered if turnover increased, and that the rate of commission now received represented about 1·6 per cent., the figure the Costings Report had established for pre-war earnings. The Association added that it had indeed considered applying for an increase in commission, early in 1941, when imports had shrunk, but had abstained when they showed signs of improvement. In point of fact the level of imports had been fluctuating wildly at the time the original rate of commission had been settled, and in default of a formal statement of the assumptions about turnover on which the rate was fixed it was impossible to make a convincing guess as to what, if any, they had been.

For a time it seemed that the Ministry and the Association were on the verge of a breach, and that a renewed investigation into importers' costs would have to be undertaken.[1] But in the end a settlement was negotiated, allowing commission on a sliding scale rather more generous to BINDAL that that already offered, involving a drop below 2s. cwt. after the level of 5 million cwt. was passed. Under existing conditions, the average amount payable worked out at 1s. 6d. per cwt. (10d. for importer-wholesalers).

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[1] Finance Department took the view that costings investigations were 'seldom helpful' in the case of first-hand distributors, presumably because their activities were purely paper ones, involving little or no extra handling. The commission paid them in peacetime was largely, of course, recompense for market operations which were no longer open to them. Cf. the case of MINDAL (above, pp. 311-314).

IV

The rate of 20 per cent. provisionally fixed for *retail margins* was on the whole confirmed by a costings report of December 1939. This showed varying profit rates for different cuts, but an average net margin on all sales of 17½ per cent. on the selling price after providing for a loss in weight by shrinkage of 2½ per cent.; it omitted as unrepresentative of the trade as a whole the trading results of the great multiple group, Allied Suppliers Limited, who despite the advantage of first-hand buying had been earning only 12¼ per cent., in consequence of a policy of deliberate price-cutting. This margin, which was subjected to an upper limit of 32s. 6d. per cwt., was well received by retailers, although they pointed out that the reduction in the number of permitted cuts might make it difficult for them to realise the full price on all.[1] Prices were maxima, and early in the war most multiples charged something below these, although later they tended to let prices rise to the limit. Retailers were less affected by changes in turnover of bacon than of other commodities, as the ration remained at 4 oz. for most of the war; this may help to explain the absence of demand for any increase. At the end of the war the margin was still the same, and the Division saw no reason to alter it.

As for wholesalers, they proved a problem from the outset. The same Costings Report of December 1939 indicated that inquiries had been greatly hampered by the absence for many wholesale businesses of separate records for bacon dealings, so that the report had to lean heavily on evidence from the larger firms. Their results varied widely; a number of large London merchants and one representative provincial firm showed an average net margin (allowing for shrinkage) of 5⅝ per cent., but the London firms showed a shrinkage loss of 3½ per cent., (bringing the total margin claimed up to 9 per cent.), and the provincial firm a loss of only 1 per cent. Other provincial firms showed net margins ranging from 7½ per cent. to 10 per cent., with allowances for shrinkage up to 6 per cent. As the lower rates of shrinkage were found in firms with a large volume of business, it was decided

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[1] This difficulty led to the practice of 'interleaving' rashers of better with inferior cuts. The technical difficulty of interpreting and enforcing price controls for various cuts of bacon is illustrated by a problem that developed in 1940 over the distinction between 'thick streaky' and 'thin streaky', that is, the fore and hind parts of the whole streak, or belly portion of the side, for which different prices were fixed. In the words of a trade adviser, 'the pig, not being a manufactured article, varies anatomically and . . . it is impossible to put in writing a definition of what constitutes thick and what constitutes thin'. Food Control Committees, who had already lost a few cases in which retailers had been accused of palming off thin streaky for thick, had to be warned not to proceed unless the issue was beyond doubt. A subsidiary problem of overcharging by retailers selling thick streaky with bone in (a cut for which no price was specified in the Order) was met by S.R. & O. (1940) No. 896 which made it illegal to sell wholesale or retail any cut other than those specified in the Order.

that $3\frac{1}{8}$ per cent. was probably a fair allowance, and the margin was provisionally fixed at 9 per cent., or 12s. a cwt. An additional margin of 11s. cwt. was allowed for smoking, calculated to cover shrinkage and smoking costs but to leave the same net margin.[1]

A few weeks after control began, bacon prices were reduced and the margin of 12s. went down to 11s. 6d.;[2] this still left wholesalers with 1s. 6d. a cwt. extra margin compared with pre-war earnings on cheaper bacon. It was represented to the Treasury (when it called for the fuller justification of the margin which had been promised earlier) that this 1s. 6d. was needed to cover higher costs; but the new Costings Report on wholesalers' margins under control, when at last it was ready in December 1940,[3] would admit no more than an extra 6d. a cwt. for increased costs, as these had been partly offset by the fact that the Ministry now paid carriage and storage expenses. The report declared that the $3\frac{1}{8}$ per cent. allowance for general shrinkage was uncalled for; transit shrinkage allowance was already given on agents' invoiced weights, and wholesalers had admitted that this allowance was sufficient to cover any further shrinkage that might take place in the short space—often no more than a few hours—during which the bacon was at their own premises. Hence the gross margin of 11s. 6d., including an extra 4s. 3d. for shrinkage that had not taken place, was secured in full on sales to retailers. This figure, however, exceeded the average gross earnings by 1s. 3d. per cwt., when allowance was made for the reduction suffered on deliveries to multiples and secondary wholesalers—a point that had been ignored when the margin was originally settled. It followed that a fair margin under present trading conditions would be 9s. a cwt.; and the Director of Costings recommended that the basic margin should be stabilised at this figure, and that the smoking margin, which had also allowed too much for shrinkage, should be reduced by 10d. a cwt.

These proposals came before the Margins Committee in January 1941, and were warmly disputed by Bacon Division, which argued that turnover had decreased by about one-third since the time of the inquiry; this would justify an increase of 2s. a cwt. in the allowance for expenses.[4] The Committee was prepared to admit an extra 1s. for

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[1] Shrinkage was estimated as 4 lb. on a 60 lb. side, compared with a shrinkage of $3\frac{1}{2}$ lb. by green bacon in the retailer's shop. The extra cost to the retailer of smoked bacon was covered by the addition of 1d. per lb. on certain cuts.

[2] It should not have done, had Bacon Branch been complying with the Treasury rule about fixed margins.

[3] The Director of Costings spoke of the great difficulty of collecting data from firms whose records were such as could be examined, and from which a reasonable apportionment could be made of expenses in the bacon section of the business. The report covered the record of only 9 firms.

[4] The Ministry's request to wholesalers to carry an extra week's emergency stock had caused further expense.

expenses, and suggested 10s. for the revised margin; but Bacon Division, while agreeing that 10s. might be enough for the fifty or so large wholesalers distributing up to 1,000 tons a week, would be quite inadequate for the 950 small firms handling less than 10 tons, or for the thousand or more secondary wholesalers handling 4 or 5 cwt. Here Costings Division was on weak ground, as it had by its own admission had to rely mostly on data from large firms which kept detailed accounts—the smallest 'experience' investigated showed average sales of 7½ tons per week, which was higher than the national average of 6 tons. Bacon trade advisers declared most emphatically that distribution would break down if the smaller traders were forced out of business, brushing aside objections that the secondaries handled only about 5 per cent. of the total bacon supply; they recalled that the original plan for bacon distribution had provided no separate margin for secondaries, but that the weight of opinion in the trade had convinced them that a special place must be found for them, as an alternative to fixing the margin so wide as to enable large firms to make excessive profits.[1]

As it seemed impossible to resolve these differences, a decision was postponed while a further inquiry was made into the trading results of certain wholesalers. But in the meantime Bacon Division had been allowed to restore the first-hand price of bacon to its original level before the glut of early 1940—an operation postponed earlier on account of the Cost of Living Index. Under its unique system this would have involved an automatic increase of the wholesale margin, but the Division, by way of an interim concession to the views of the Margins Committee, decided that the margin should remain at 11s. 6d. Traders were told that they should reform their business methods so that they could continue with this margin even if costs rose further, since the Ministry could not contemplate frequent revisions to keep pace with rising costs.

In April 1941 the Margins Committee, now in possession of further evidence from Costings, took up the battle once more.[2] It seemed to the Committee that Costings Division had disposed of all the previous objections and that there was no reason why the margin should not forthwith be reduced to 9s. Bacon Division had pleaded that turnover of other commodities handled by bacon wholesalers had fallen sharply:

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[1] The Finance Section of the Branch thought the problem might have been overcome if a maximum instead of a prescribed wholesale margin had been fixed. This would have left enough for the secondaries while providing an opportunity for the bigger firms to pass on some of their economies to the consumer. The same argument was used in favour of the Butter Branch's arrangement of margins, but it was observed here that the larger firms ceased after a while to sell below the maximum.

[2] The Chairman of the Committee, commenting on this memorandum and on a report on curers' margins (which were also under investigation at that time), wrote that 'the picture presented . . . appears to the Committee to be little short of a scandal'.

but it now appeared that in four groups of firms doing various proportions of bacon business, sterling turnover had increased by an average amount of 11 per cent. above pre-war levels, and even though the average bacon turnover had fallen by 1 per cent., gross margins for bacon separately and for all commodities had both increased by nearly 50 per cent. Trade advisers had also said that expenses had increased more than the costings investigations had allowed; but the new inquiry, comparing total expenses for war-time and pre-war years—since separate figures for bacon expenses were not available—found an increase of 10 per cent. compared with a rise in net profit of 325 per cent. Figures for recent months, where available, showed a tendency to rising costs and declining net profits, which was thought to explain trade concern; but it was contended that a fair comparison of profits should be with those of a pre-war period and not those made in the boom conditions of 1940, and that profits were still well above pre-war experiences, especially considering the fall in turnover and hence in 'services rendered'.

The Commodity Division was unmoved by these assaults; one member, using the experience of his own firm in support, even declared that the margin should be increased to its original level of 12s. After all, the 'average' margin, allowing for rebates, was only about 10s. or 7·4 per cent. of current prices, which was not considered excessive even for commodities like jam which required no processing. As it was felt that little would be gained by bringing the case before the Margins Committee at once, an effort was made to reconsider the whole problem afresh. Attention was focused on two main points; the extent to which reduced turnover had raised costs of distribution, and the amount of shrinkage. Trade advisers explained that now that bacon was delivered weekly instead of perhaps daily, some must remain nearly a week on wholesalers' premises and the 1 per cent. transit shrinkage allowance would be quite inadequate; recent experiences in buying from home curers had shown that the 1 per cent. was not always enough even for shrinkage in transit, let alone in store. Costings Division, however, insisted that its inquiries had shown that the full margin of 11s. 6d. was nearly always realised by traders. In the end, the figure of 8s. cwt. was agreed for costs of wholesaling, allowing for one-third reduction in turnover as well as a general increase in expenses; to this were to be added allowances for rebates to multiples and for a profit element, and possibly for extra shrinkage. Higher authority, asked to adjudicate, determined that the margin should be fixed at 11s.—a reduction of no more than 6d.—even so, Bacon Division insisted that the onus of responsibility should be placed on Costings Division when it was announced to the trade.

The fact remained that some wholesalers were known to have made excessive profits, although, in the view of most people outside Costings

Division, there was nothing in the margins to explain this.[1] It was supposed that they must be doing this out of the extra margins allowed for processing—most likely smoking, for easy money could be got by under-smoking bacon which would not shrink to the full extent allowed for (but would complete its shrinkage after it had passed on to the next trader). The Division had been instructed to examine processing allowances, and tests were arranged of weight losses in cold store and wholesalers' warehouses and in course of smoking. These disclosed average losses of 2·77 per cent. in imported bacon at wholesalers', which compared very reasonably with the total of 3 per cent. allowed for shrinkage, and seemed to the Division sufficient argument for leaving the allowances as they were; an attempt to cut them too fine might only lead to more claims for short weight.

Smoking tests showed an average shrinkage of 6·47 per cent., compared with an allowance of 6·66 per cent., although the average concealed wide variations from one case to another. It was felt outside Bacon Division that these tests showed that both allowances erred a little on the generous side, but gave no real grounds for reductions. Here the matter rested until 1944, when certain wholesalers suggested, apropos of curers' remuneration, that the wholesale margin was too high, and that 4 per cent. would be enough for shrinkage in smoking. The difficulty was that it was impossible to prove that the trade as a whole was not smoking properly, and without such proof no reduction in the allowance could be justified; the Division had to content itself with a reminder to the trade of the need to observe approved standards.

The basic wholesale margin remained unchanged at 11s. after 1941; in May 1944, as Finance Department remarked, there was still no evidence, and no more chance of obtaining it, to show that the smaller wholesalers would not be injured by a lower margin, although it seemed likely that the larger firms could stand a cut. The Ministry did not wish to 'tinker with the margin' with every fluctuation in supply, and although bacon was more plentiful just then, there was no reason to suppose that plenty would continue.

V

As the nucleus of bacon control had been the Bacon Marketing

[1] One source of wholesalers' income not revealed by costings investigations appeared not long afterwards in the minutes of the Bacon Regulation Committee (at the daily meetings of which the Division conducted its business). They were in the habit of selling their bacon boxes to dealers who resold to the Ministry of Supply, apparently at black market prices. Boxes—which had replaced bales for imported bacon because the journey was now so much longer—were returnable if not damaged. But the allowance on a box was much less than it would realise as damaged on the open market—cf. the similar trouble with egg-boxes (Vol. II, p. 102). The Ministry of Supply tried to introduce a system by which wholesalers should sell direct to its own nominees, but this broke down and sale to dealers was resumed.

Board, that part of it dealing with curing was naturally devised to employ existing administrative and accounting machinery with as little disturbance as possible. The Bacon Marketing Schemes had guaranteed curers a price of 94s. 9d. a cwt. when pig prices were 12s. 6d. a score dead-weight, with an estimated intake of 2,100,000 pigs a year; this was intended to give a margin for costs and profits of approximately 16s. per cwt. of bacon. Calculations of a war-time controlled price started from the figure of 94s. 9d. and made various adjustments in respect of the changed conditions: additions for the increased cost of pigs, of war insurance, and to allow for the decreased value of lard,[1] and deductions for expenses that would be borne under control by the Ministry.[2] In actual figures, this meant that when full control started in January 1940, with pigs priced at 18s. 6d. a score, the corresponding price for bacon should have been 136s. 7d. per cwt., including a 1 per cent. allowance for shrinkage in transit; the first-hand price was fixed, however, at 125s. a cwt. and the curers were paid a subsidy of 11s. 7d. a cwt.[3]

The basis of this calculation was questionable, for the actual intake of pigs during 1939 had been at a rate nearer 1,500,000 than the 2,100,000 allowed for by the Bacon Marketing Scheme price. Trade advisers had used this point to argue that the new margin should be higher; others, on the contrary, to argue that the controlled margin should be fixed in relation to what curers were actually earning just before the war. However, it was agreed that the price for home-cured bacon should be fixed in this way, and until June 1940 increases in the bacon price were allowed in step with each rise in the cost of pigs. By this time, however, the average pig supply to curers had increased to about double the average rate of supply for the first nine months of 1939. The Bacon Industry Act had set out a scale of price reductions for successive years linked with estimates of increased turnover, but this had been done on the assumption that a rationalisation scheme for bacon factories would have eliminated excessive costs, and no plan had envisaged a situation in which turnover had increased without rationalisation. It began to look as though the pure Bacon Industry Act formula would not suit the changed circumstances; and this was recognised in the decision to allow curers only an extra 1d. per score when the pig price went up 6d. at the beginning of June. This

[1] The Bacon Industry Act allowed an addition to the bacon price when the price of U.S. lard fell below 65s. a cwt. The price of imported lard (and hence the market price for home-produced lard) was in 1939 about 45s. a cwt.

[2] i.e. buying commission and share of cost of collecting centres, transport of pigs and bacon, transit shrinkage.

[3] When bacon prices were reduced in February 1940 the subsidy was increased by the amount of the reduction. Later that month it was decided to pay the subsidy on the pig-meat rather than the bacon, at the rate of 3s. 3d. per score, and from that time variations in pig prices and adjustments in the margin were both reflected in alterations in the rate of subsidy.

amounted to a reduction of the margin by 2s. 11d. a cwt.—1 cwt. of bacon being reckoned as equivalent to 7 score of pig-meat—which it was thought curers could well afford in view of their increased output and the higher market price for offals; but it was proving exceptionally difficult to check this by costings. At the beginning of 1941, pigs were still reaching factories at the rate of about 3 millions per annum, though a rapid drop was expected in the near future because of the shortage of animal feeding-stuffs, and offal values were estimated from the official schedules set out by the Wholesale Meat Trade Associations to have risen 4s. or 5s. per cwt. of bacon compared with pre-war. Interim costing figures suggested that production costs had fallen by 2s. 6d. to 3s. per cwt. in consequence of the doubled turnover of pigs. Finance Department, therefore, felt itself on safe ground in proposing a reduction of 4s. 8d. a cwt. in the margin; but trade advisers, both in the Ministry and on its Bacon Production Advisory Committee, objected that the costings had covered only exceptionally large factories and were in any case out of date, and that a decline in output was expected almost at once. For the time being, therefore, the curers escaped with a reduction of only 2s. 4d. a cwt.[1]

In May 1941 a report on curers' costs was at length ready; it recommended that the 2s. 4d. the curers had been allowed to keep at the last review should now be withdrawn, as they should still be able to make an extra 1s. 11d. per cwt. over and above what the original margin had been designed to secure. The ensuing argument took a similar course to that over wholesalers' margins. Costings Division reinforced its report with information about curers' trading results which showed that net profits for the six months up to September 1940 were two-and-a-half times those for the same period a year earlier; Bacon Division retorted that the figures covered a period when production approached capacity for the industry whereas it had now fallen to less than one-half and that the small men who comprised five-sixths of the industry had been able to reduce their production costs by nothing like the amount suggested. The Division also disputed a theory adduced by Costings that the conversion factor for bacon from pig-meat was greater than the 80 per cent. usually assumed.

The inference to be drawn from this dispute was that of the Finance Branch of Bacon Division: as every sign pointed to a continuing decline in bacon production with dwindling pig supplies, the industry must be *concentrated* to allow economic working and prevent the need for a Treasury subsidy rising above the existing level of 2s. 9½d. per score. The policy of concentration had but recently been set out in a Board

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[1] Northern Irish curers protested that this was hard on them because their production had not increased at all recently, whatever might have happened in the United Kingdom, and their pig supplies were still falling, but the Margins Committee refused to make an exception in their favour.

of Trade White Paper[1] and received a blanket endorsement from Ministers. To a circular from the Ministry's Financial Secretary asking for information about the possibility of concentrating food industries, Bacon Finance answered promptly that a *prima facie* case existed for concentrating bacon curing; 'I have urged for some time now for steps to be taken towards this end, but I regret my efforts have not been successful'. In fact the mere mention of concentration served to delay a settlement of the margin; and though discussions on past profits and fair remuneration continued, they became for the time being both academic and desultory.

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[1] Cmd. 6258. For concentration generally, Vol. I, pp. 322-334.

CHAPTER XXII

The Concentration of the Curing Industry

I

In the first few months after the issue of the White Paper on Concentration, when the Ministry of Food's notions on the subject were still vague and unformulated, its first approach to any industry considered ripe for concentration was to invite its own members to work out a scheme; this indeed appears to have been the original idea of the Board of Trade also. In August 1941, therefore, the Ministry handed the job over to its newly reconstituted Bacon Production Advisory Committee, composed of representatives of the various curing interests. The members were informed that the need was urgent and that the criteria should be economy of transport, both of pigs and pig products, and efficiency of production. The decline in pig supplies was given as the predominant reason for concentration;[1] the call for manpower and factory space, which had made concentration of industry an objective of national policy, was mentioned only incidentally.

By October the Committee had their scheme ready. An official of the Ministry who had acted as their secretary expressed the view that they had done a workmanlike job, with no evidence of sectional wrangling or of any attempt at bargaining with the Ministry. They thought that 'nucleus' factories should be selected in the first instance according to efficiency; allowance could afterwards be made for capacity in relation to the supply of pigs in given areas—with reserve space to cope with fluctuations—for ancillary businesses such as meat manufacturing or wholesaling, and for economy of transport.[2] They suggested that the period of high production during 1940 might be used as an index to productive capacity, on which remuneration to nucleus and closed units could be based, either through a pool of earnings, or (as the committee preferred) by payment at a fixed rate, with closed factories receiving something more than operating ones to compensate for their forfeiture of profits from offals. They declined

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[1] The current situation was reported as follows: weekly production (live pigs and frozen pork) 45,000 cwt.: weekly pig supply, 32,000, likely to fall to 22,000. There was no expectation of further supplies of frozen pork when stocks were exhausted.

[2] This element had been given first place in the Ministry's notes for guidance, but the Committee thought it had been over-emphasised. They pointed to examples of wasteful cross-hauls of bacon seen in their own experience as wholesalers, and did not see why the bacon-curing industry should be specially singled out.

absolutely, as invidious, the task of selecting factories for retention or elimination, and called for an independent panel to undertake it.

The plan, however, found little favour with the industry at large, to judge by the comments of the very associations whose representatives had drawn it up. They objected to the suggestion that a thirteen-week average of actual production in the peak period should be used as an index; they preferred to stick to the old quotas on which pigs had been allocated since the beginning of control. They thought the rates of profit and compensation were entirely inadequate; because of the necessity for disposing of offals, they did not believe that economy of transport would best be achieved by minimising haulage of live pigs; they thought greater weight should be given to the existence of ancillary businesses among the criteria for selecting factories for retention. Above all, they were not convinced that concentration was necessary at all, as no substantial savings of manpower or transport would be achieved. Beneath these criticisms lay the suspicion—more especially among the small and 'Midland' curers, jealous of 'Wiltshire' ascendancy—that concentration might by some sleight-of-hand be turned into the permanent 'rationalisation' proposed for the industry under the Bacon Marketing Scheme.[1]

Meanwhile the Ministry, under pressure from other Departments, had set up its Concentration Panel, which had defined the objects of concentration differently from those given to the curers in August 1941. Releases of labour and factory space were to be the main objective; economy of transport and industrial efficiency, and hence the curers' criteria for selection of nucleus factories, were secondary. For its part Bacon Division had also some objections to the committee's proposals. It agreed with the trade as a whole in preferring the pig quotas to the thirteen-week average as an index of capacity, for allocation of pigs during the flush period, which had determined the latter, had often been adventitious; it thought the concentration scheme should aim at a greater reduction in the capacity of the industry than the 25 per cent. that had been suggested; and it had no doubt that once concentration had been achieved pigs must be distributed to the best advantage according to supply and transport conditions, with no attempt at the exact allocation in proportion to capacity that would have been essential if the narrow margins proposed by the committee were to suffice.[2] Criticism of the plan in detail or principle, however was for the present beside the point, namely that the industry was not prepared to concentrate itself.

[1] This was a point on which the Ministry had constantly to reassure the industry. It had advised the drafting Committee to provide some means by which closed factories could reopen if supplies improved.

[2] The figures suggested were 3s. od. a cwt. for closed curers and 2s. od. for operating ones. Curers had previously been making bigger profits than this.

The Division did not despair of getting the curers' co-operation provided they were offered some effective plan for distributing the funds of a concentrated industry. It drew up a scheme for an *ad hoc* trade association to administer the financial arrangements, and agreed with Finance Department that the revision of the curers' margin, put aside some months earlier when concentration was first broached to the industry, should now be undertaken so that the amount of the Treasury subsidy to the concentrated industry and the funds available to the new association could be determined. Since the summer of 1941, pig supplies had fallen still further, and bacon output—including production from frozen meat—was running at the rate of about 30,000—35,000 cwts. a week. If the new margin were fixed to give a 'fair return' on the basis of current production, curers could still make a comfortable income and would have no incentive to concentrate, so it was decided to calculate on the basis of the production level during the summer (45,000 cwt.) at this time when the decision to concentrate had first been taken.[1]

The figure agreed for the new margin was, admittedly, a pure estimation, as no-one wanted to embark on new costings, which could only postpone progress still further. Manufacturing costs were estimated on the basis of the last Costings Report (which covered a period in 1940), with allowances for diminished throughput and increased expense of various items; recent figures for offal yields were available, and the profit element was arbitrarily, though it was hoped reasonably, fixed at 2s. 4d. per cwt., which compared fairly well with the Bacon Production Advisory Committee's figures of 2s. and 3s. cwt. for continuing and closed factories. This gave a gross margin of 13s. 11d., 2s. 6d. less than the existing one;[2] it was intended to give three months' warning and then proceed to reduce the margin whether or not the industry had been concentrated by that time, as it could well stand any losses it might make for a while out of the 'reserve fund' in Excess Profits Tax it must have accumulated during the peak period when profits were very high.

In the event, the question of the margin, which had to go up to the highest ministerial level, was not settled until March 1942; in the meantime the Board of Trade and the Ministry of Labour had been pressing the Ministry of Food even harder over concentration, showing special interest in the curing industry. Once the margin was agreed, Bacon Division had been planning to hold three region-by-region meetings of curers, and ask them to propose factories for closure,

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[1] Bacon trade advisers were doubtful about the figure of 45,000 cwt., the level of 'throughput' for August 1941, which, they said, would have been only 40,000 but for a special release of frozen pork at that time.

[2] According to the calculation, the existing margin was 10½d. a cwt. too high even at the then 'uneconom ic' level of production.

enough to eliminate 25 per cent. of production within each region. Failing voluntary proposals the Division would announce its own nominations; it had no legal powers to close a factory, but it would be able to do so in practice because it controlled allocation of pigs. No-one, however, was sanguine about the prospects of getting any action from the curers; when the Bacon Production Advisory Committee were told of the plan in April, they doubted whether any voluntary closures at all would be secured, and felt the ultimate onus for concentration was bound to fall on the Ministry. Bacon Division was likewise chary of accepting responsibility for selecting firms to close because of the trade interests of some of its members and preferred to adopt the procedure used in the concentration schemes for biscuits and chocolate and sugar confectionery, which put the prime responsibility for selection on the Board of Trade and the Ministry of Labour. Those Departments were in April 1942 provided with lists of bacon factories, showing their capacity and labour, and were asked to make an initial selection which Bacon Division could amend according to its own ideas of the capacity and factories that should remain after concentration.

At about the same time all licensed curers were informed that it was intended to close about 30 per cent. of the working capacity of the industry, but that the selection of factories to close was being delayed until early June to give curers a chance of submitting group proposals for voluntary closures which could be taken into consideration when the Ministry made its final choice. The financial interests of closed curers were to be looked after by a scheme covering the whole industry, but this would not extend to meat manufacture or other ancillary businesses carried on in connection with curing; these might have to close down at the same time,[1] but could be transferred to nucleus factories if curers had concluded mutual assistance pacts in advance.

In the end two curers' meetings were held in London and Glasgow early in May and confirmed expectations. The curers complained that they knew nothing about the requirements of labour and factory space which they were now told it was the object of concentration to secure: that a month was far too short a time to produce plans; and that in any case, very little labour or factory space could be released by the industry, as most factories had ancillary businesses which, as they were assured, it was not the Ministry's intention to close. (This was to prove too true.) Moreover, some curers were convinced that the Ministry had already selected the nucleus factories and that its requests for voluntary closures and group schemes were humbug; it would be better if it put its cards on the table and avoided waste of

[1] Insofar as the meat manufacture used offals from pigs cured in the factory, supplies would dry up when curing stopped.

time. All that was accomplished at these meetings was the announcement to the trade of the new margin which was to take effect three months thence. Discussions on details of the concentration scheme had to be left to further meetings of the Bacon Production Advisory Committee, and as the Ministry had already settled the extent of concentration and was preparing to select nucleus factories, the Committee was mainly concerned with the financial scheme and the association proposed to administer it.

The funds of the association would consist of the curers' margin, which had to cover three main items: the costs of closed factories, those of nucleus factories, and the distribution of the profit among all. The Ministry would merely pay the whole margin to nucleus factories, and would have no hand in its reallocation, so that the costings on which it had been based could be ignored, and the actual costs of all factories could be determined later by the Management Committee of the Association according to its own judgement. Dissent still persisted about the basis for a profit share-out, both on the Advisory Committee and among the curers at large when a ballot was taken, the larger curers voting for the 'thirteen-week standard' and the smaller for the Ministry's pig quotas;[1] as a compromise it was agreed that the index should be the average of the two.

Progress in drafting the articles of the new Association was slowed down by jealousy among the various interests represented on the Advisory Committee. At one stage the Midland Bacon Curers' Association found itself in a minority of one over certain of its proposals, for instance, one to allot votes to members according to their 'place in the industry' (that is, number of factories owned) when the rest had agreed the principle of 'one member, one vote'. The Midlanders were also anxious to establish that the powers of the Association should be strictly limited to the administration of a distribution scheme, and to arrange for its winding-up as soon as production had increased to some agreed level; to symbolise this they suggested the use of the phrase 'War-time' in the title of the Association, in place of 'National Defence Association' which suggested wide powers. It was settled Ministry policy that articles of war-time associations should be so framed as to prevent them assuming functions wider than those for which they had been formed, in particular that of representing the industry as a whole, so that Bacon Division was willing to fall in with the Midland curers to the extent of ordering the deletion of those articles hinting at powers wider than would be needed to administer the financial scheme, endorsing their suggestions for the title, and repeating with respect to bacon curing in particular the assurance given to industry in general that all factories closed under concentra-

[1] There was said to have been much dissatisfaction at the working of the quotas which was why the Advisory Committee had originally opted for the 'thirteen-week average'.

tion schemes would be allowed to open as soon as possible after the war.[1] The Division was not prepared, however, to interfere with the basis of voting agreed by the majority, which in any case should be of no real moment as the scheme would be run by the Management Committee. This was to contain representatives of each curers' association, and of closed and nucleus factories, but discussion of its membership was so far prolonged that the Ministry renominated the original Advisory Committee to serve for the time being. Not until January 1943 was final approval secured from all parties to the association;[2] in March it was registered as the Bacon Curers' (War-time) Association Ltd.

The Management Committee of the new body at once found itself with arrears of work to overtake; concentration had been completed in August 1942, since when nucleus members had been receiving from the Ministry the full margin, including the share due to closed factories. The Management Committee had power to levy payment from members from the proceeds of the curers' margin[3] or of any use made of closed premises, and in April and June 1943 the first levies were made from nucleus factories, calculated so as to leave them with working costs based on the Ministry's calculations; but the details of the distribution scheme were not settled until November and the first payments under it—for the period up to January 1943—were not made until December. One member of the Management Committee, a Midland curer, questioned the method of calculating each factory's 'weekly claim' used as the basis of distribution. The ballot taken in 1942 had asked curers to vote between 'quota figures' and 'thirteen weeks' standard'; as the ballot had been inconclusive, it had been agreed to average the two figures for each firm, but the objector pointed out that if they were each expressed as a percentage of the total number of pigs available at the time, the averaging of the two would produce a different result.[4] The Ministry agreed that the method of calculation adopted by the Management Committee con-

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[1] The Small Curers' Association as well as the Midland Curers had asked for a pledge of this kind.

[2] The Ministry was not entirely satisfied with the Memorandum of Association. Legal Department complained that there was 'no complete concentration scheme on paper anywhere,' and thus nothing to submit to the curers for approval. As it was, any curer could apply to the court if he found the scheme unfair to his business. Bacon Division had tried to get the principles of the concentration plan embodied in the document, but the curers had refused to assent in form either to the need for concentration or to the Ministry's choice of factories for closure.

[3] No payment was levied from nucleus 'B' factories, who received nothing from the pool; but closed 'B' factories shared in the pool on the basis of their carcass allocation in 1941. (For the difference between 'A' and 'B' curers, see above, pp. 338-339).

[4] In the hypothetical example given, the 'weekly quota' was larger than the 'thirteen-week standard', and the result using the second method was the greater. The affair was another example of the division among curers; in the ballot, most of the Wiltshire curers had voted for the thirteen-week average, and the Midland and small curers for the quota figure.

formed with the concentration plan which it had originally approved, and which referred to figures and not percentages, but admitted that the alternative method suggested might have produced a more equitable result, and suggested that the Committee might reconsider the matter; this it did later in the year, but the amendment was defeated.

During the latter part of 1943 and 1944 discontent grew over curers' remuneration, especially over the allowance for handling the frozen pig-meat which formed an increasing part of their raw material. In January 1944 the Chairman of the Association asked if the Management Committee could now replace the Bacon Production Advisory Committee as the appropriate trade body authorised to make representations for a revision of margins. This was agreed to, but in fact no representations were made by the Association up to the end of the war.

II

As in other concentration schemes, the problem confronting the panel of Ministry officials which met in June 1942 to select factories for closure was to harmonise the demands of the Ministry of Labour and the Board of Trade with the retention of a balanced industry; it had, however, a distinguishing feature in the raw material, supplies of pigs. These were raised all over the country, but production was particularly heavy in East Anglia, the south-eastern counties, Devon and Cornwall, and Yorkshire—areas which, with the exception of the last, did not coincide with the main centres of curing. In England the heaviest concentrations of bacon factories were in the Midland counties and the 'Wiltshire' district (covering Wiltshire, Gloucestershire, and Somerset); in Scotland, the bulk of curing capacity was in the west, while most of the pigs came from the east. Even before the war there had been 'importing' and 'exporting' areas for pigs, and now that the pig population had dwindled, its remnants had to travel ever greater distances, which displeased everyone—the Ministry because it had to pay transport costs, the factories because they received pigs in poor condition, and above all the farmers who constantly complained that the transit shrinkage allowances were inadequate.

Concentration of the industry could therefore be made to serve the interests of transport economy even though this took only third place in the declared aims of the scheme. When there was a large group of bacon factories in one area it was obvious that some would have to close, for there were no longer enough pigs within reasonable distance to supply them. As one of these areas happened to be the Midlands, where labour and factory space were at a premium because of the development of munitions industries, it suited the Ministry of Food quite well to accede to the requests of the Ministry of Labour and the Controller of Factory Space; the same applied to a lesser extent to the 'Wiltshire' area, where labour and factory space were wanted for industry around Bristol, and to the west of Scotland; not many factories were closed outside these areas, and the Ministry was able to let the other Departments have almost everything they asked for. Indeed, the doomed factories made for the most part only token resistance; out of the fifty-odd selected, thirty-six appealed to the Ministry's tribunal, but only one appeal succeeded, and little more was heard of most of the remainder.

The only interruption of this smooth process concerned some of the larger firms, which seemed the most attractive prizes to the other Departments because of the amount of labour and space they might release, and the only cases that aroused widespread protest were the two Co-operative factories which were among the *causes celèbres* of concentration in the food industries.[1] One of these was in Winsford, Cheshire, and the other (a Scottish C.W.S. factory) in Kilmarnock. These were both Ministry of Labour 'red' areas,[2] and the roomy premises could provide useful storage space, although the Board of Trade made no particular request for it; so that a case, though not a strong one, existed for closing these factories in fulfilment of the principal objects of the concentration scheme. The Ministry of Food, however, had stronger reasons for wishing to see the factories closed, as both were in areas where there was an excess of curing capacity and some of the larger factories had to go. Both, in existing circumstances, were embarrassingly large, and had in consequence to be supplied with pigs from a wide area; in fact, it was argued—though the Ministry of Agriculture was inclined to dispute this—that even before the war the Winsford factory, which had only opened in 1937, had not been well placed for pigs. These technical considerations weighed so strongly with officials that they went out of their way to press the Winsford factory on the Board of Trade and apparently did not consider the likely reaction of the Co-operative Movement to the closure of *two* of its most efficient factories.

In the ensuing barrage the movement sought to enlist a variety of possible allies; the Deputy Prime Minister, Lords Addison and Snell, five Members of Parliament, the Burgh of Kilmarnock, and a fringe of camp-followers.[3] Some features of the Co-operative case were indis-

[1] Vol. I, pp. 325-326.

[2] 'Red' areas were those in which all available labour in the district was needed for essential work.

[3] Among these were Dr. L. J. Picton, whose book, *Thoughts on Feeding*, represents the extreme 'natural foods' advocates; he had, as it happened, been Medical Officer of Health at Winsford and admired the bacon factory because it fed its workers on composted vegetables. Sir Albert Howard, doyen of this school of thought, also made representations, but his identity appears to have gone unrecognised.

putable, though beside the point; the two factories were up-to-date and well-run, making full use of by-products and paying trade union rates, which was more than could be said for some of the nucleus factories in West Scotland by which labour from Kilmarnock was absorbed after the closure. (Curers naturally found it difficult to grasp that efficiency was not the main criterion for retention.) The complaint that the closure of the two factories meant the loss of about two-thirds of Co-operative curing capacity in England and Scotland, when the national average was only 30 per cent., deserved less attention, as cases were meant to be considered individually without reference to the ownership of the factory, and some curers had lost their whole capacity. Nor was it to be expected that the Ministry would respond to the claim that Co-operative factories were worthy of special treatment because they were 'capitalised by working class consumers to meet their own needs'. But the co-operatives may have been right in suspecting that they had been handled less tenderly than other large curing interests.[1]

The most telling argument (one which, fortunately for the Ministry, they did not press) was based on the use actually made of labour and factory space at Winsford described in a statement they sent to the Deputy Prime Minister early in 1943. The factory had been handed to the Ministry of Food for use as a buffer depot, but up to December 1942 only about a quarter of the space had been used. None of the workers released had found work in Crewe (whose proximity was the main reason for the demand for labour in this area), though the Ministry of Labour reported that thirty-six out of forty-eight workers released were on work of 'national importance'. The situation at Winsford, however, was no more unsatisfactory than at many other closed bacon factories. A report on concentration prepared for the Ministry in March 1943 showed totals of only about 1,300 workers and 200,000 square feet of factory space released up to the end of 1942 by concentration of bacon curing—the smallest harvest for any of the food industries concentrated. The truth was that even between the pronouncement of sentence on the industry and its execution, the Board of Trade, for one, had begun to doubt its efficacy. Although Bacon Division had specifically stated when the Board was first invited to make its choice of premises that ancillary production would not be affected by the scheme, the warning had been disregarded by Regional Controllers, who pointed out in July 1942 that unless the curing firms concerned were closed down completely, the space

[1] For example, in the Midland area both the Ministry of Labour and the Controller of Factory Space would have been better satisfied with Marsh & Baxter's factory at Brierley Hill than that of the C.W.S. at Winsford, but it was decided to retain the former because Marsh & Baxter were to lose another large factory in Birmingham. Harris' factory at Calne was originally scheduled for closure by both the other departments, but was allowed to remain open provided it released some space for storage.

released would be almost useless.[1] Ancillary businesses carried on in bacon factories were usually wholesaling, which there had never been any idea of concentrating, and meat manufacture, which depended partly on offals from bacon pigs that of course would disappear when curing stopped, and partly on the allowance of other raw materials from Meat and Livestock Division; together these were based on pre-war usage. Insofar as a factory's quota had been filled by bacon-pig offals before concentration, it would have to be made up after concentration by other supplies. A separate concentration scheme for meat manufacturers would therefore be needed to close down a good many factories altogether; the Ministry was reluctant to consider this in July 1942, and even more so later when the disappointing results of concentration had become more obvious. As for labour releases, they were limited because many workers were employed part-time in ancillary businesses.[2]

The process, however, had not been in vain from the Ministry's own point of view. A year later, the transport of pigs and frozen pork was reviewed by Bacon Division in response to the Minister's suggestion that, as the period of acute petrol shortage had passed, some relaxing of restrictions might be permitted if it would ease conditions of trade. But by this time there were only about 17,000 pigs a week which were already making long journeys; allocation to nucleus factories was to have been governed by economy of transport, but in practice this would have meant injustice to factories in pig deficiency areas, which would have lost much of their offal trade though they might have had their fair share of the curing margin. Allocation was therefore worked by a compromise between the requirements of the 'weekly claim' and of transport economy, with a guarantee that no factory should have less than 50 per cent. of its quota in any week.[3] Thus, in order to keep up a minimum allocation to Marsh and Baxter's factory at Brierley Hill in the Midlands, pigs were sent from Lancashire and North Wales; if they had been allocated strictly according to Marsh and Baxter's due quota they would have been coming from as far as Durham and Scotland. The elimination of several Cheshire factories—including, of course, Winsford—meant that the pigs they had previously drawn from south Lancashire were travelling further to

[1] At about this time the Association of Scottish Bacon Curers reported that local officials of the Board of Trade and Ministry of Labour appeared to be under the erroneous impression that the closing down of a bacon curing business would release the whole premises and staff to them, and that their attitude to closure might have been different if they had known the truth from the start.

[2] The only successful appeal against closing was allowed because no labour at all would have been released had bacon curing been suspended; although the factory was comparatively large, bacon curing accounted for only about 6 per cent. of its activities. The Ministry of Labour was thought to have been misled by the size of the factory in making this selection.

[3] Efforts were also made to make up allocations to deficient areas with frozen pork which could be carried more easily than live pigs.

Brierley Hill; that factory had previously drawn from East Anglia (a shorter haul), but East Anglian pigs were now being used locally. The continued operation of Harris' factory at Calne in Wiltshire and Kirkpatrick's at Thornhill in Scotland (which had been considered for closure) was another obstacle to transport economy; all in all, it looked as though economy might have been best served if the principles applied to Winsford had been carried further and all larger factories been closed, except those like Walls in Acton, which was conveniently placed to draw pigs from the Home Counties.

This review served to show how necessary the contraction of the industry had been in view of the sharp drop in pig supplies alone and might well have suggested the need for a renewal of the process, had the Minister not said at the time that further concentration was undesirable. Had the industry been left alone, there would certainly have been demands by this time for an increase in the curing margin; as it was, the curers still had cause for dissatisfaction.

III

The element allowed for curing costs in the margin announced in August 1942 was a pure estimate, reached by the adjustment of figures elicited by the costings inquiry made in 1940. A fresh inquiry was now required into costs of the concentrated industry, which should take into account costs of production from frozen imported pork sides and whole carcases.[1] These were sold to curers by the Ministry at an artificial price calculated to give them the same profit as that secured from live pigs; it allowed a somewhat lower margin for curing costs on the ground that butchering expenses were less in handling frozen material, but had also to allow for smaller proceeds from the sale of offals. By August 1942, in the course of successive price adjustments for pigs and frozen pork, the difference in allowance had been reduced, so when bacon prices were raised in October the opportunity was taken to increase prices for sides and carcases so as to restore what the Ministry regarded as the proper relationship of cost allowances.[2]

Curers now complained of losses over frozen pork. They said the reduced costs allowed by the Ministry did not apply in factories doing a 'mixed' business with both pigs and frozen pork—as their butchering staff had to be maintained in any case—and they thought the conversion factor assumed for bacon from pork was too high. The new

[1] This was formerly handled only by specialised factories, but by this time 70 per cent. of supplies went to factories that also cured live pigs.

[2] The Ministry estimated that curing costs per cwt. of bacon were 1s. 8d. less for carcases and 3s. for sides, and that offal yields from carcases were 8s. 9d. and from sides 4s. 6d. compared with 15s. from live pigs.

Costings Report, issued in June 1943, rejected the argument that margins for curing frozen pork in 'mixed' factories should be higher than for specialists, but gave a weighted average of 9s. a cwt. for costs of curing all types of pig-meat in mixed factories, allowing differential costs, slightly more generous for frozen pork, for varying proportions of materials used and various sizes of factory; it recommended a reduction of 3d. per score in the pig subsidy. This figure was accepted by Bacon Division, which however made slight adjustments to allow something towards the cost of closed factories, using for this purpose both the findings of Costings Division and those of the War-time Association's accountants working on the problem. The net result was a reduction of 2¾d. in the pig subsidy, which should have been retrospective to 1st February 1943; but as the delay in settling the margin had been largely on the Ministry's side, and it would have been very difficult to collect the arrears, the reduction was postponed to May, so gilding a pill which the curers—to whom the outcome of the Costings Report was an unpleasant shock—made difficulties in swallowing. The Treasury would have liked to substitute a new method of payment, allowing different bacon prices to different curers, related to their varying costs and the capital employed in their factories, on the lines of a plan proposed for canned foods, but the Division thought that this would remove incentives to economy and encourage the diversion of pig-meat to sausage-making; it agreed to reconsider the matter in a year's time.

By the following year, however, the War-time Association seemed on the brink of asking for a better margin. Apart from the dissatisfaction over the allowance for frozen pork,[1] there was growing complaint over an old grievance, that of the non-slaughtering curers who were at a disadvantage because the allowance in the margin for slaughtering charges did not merely cover the amount by which they were out of pocket.[2] In 1941 it had been suggested that slaughtering curers might make some reduction in their price for carcases sold to the smaller ('B') curers, but trade advisers thought this would make it no longer worth while for the slaughtering curers to undertake the extra work,

[1] This had been intensified during the early months of 1944 by the allocations of American Lend/Lease pork legs, taken over from Meat and Livestock Division to help out bacon supplies, which were going through a crisis at that time because of hold-ups in shipments from North America. The margin was initially fixed on the basis of tests made by curers, but proved much too small because very heavy trimming of fat was required and the conversion figure had had been fixed too high.

[2] Non-slaughtering curers (who comprised all 'B' and some 'A' curers) either received carcases from slaughtering curers to whom they were 'tied', and who retained the 'free' offal (the 'pluck', that is, heart, liver, lungs and intestines, estimated to be worth about 5s.) to cover slaughtering charges; or they had pigs killed in government slaughterhouses, by their own men or slaughtering contractors, paying a toll for each pig killed. Curers in Glasgow had all to have their pigs slaughtered by contractors in the government slaughterhouse, and complained of exceptionally heavy charges, amounting to 6s. 3d. per pig including carriage. Glasgow curers, however, had always been at a disadvantage compared with others, and the Ministry did not feel obliged to compensate them.

pointing out that 'B' curers had only been allowed to continue in wartime as a concession, on the understanding that they should pay the prescribed carcase price. In March 1944, the War-time Association suggested that non-slaughtering curers should have the 'free offals' handed over to them free of charge, in return for a payment of about 3s. a pig for slaughtering services: the Ministry countered with a proposal (which was put into effect) that non-slaughtering 'A' curers should be allowed to buy from their suppliers, at standard wholesale prices, the number of plucks corresponding to the number of carcases they received. Objections by the Association were forestalled by the warning that any attempt to prove that the position of non-slaughtering curers had worsened under control would involve a new inquiry into the receipts of the industry. Turnover had in fact increased during recent months (mainly because of bigger supplies of frozen pork from North America) and the improvement was maintained during the summer of 1944 with the help of a rather bigger pig supply.[1] At the end of 1944 the War-time Association announced at its first Annual General Meeting that the pool was sufficient to allow a distribution of profit well above the amount allowed for by the Ministry. There was a case for a 6d. per cwt. reduction in the margin; but the Ministry's financial staff, seeing that it was only the improvement in turnover that had deflected the industry from a move to secure redress of grievance earlier in the year, let the matter lie.

IV

Adjustments in the margin for English curers applied equally to bacon produced in Northern Ireland, either in the half-dozen Wiltshire factories or by the Roll and Ham curers. This latter trade differed in several respects from the Wiltshire: pigs intended for it were killed on the farm and sold as carcases at lower prices than Wiltshire pigs because the farmers kept some of the offals; on the other hand the curers had to pay for transport to the factory. The conversion figure for pork to bacon was lower than in the Wiltshire trade, 178 lb. instead of 140 being required to produce 1 cwt. of bacon (consisting of about two-thirds bacon to one-third ham); the yield of offal was correspondingly higher and the margin, originally fixed in 1940 to give the same profit as on Wiltshire bacon, owed much to proceeds from offal sales. Adjustment in the pig subsidy made in step with alterations in the Wiltshire curers' margin had by 1942 brought about

[1] Towards the end of 1944 large quantities of frozen pork were released to make up for deficiencies in imports, and factories had more than they could cope with; the Ministry arranged for men to be temporarily released from the Services to work on curing.

a cash loss of 5s. to 6s. per cwt. on bacon production, but this was more than made up by the big yields from offals which sold at uncontrolled prices. An attempted costings investigation reached no useful conclusion, thanks to the low turnover and variations in the practice of individual curers; costs were simply assumed to have increased proportionately to those in the Wiltshire trade. Offal yields had increased more, and the Costings Report recommended that the pork subsidy should be reduced, but this was not done as from August 1942 onwards offal prices were steadily brought under control and curers' profits sharply reduced in consequence.[1]

Up to this time Roll and Ham curers, despite the fall in pig supplies, were thought to be doing quite well, perhaps better than before the war. They had indeed complained about their margins in the autumn of 1941, but their concern was not strong enough to make them welcome a counter-suggestion that the industry, along with the 'Wiltshire' one, be concentrated on the English model. Factory space was then being urgently sought in Northern Ireland after the air raids on Belfast; though on supply grounds[2] the case for concentration was even stronger than in England, it would have increased the industry's vulnerability and for this reason chiefly the Northern Ireland Ministry of Agriculture, which would have been responsible for a concentration scheme, did not press it. The curers (both Wiltshire and Roll and Ham) agreed to release some space to the Board of Trade, but otherwise continued undisturbed; the Ministry of Food, however, stipulating that their margins should correspond to those of the concentrated industry in Great Britain. At the beginning of 1943 the Roll and Ham curers began to press for an increase in their margin; they were asked to submit a case supported by detailed figures, but did not do so, even when the margin was further reduced in May in step with the reduction in Wiltshire margins; they appear to have been hampered by the Ministry's refusal to supply them with the figures on which its decision had been based, and were unwilling to go to the trouble of a costings investigation unless the Ministry would guarantee in advance to accept its conclusions.

By 1944 conditions in the industry had become so serious that the curers were at last impelled to produce figures for a reconsideration

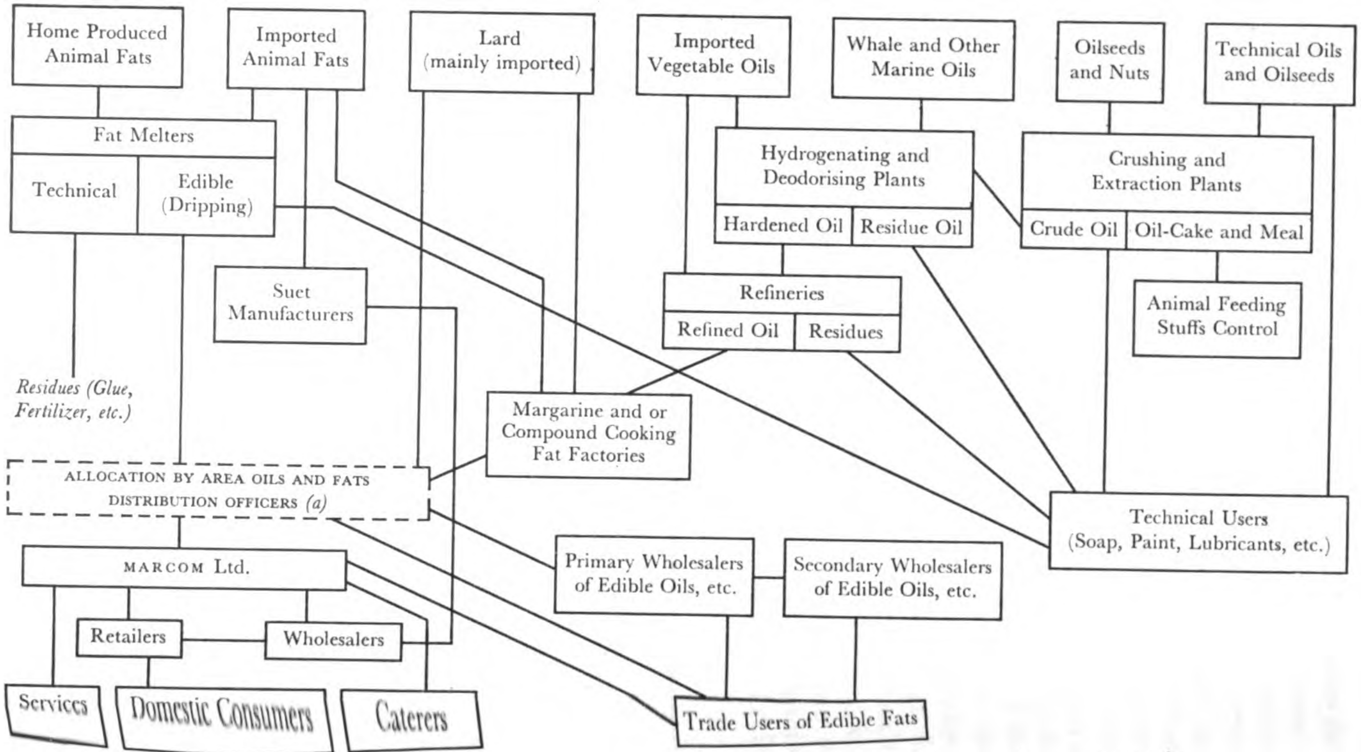
[1] They were worst hit by the reduction in the price of pork bones to 1d. lb. Bones removed from carcases in the course of the roll and ham cure enjoyed good sales on the retail market at 5d. lb. or more, but both Bacon and Meat Divisions refused to consider a special price for Northern Irish bones, and in 1944 insisted on the enforcement of the controlled price, which up to then had been disregarded with the tacit consent of the Northern Irish Ministry of Agriculture.

[2] Turnover in the roll and ham trade had fallen by more than 50 per cent. and a single Wiltshire factory could have handled all available pigs for that trade. Throughout control Northern Ireland was able to contribute to Great Britain's bacon supplies and it only failed to be self-supporting for a few months in 1943, when some 3,500 tons had to be imported. The Northern Ireland Ministry of Agriculture purchased and allocated pigs there on behalf of the Ministry of Food.

of the Roll and Ham margin, so providing the first opportunity since war started to base it on actual conditions in that trade instead of inferences from those of the Wiltshire trade. The Ministry stipulated that any adjustment of margin should take account only of increases in costs since the current margin came into operation in May 1943; the fact that it must even then have been inadequate for the Roll and Ham traders was (it held) due to the uneconomic conditions of their industry and their unwillingness to concentrate, and they could expect no compensation. A Costings Report of April 1945 showed an increase of over 4s. a cwt. in the two years after the end of 1942, and according to the letter of the Ministry rule the Irish curers should have had this increase retrospectively only to the previous June when their submission was received. Authority relented, however, sufficiently to allow the relief from the beginning of 1944, with an extra 4s. 6d., sufficient to cover actual costs though to allow no profit, from the beginning of 1945. The number of Roll and Ham curers had been dwindling throughout the war, and it was clear by this time that some special aid was needed to preserve the industry from extinction. This settlement was recognised as generous by the Northern Ireland Ministry of Agriculture and even by the curers.

Part IV:
Oils and Fats

FIGURE IV. ***Oils and Fats under Control***



(a) Oils and fats do not pass physically through the italicised channel which was for accounting purposes only.

CHAPTER XXIII

The Planning and Establishment of Control, 1936-40

I

THE oils and fats industry was at once the most complex, and in its large-scale manifestations the most highly technical, of any with which the food controllers had to deal. Of its main products, those for human consumption—margarine, and imitation or compound lard—were, historically speaking, substitutes for traditional, simple foods of animal origin. Technical ingenuity had made it possible to synthesise them from a variety of ingredients: oil-bearing seeds and nuts, mainly of tropical origin; whale and other marine oils; and rendered animal fats under the generic name 'tallow'. These ingredients entered, with variations, into a number of important non-food commodities: soap, with its by-product glycerine (essential to munitions manufacture); paint, varnish, linoleum, and oilskins; and oils and greases of various sorts. In addition, the residue from the extraction of oil from certain seeds, by crushing, constituted a highly important feeding-stuff for cattle. The industry was notable for sophistication in technical processes, and a high degree of 'vertical combination', exemplified most fully in the great firm of Unilever. Unilever, however, was of comparatively recent origin; it owed its existence as much to personal factors as to conditions in the industry making for combination:[1] and its activities, though vast in scale, left room for profitable enterprises of a very different sort. The small melters who made edible tallow ('dripping') and technical tallows and greases from slaughterhouse wastes, the small soapmakers who were their customers, were to provide much work for the oils and fats control.

In order to understand war-time policies it is essential to have at any rate a rough picture of the various elements in the oils and fats complex. Butter and lard, though imported on a considerable scale even in war-time, and therefore to be taken into account all the time in considering the total supply position (and, as will appear later, the capital problem of manufacturing capacity) do not enter directly into the picture; and butter, on account of the traditional organization of t he trade, was controlled, not by Oils and Fats Division, but along

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[1] C. H. Wilson, *A History of Unilever* (1954), esp. Vol. II, pp. 309-16.

with cheese and other *milk products*. The remaining oils and fats fall into groups, within which they are largely interchangeable; there is some interchangeability between the groups, but often only at the cost of an additional process. In making margarine, compound cooking fat, and soap, a proportion from each of several groups is taken, which may vary according to the manufacturing formula. These groups are, broadly, five in number:

1. *Soft* or *liquid oils* (mainly cotton-seed, groundnut, soya bean, sunflower seed, and sesame). These remain liquid at all ordinary temperatures. A large proportion of them is essential in margarine and 'compound', more being required in winter than in summer. To a limited extent they are used in soap. Liquid oils can be 'hardened' to replace other types of oils, but not *vice versa*; thus they are themselves irreplaceable, beyond certain limits.
2. *Consistent oils*, derived chiefly from copra (dried coconut) and palm kernels: normally solid, but tend to liquefy in warm weather. A proportion is required for margarine and soap.
3. *Palm oil* and *tallow*, sometimes called *hard oils* (although for palm oil the degree of hardness may be artificially induced). For each there is an edible and a technical quality, according to the acid content. Edible palm oil is ued in margarine and 'compound'; edible tallow ('dripping') may be an ingredient in the latter, but is normally used direct by domestic consumers or by the food trades. Premier jus, made from the best selected fats, falls into the same class and is mainly used for the preparation of shredded suet. The technical grades of palm oil and tallow are mainly used for soap-making, but palm oil is also essential to the tin-plate industry.
4. *Whale oil* and other *marine oils* (e.g. herring oil) are naturally liquid and need to be hardened and deodorized before use in margarine and compound fat, their principal outlet. Whale oil is also used to a limited extent in soap. Hardened marine oils, like hardened liquid oils, are broadly interchangeable with palm oils, and all may be grouped together as 'hard oils'. This term was sometimes used to include consistent oils also (e.g. on occasion at the Combined Food Board Committee on fats and oils).
5. *Technical drying oils*, of which linseed is the most important; it is not readily substituted for other oils but it can be used in soap—it is the main ingredient in soft soap. Linseed *cake* from the crushing mills is of course an important cattle food. Castor and rape seed oils have highly specialized technical uses, but do not come into the general supply picture.

Within the limits set by the indispensability of some soft oils on the one hand, and the inedibility of certain types and grades of oil on the other, there exists much scope for flexibility in the use of these raw materials. In normal times it was employed mainly under the influence of their relative prices; in war-time, more directly on grounds of supply. So too the various edible fats, from butter to frying oil, are also capable of substitution for each other, more especially for the food manufacturer for whom they constitute raw material. The allocation of these, as of the primary ingredients themselves, constituted a powerful resource in the hands of the Ministry of Food.

As the majority of the raw materials for the oils and fats industries were imported, the processing plants naturally gravitated to the port areas. The greater part of the United Kingdom's supplies of vegetable oils before the war was derived from the crushing mills, operating on imported seeds and nuts, and situated mainly in the port areas of London, Liverpool, Hull, Glasgow, and Bristol. An individual mill might be capable of dealing with only a certain type or types of seed; but the crushing industry, as a whole, served all types of oil user, who thus competed for the capacity of the United Kingdom mills. The demand for oil came mainly from the edible fats industry and from the users of linseed and other technical oils; except for castor seed (which is poisonous) all the residues were used for cattle feed. Soap made some demand on the output of crushing mills, but relied far more on palm oil extracted in the country of origin and imported in its crude state. Oils used for edible purposes, from whatever source, require to be *refined* (a process covering, e.g., bleaching, neutralizing, and deodorizing). As refined oils are perishable, little was imported in that form, and the quantity available for margarine, compound fat, and the food trades using oil as such was therefore limited by refining capacity. This point attained crucial importance at one stage in the war, when all processing plant was threatened by bombing. For another process—*hardening* by hydrogenation—United Kingdom capacity was even in peace-time insufficient; it was carried out largely in Holland (the home of margarine, whose pioneers, Van den Berghs and Jurgens, now formed part of the Unilever empire) where costs were lower and where British-owned whale oil was generally stored. Convenient for handling the hardened oil from Holland were the large refinery and margarine works of Unilever at Purfleet on the Thames Estuary; a similar plant at Bromborough on the Mersey, adjoining Port Sunlight, included hardening facilities. These two accounted for sixty per cent. of margarine-making capacity; in compound fat, as in soap, the dominance of Unilever was less marked, and the degree of geographical concentration less—Hull, for instance, had both soapworks and compound fat plants.

To the extent that the industry was rationalised and concentrated, and therefore susceptible of control, it was highly vulnerable to air attack; and the ingenuity of the controllers was matched in this respect by their good fortune.

II

Before the war, the approach of the Government to the problems of oils and fats was at first decidedly oblique—even more so than in the first war, when the control had developed out of the need for the by-product, glycerine.[1] Although in 1917-18 the shortage of butter had led to the development of margarine manufacture (as well as import from Holland) on a large scale, margarine was not included in the list of 'indispensable' fats drawn up in the Ministry of Health in 1936, for Sir Thomas Inskip's committee on war-time food supplies. The committee did indeed recognise that 'some reduction in the present consumption of butter, and substitution of margarine, must probably be reckoned with'; as for compound lard, it was not mentioned, though the much less important dripping was. The explanation probably lies partly in the tendency of experts on nutrition and food supplies, then and later, to neglect the 'manufacturing uses' of fats; partly in the general unpopularity of margarine, engendered by the nastiness of the 1917–18 product, and in its lack of the vitamins present in 'summer butter'. (In an effort to combat this disadvantage, the leading brands of margarine had been 'vitaminised' for some time past.)

Thus, when Sir Ernest Gowers undertook his inquiry into the storage of essential foods, he began by considering butter and lard as candidates; and it was only when they failed to qualify—the first on account of the prohibitive cost of refrigerated storage, the second because it was both perishable and, on account of President Roosevelt's 'anti hog-raising' policy, difficult to obtain in large quantities—that he turned to the alternative suggestion of a reserve of whale oil and oilseeds. This suggestion had come from the chairman of Lever Brothers and Unilever, Mr. Francis D'Arcy Cooper, and was welcomed as much for its promise of raw material for cattle-cake as for the fats it would provide for human consumption. The whale oil—100,000 tons of it—was eventually bought as part of the security purchases of 1938; a further quantity was added in 1939.[2] The proposal to buy oilseeds, on the other hand, was dropped on grounds of expense and was not revived until the spring of 1939. Then, the Food (Defence Plans) Department secured approval for the purchase of no less than 400,000 tons, to be housed in warehouses specially built for the purpose. 100,000 tons, mainly linseed, were actually bought, as part of the last minute programme sanctioned by the Cabinet at

[1] E. M. H. Lloyd, *Experiments in State Control*, pp. 201-209.

[2] The whale oil purchases, and the trouble that arose from the aberration of policy that led the Department to depart temporarily from collaborating with Unilever, were briefly described in Vol. I, pp. 22, 28-29.

the end of July 1939; but only a small part of these had arrived before war broke out.

The Food (Defence Plans) Department, with its personal links with the practice of 1917–18, was from the outset aware of the oils and fats industry's importance, and of the need for its unified management in war-time. The oils-and-oilseeds scheme drafted in 1937 as a basis for discussion with interested parties envisaged, like those for other major foods, Ministry of Food importation of raw materials, allocation to processors working under licence at specified rates of remuneration, distribution under Ministry instructions; at the same time, the utmost use was to be made of traders, organized into war-time associations where necessary. The scheme for animal fats contemplated Ministry importation, and requisition of the output of home-produced tallows, whether edible or technical—a tall order, given the small scale and dis-integration of the industry.[1] As for margarine and cooking fats, they were expected to be rationed from the outset; there would only be one pool grade[2] of both margarine and vegetable compound fat, and the latter, with lard, suet, and dripping (the first two of which involved other commodity controls) would be included indifferently in the cooking fats ration.

These schemes did not really begin to be transformed from paper plan to mechanism until after the crisis of September 1938. By that time contemplation of war-time supply prospects had brought the Department face-to-face with the question of the industry's manufacturing capacity. It had begun to postulate a shortage, compared with peace-time, of as much as 200,000 tons of butter imports. Replacing these with margarine appeared to present no difficulty so far as supplies of raw materials were concerned, for oilseeds and vegetable oils were plentiful within the British Empire, and—without good reason—shipping was not expected to be scarce.[3] There appeared to be ample reserve capacity in oilseed-crushing, and in margarine and compound fat manufacture; but it was mostly in port areas, and much of it in those very East Coast ports that, in the current doctrine about shipping diversion, were expected to be 75 per cent. unusable in time of war. It appears to have been tacitly assumed that factories there would nevertheless be able to continue working. The production of margarine and cooking fat, however, called for an adequate supply of hardened whale oil; hardening plant was inadequate for current, let alone war-time, needs and was, moreover, concentrated in the port

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[1] Its trade association was moribund and had to be revived as part of the arrangements for control.

[2] The need for pooling arose partly from considerations of economy and ease in price control, but mainly from the system of the consumer-retailer tie. Contrast tea (Vol. II, pp. 699-749) where a choice of blends was possible throughout the war.

[3] See Vol. I, Chapter V for a discussion of the pre-war shipping forecasts.

areas of Liverpool and Manchester. The point had been mentioned by Sir Ernest Gowers in 1936, but had since fallen out of sight; and it was only some time after the Department had actually acquired a stock of whale oil that the need for increasing hardening capacity was realised. As for refining capacity, which was equally essential, it does not seem to have been discussed at that time.

By early 1939 the Department had learned, moreover, that shortage of dollars would probably prevent the importation of lard in war-time, so that 100,000 extra tons of compound fat would be required, as well as the 200,000 of margarine. This meant a total war-time requirement of hardened whale oil of 4,000 tons a week, or double the capacity existing or in prospect. In the summer of that year, Unilever agreed to make extensions at the existing sites (Bromborough and Warrington) amounting to 1,000 tons a week; these additions were on Government account, and the plant was to remain in Government ownership. Another 1,000 tons-a-week was still wanted, and Unilever suggested that a new Government plant should be put up at Purfleet, where it might have commercial value after the war. Purfleet, however, was thought to be too vulnerable, and the Department settled on Barry, in South Wales, a port that had sufficient depth to take whaling vessels. But though storage tanks for the new whale oil purchase were built there, it was thought by the security experts to be unsafe for the hardening plant, and a site was found at Dowlais, near Merthyr Tydfil, some thirty miles inland and uphill. Commercially there was nothing to be said for this site, and Unilever, which undertook to design, erect, and staff the plant, emphasised that it would have no use for it after the war. Work was put in hand in the autumn of 1939, after war had broken out; by then it had been decided to provide capacity amounting to 1,800 tons, instead of 1,000. A tentative suggestion from the Department that a refinery be built there also, by way of insurance, was rejected by their expert advisers as unnecessary.

When war came, therefore, the prospects of providing sufficient edible fats to make up for any shortfall in butter and lard supplies were adjudged good and, once the Dowlais project should be complete, safe. To tide over the year that Dowlais was expected to be a-building, it was proposed to build up a reserve of hardened whale oil amounting to 40,000 tons. Only about half of this had been secured when war broke out, and even it was not retained intact through the first year of war. Had the air raids come at once, as they were expected to do, the Department might, therefore, on its own showing, have run into difficulties. Indeed, whatever might be said in favour of the view that facilities other than hardening were ample to meet likely air raid damage, it was hardly consistent with the apocalyptic expectations being held elsewhere in Whitehall. Moreover, to set global estimates of capacity and requirements against each other and draw comfort from a statistical surplus at each stage of manufacture was to simplify the problem unduly. Damage to a particular crushing mill, hardening plant, refinery, or margarine factory would not merely mean loss of capacity; it would involve diversions through different channels of raw material and finished product alike. Even a handful of 'incidents' might mean massive re-adjustments of transport, and the perishability of the products limited insurance by way of stock-building. Transport was, in fact, to be crucial during the 'air raid' winter of 1940-41.

III

When, as a result of its inquest on the 1938 crisis, the Food (Defence Plans) Department decided that it must seek outside help in the completion of its control schemes, it looked naturally to the statutory bodies that had been set up for most foods under the Agricultural Marketing Acts. For oils and fats, which are predominantly imported, no such body existed, and it is difficult to see where the Department would have turned, had not the Chairman of Unilever anticipated its need. In September 1938 Mr. D'Arcy Cooper had offered to provide staff and offices for the Oils and Fats Division, should war have come; and in January 1939 he repeated his offer. For a commodity control to be run by a single firm (even though, as was always contemplated members of other firms were brought in to assist) was without precedent and would surely evoke criticism. Yet the circumstances too were unprecedented. So complex an industry could not be run except by experts, and in Unilever these were to be found *in excelsis*. It had absorbed the various firms in different branches of the trade from which, in an earlier stage of industrial development, the staff of a control might have been selected; its leadership, moreover, appeared to command general acceptance. With only slight hesitation, therefore, the offer was accepted by the Department and the Treasury, and with it, the firm's nominations for the principal posts. Mr. Herbert Davis[1] was to become Director of Oils and Fats; Mr. J. W. Knight, from the subsidiary United Africa Company, Director of Overseas Purchases; Mr. J. P. Van den Bergh, Director of Margarine. Members of other firms, not in the combine, took responsibility for refineries and animal fats. The idea that the control

[1] According to Mr. Wilson (*op. cit.*, Vol. II, p. 237) Mr. Davis was an early example of the university man in commerce, having joined one of the forerunners of Unilever direct from Cambridge.

should actually operate from Unilever House was, however, dropped; and, as with other Divisions, finance was to be in charge of an independent accountant reporting to the Financial Secretary.

It should be said at once that there was never cause to regret this decision. It should perhaps also be said that their common membership of Unilever did not prevent overt disagreements on policy arising between individual members of the Division; though this will appear less remarkable if one recalls that the older men among them had allegiance first to their original firms and second to the combine that had absorbed them.

As with the other commodity controls, there was little discussion of policy before the war, and none—the Treasury being unwilling to commit itself—on finance. Some attempt was made, however, in the summer of 1939 to draw up a war-time import programme. The assumptions were in some respects contradictory, not to say unrealistic: the Mediterranean was to be closed, exchange difficulties would preclude the purchase of dollar lard (for example), 200,000 tons of butter normally imported from Europe would need to be replaced by margarine, twenty-five per cent. of all cargoes would be sunk en route and yet there would be no shortage of ships to load overseas.[1] A truly monstrous procurement programme amounting to over two and a quarter million tons in the first year of war emerged from these discussions. No difficulty was foreseen in buying these quantities; indeed, on shipping grounds some preference was shown to West African palm kernels over copra from the Indian Ocean and Western Pacific. But it was pointed out to officials that supplies from the native African producers would only be forthcoming if return cargoes of consumer goods—textiles, hardware, salt, for example—were available at reasonable prices. Much was to be heard of this point later on.

This import programme did not include whale oil, which does not require ordinary dry-cargo tonnage; but the Department, which by this time held 240,000 tons of it in reserve, was well aware of its importance. Fortunately; for the outbreak of war coincided with the approach of the whaling season, and decisions about it were necessary at short notice. The British whaling companies were unwilling, in war conditions, to assume the risk of sending out their expeditions, and suggested that the Ministry of Food should take over the specialised vessels on 'bare-boat' charter. In Unilever, there were some doubts about whether a British enterprise was necessary; the Norwegians and the Japanese were sending their whaling fleets to the Antarctic, and their oil would, if possible, be bought so as to prevent the Germans getting it, so that there would be a glut anyway. Oils and Fats

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[1] Vol. I, pp. 62-67.

Division, however, felt foreign-caught supplies were not to be relied upon,[1] and after a fortnight's urgent negotiations with the companies, an agreement was reached. The Ministry of Food assumed financial responsibility, though the companies would operate the expeditions themselves under the supervision of a Whaling Advisory Committee, consisting of a Ministry chairman, one other Ministry representative, and a representative from each of the companies. Oddly enough, the Oils and Fats Division took no part in the running of this committee, confining itself to buying the oil. Being drawn up in haste, the agreement offered, in the words of the Ministry's Legal Adviser, 'unlimited scope for disagreement'; and it was only after two years bargaining that the details were finally settled. (The companies got six per cent. on their capital, with allowances for wear and tear.) But it served the purpose of getting the expeditions off—all eleven of them—and it eventually yielded some 140,000 tons of oil.

The remainder of the procurement programme, however, suffered severely from the inevitable but unexpected dislocation of shipping in the autumn of 1939. Stocks of oilseeds and vegetable oils taken over in September had not been bad; but the international situation in August had reduced private purchases that would have arrived later in the year, and what purchases there had been were now delayed. Early in November the Division gave warning that if the revised import programme—now amounting to some two million tons—were not fulfilled, the supply of margarine and compound fat would be in jeopardy. Liquid oils, which were specially required for this purpose, proved very difficult to obtain whether in the form of Egyptian cottonseed or Indian or West African groundnuts; even though shipments of Indian linseed were reduced to give space to groundnuts (the linseed being brought from the Plate, at the expense of maize, instead), the programme still fell into arrears, and the stocks of liquid oil, in January 1940, to four weeks' cover instead of the desired ten weeks. So serious was the position said to be that it was brought before the Food Policy Committee, which approved a programme that would have meant arrivals at the rate of 200,000 tons a month during the first five months of 1940, of which half were to be liquid-oil bearing seeds. This, Ministers were told, was the minimum if unlimited supplies of margarine and compound fat were to be provided. In fact, arrivals of these seeds were over 80,000 tons below programme and yet stocks of the oils rose, by the end of April, to ten weeks' cover (helped, no doubt, to some little extent by the virtual de-rationing of butter on 25th March). Nor was this at the expense of consistent oils or edible

[1] Although the Japanese had opened negotiations for the sale of their oil to the United Kingdom within 24 hours of the signing of the Russo-German pact of 1939, these eventually broke down because it was impossible to take delivery of the oil at a South African port. Most of it eventually reached Germany over the Trans-Siberian Railway.

palm oil, but only at that of linseed.[1] The drop in stocks had however, caused such difficulty to margarine and compound lard manufacturers that the Exchange Requirements Committee had been prevailed upon to sanction the import of 8,000 tons of lard from the United States, to be used as a kind of 'mobile reserve'.

IV

These embarrassments—for they were no more than that—would not have occurred if the original intentions of the Food (Defence Plans) Department had been adhered to. On 4th September 1939 provisional control Orders had been duly issued for oilseeds and oils, prohibiting price increases and calling for declarations of stocks above a specified quantity. A little later, this quantity was reduced, and on 5th October, with the requisition of all arrivals from overseas and of the output of United Kingdom crushing mills and refineries, the Ministry of Food attained full control of the primary stage of the oils and fats industry.[2] Parallel action had been taken for the secondary stage—margarine and compound lard manufacture—though not for home-melted fats which had to await the control of livestock slaughtering and were meanwhile subject to a simple standstill on price.[3] On 7th October the factories began production of the single grades of pool margarine and cooking fat, each to be sold retail at 6d. a pound. The Oils and Fats Division reckoned that margarine and cooking fat rationing could be introduced early in November, but this took no account of the flaws that were being progressively revealed in the rationing machinery[4] nor of the political pressures against rationing and pooling of all sorts that were being exerted upon Ministers.[5] Even rationing of butter and bacon, both of them more obviously scarce than margarine, was not approved till 28th October, and could not be introduced till January. As for pool margarine, it was one of the main targets of a newspaper campaign thought by officials to be inspired partly by the threatened loss of revenue from the advertisement of branded goods.

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[1] Before the war it had been hoped to reduce shipments of linseed for the benefit of edible oilseeds; but the outbreak brought an enormous demand from the Services and Civil Defence for paint, oilskins, gas-proof clothing, and similar items. Civilian requirements were heavily restricted, but even so linseed stocks were at a very low level throughout the early months of the war.

[2] The various stages are marked by S.R. & O. (1939) Nos 1072-4, 1151-3, and 1371 respectively.

[3] S.R. & O. (1939) Nos. 1075, 1384.

[4] Vol. II, pp. 469-477.

[5] Vol. I, pp. 113-120.

In any event, the case for the immediate rationing of margarine and cooking fat did not look as strong in mid-October 1939 as everyone had expected. As yet, it was not realised that the shortage of shipping would be permanent; there was no shortage (rather a glut) of the materials overseas; there had been no air raids to damage the factories; and hydrogenation ('hardening') of whale oil, which had been expected to act as a limitation on output until the new plant at Dowlais was ready, had been re-started by Unilever N.V. in Holland. If, then, margarine rationing might be postponed, could not brands be allowed to continue for the present? On this Oils and Fats Division was itself divided and the Unilever men in it spoke with discordant voices. On the one hand there was the purely commercial view that 'retaining them (brands) for six months is better than not retaining them at all'; on the other, and backed by a more intimate knowledge of the particular industries, were arguments that branded margarines would be more difficult to distribute fairly, and branded cooking fats (the best of which depended on special raw materials that would not now be available to the makers) a snare and delusion in war-time. Cooking fats for trade users, of which the brands were multitudinous, would present a particularly awkward problem in control of price and quality. Supporters of these arguments urged that, in any case, the area distribution machinery that had been established for margarine and cooking fats should be retained to supervise sales to trade users and as a precaution should control once more be necessary. The Minister's decision, on 26th October, to disband the whole control organisation for margarine and cooking fats appears to have been taken in ignorance of these views[1] and in simple accordance with the Government's decision, the previous day, not to ration those foods.

On 11th November, therefore, the statutory control of margarine and cooking fat manufacture was replaced[2] by operation under licence issued by the Oils and Fats Division, which now proceeded to lay down the conditions on which it would supply the raw materials. Each manufacturer's production of 'cheap' margarine (sold retail at 5d. a lb. or less) was to be not less than his production in a pre-war datum period; the maximum price for 'counter' margarine sold in shops (as distinct from 'pastry' margarine for trade users) was to be 8d. a pound: and all prices must be clearly marked on boxes or wrappers. An informal agreement with the trade provided that there should be only three grades of counter margarine (at 5d., 6d., and 8d. a pound). Allocation of ingredients to individual manufacturers would be undertaken by an *ad hoc* committee set up by the trade; in practice this was done by reference to pre-war output. These arrangements

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[1] They were still in course of submission on 27th October.

[2] S.R. & O. (1939) No. 1613.

did not work altogether smoothly at the retail end. There was difficulty in getting rid, first of the stocks of 'pool' margarine and then of the fivepenny margarine which many of the public thought too cheap to be good. Retailers complained that the prices had been fixed without consultation with them; the margins were, in fact, the same as before the war, and some cynics held that the real cause of complaint was that the compulsory marking of prices left insufficient opportunity for passing off cheap margarine at a higher price. Manufacturers also pressed for the quota of cheap margarine to be reduced; but the Ministry, mindful of the 'poor consumer', was reluctant to do this.

In February 1940, however, increased freight charges compelled the Ministry to raise the prices of raw materials and the opportunity was taken to make a new agreement with the manufacturers. Retail prices of the better grades of margarine were raised by 1d. a pound, to 7d. and 9d., and some increase on retail margins was allowed. The fivepenny margarine for counter sales was enabled to continue by subsidising it out of the dearer sorts; a subsidy not extended to trade users. Quotas for the production of fivepenny margarine were now to be related to sales of similar margarine for counter use in a datum period. At the same time, the Ministry adopted one of the earliest of its 'welfare' measures; all margarine for the counter trade, and not merely the better kinds as hitherto, was to be fortified with Vitamins A and D to a prescribed standard. Thus the consumer was not the loser by the substitution of 'influence' for strict control; indeed, he might benefit to the extent that he could choose between a sound margarine at a lower price than the pooled article, and a familiar brand of repute.[1]

V

The invasion of Denmark cut off large supplies of butter; the invasion of Holland, the supplies of hardened whale oil that had made up for the shortage of hardening plant in the United Kingdom. Once the butter ration went back to four ounces per head per week—and this was only delayed by the existence of huge stocks—the demand for hardened oil would go up to 4,500 tons a week, from a capacity that, until the Dowlais plant was ready at the end of the year,[2] could not be brought up beyond 3,900 tons a week. The new Minister, Lord

[1] The difference between margarines has always been aesthetic (if one may be permitted the term in this context) rather than substantial. Quality resides not in ingredients, but in care and 'know-how' in manufacture and marketing.

[2] Dowlais did not, in fact, come into operation until the spring of 1941.

Woolton, was nevertheless reluctant to ration margarine,[1] and the Director of Oils and Fats was able to propound several ways of avoiding this so long as the butter ration did not fall below four ounces: drawing on the stock of hardened oil, substituting other oils for it to the extent of 600 tons a week, making further purchases of American lard to replace compound, and restricting supplies to trade users. Should the butter ration fall, as it was expected to do in the autumn, to two ounces, then margarine would have to be rationed; even so, pool margarine and Ministry ownership might be avoided. These views were felt on the financial and official sides of the Oils and Fats Division to be wanting in a sense of crisis. Not only the deficient hardening capacity, but crushing and refining also, were threatened with bombing; the proposal to import more raw materials was unsound, on shipping and foreign exchange grounds; to run down any stock would be imprudent. Logically, cooking fats should be rationed along with margarine; but objection was raised to this on the ground that one ounce per head per week would be too drastic, and two ounces was actually more than current average consumption and so might encourage it.

The eventual decision to introduce a combined margarine-butter-cooking fats ration has been recounted elsewhere:[2] all that need be said of the device itself was that, though useful from the supply point of view, it was quite unsuited to the rationing machinery and led to difficulties that were only ended when all but one of the options had been suppressed.[3] The restored control of margarine and cooking fats that rationing entailed took, however, a form that differed a good deal from that precipitately disbanded in November 1939. The outward and visible sign of this change was the perpetuation of two qualities of margarine, 'special' and 'standard', corresponding to the highest and lowest qualities that had been allowed during the period of Ministry 'influence'. This modification of the original scheme for 'pool' margarine was a concession on the part of the Ministry, not merely to public taste, but to the pre-war economic set-up of the margarine industry.

Margarine, before the war, was a branded product *par excellence*; and the sales of the more expensive brands, notably Unilever's 'Stork', were promoted and maintained by expensive advertising. These brands carried, moreover, a higher rate of profit, both relatively and absolutely, than the cheaper kinds, in which the smaller manufacturers specialised. (Out of about 250,000 tons sold each year,

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[1] So was the 'business adviser' he had inherited from his predecessor. Rationing, Lord Perry declared, would 'add another stick to the bundle of rods that the Ministry had already made for its own back'; all that was needed was 'intelligent supervision'.

[2] Vol. I, pp. 121-123.

[3] Vol. II, pp. 556-560, 589-590.

30 per cent. was at 4d. a pound, 21 per cent. at 5d., and 35 per cent.—mostly 'Stork'—at 8d.) The coming of 'pool' margarine, coupled with an increase in output of 50 per cent., was calculated, if only the pre-war rate of profit on cheap margarine was allowed to the manufacturers, to have highly divergent effects on the trade. The smaller firms would do very well out of the increased output, while Unilever would not be fully compensated for the loss of their most profitable lines, and indeed would lose about £500,000 profit a year. (They would also, they pointed out, have thrown away the goodwill of 'Stork' margarine, on which they had spent £1½ millions in advertising between 1933 and 1938 inclusive, but their claim for compensation in this respect was allowed to 'lie on the table'.)

Before the war, therefore, it was argued by the commodity directors-designate that the principle of remuneration by a flat rate per ton, which was to be applied, for instance, to oilseed crushers, was inappropriate to margarine manufacture simply on account of the effect it would have on Unilever. Goodwill and efficiency ought to be recognised in the margin allowed; it would be 'for the general welfare' that Unilever's shareholders should get a satisfactory return. The point was reiterated after war broke out; no firm, it was agreed, ought to make a profit out of the war even if output were raised, but there was no good reason for cutting all down to the level of the 'cut-price' firms. These notions of equity found no echo in the Ministry of Food's Finance Department, nor in the Treasury, which held that payment should be in respect of current services rendered in war-time and would have liked to limit it to 10 per cent. of the capital employed in the business; and no agreement had been reached when pool margarine was abandoned. Under the gentlemen's agreement that replaced it, a higher profit was allowed on the more expensive grades, and although it was used to subsidise the cheapest grade, the industry as a whole, and *a fortiori* Unilever, made very handsome profits.

Once it had been decided to perpetuate, under full control and rationing, two grades of margarine of which the dearer should subsidise the cheaper, the Ministry of Food was all but bound to concede the case about goodwill profits; for it was only the market built up for unnecessarily expensive margarine before the war that had made this device possible—'to continue, under control, the very business that was being conducted by the industry'. The industry now proposed to follow the example of others controlled by the Ministry and set up a war-time company to distribute margarine and cooking fat on the Government's behalf; the member firms would continue to operate their own factories, working on fats and oils that would remain Ministry property until the finished product—including materials such as salt, colouring matter, preservative, and milk, procured by the manufacturers themselves—was handed over to MARCOM for distribution. A 'conversion margin' per ton of margarine sold would be paid to MARCOM to cover both manufacturing and distributing costs, and it was understood—though officially the Ministry need take no cognisance of the fact—that the proceeds would be divided up in proportion to the firms' pre-war profits.[1] The Ministry's Finance Department proposed that the actual sum should be one enabling the industry to earn profits at the pre-war rate (roughly £2 millions per annum) on an output of 300,000 tons—'midway between the pre-war and present peak output'; and this was accepted by higher authority; the Treasury, though 'really worried' because the industry looked like earning, not ten, but twenty-two and three quarter per cent. on its capital, eventually concurred. Similar arrangements were made for cooking fat, except that—if only because the figures for pre-war profits were not available—the spoils were to be divided in proportion to output. The profit allowed on compound fat was (it was admitted), in contrast to that on margarine, 'on the thin side', and at a later date the industry made its own arrangements to subsidise the former from the latter.

The MARCOM plan was the first of a series of war-time 'rationalisation' schemes undertaken by, and particularly characteristic of, the Ministry's Oils and Fats Division. It meant that the whole industry was able to share in the efficient distribution arrangements made by Unilever. Materials could be sent to the most convenient factory and distributed through a limited number of depots with due regard to transport economy; travellers employed by individual firms could be dispensed with. Furthermore, it was designed to ease considerably the task of dealing with trade users of margarine and compound fat. A fortnight before rationing was introduced, trade users, not only of these, but also of edible oils, edible tallow ('dripping'), and animal lard were obliged to obtain supplies on permits. These were issued for large users, such as cake and biscuit manufacturers, direct from Headquarters; for small users, by the Divisional Oils and Fats Distribution Officers. In general the basis of allocation was, of course, datum performance; and fish-friers were privileged in that they, and they alone, got 100 per cent. of it. Consequently Oils and Fats Division took over from Bacon and Ham Division the control of home-produced lard; and was presently constrained, in order to put teeth into the permit system for dripping, to undertake the concentration of the home-melted fats industry.

[1] Hence the provision, in the Articles of Association of MARCOM, that the company should distribute no dividends—in contrast with other Ministry-sponsored companies where participation was proportionate to pre-war turnover.

CHAPTER XXIV

From Dunkirk to Pearl Harbour

I

THE rationing of margarine and cooking fat had been made necessary, not by any shortage of the raw materials, but by limitations on processing capacity and the imminent danger of air raids. To these was shortly added a sharp and at first involuntary reduction in the Ministry of Food's import programme;[1] so that the Oils and Fats Division could look forward—given good fortune—to importing no more than was necessary to meet rationed requirements *plus* 80 per cent. of datum for trade users. The German advance in Europe was met by a blockade that cut off overseas suppliers of oil-seeds and oils from their usual outlets. Everywhere there was superabundance or threatened superabundance: of palm produce in the Netherlands East Indies, in the Belgian Congo, and the French Cameroons and Equatorial Africa; of copra in the East Indies and the British and French Islands in the Pacific; of cottonseed in Egypt and the Sudan; of groundnuts and linseed in India. The surplus of oilseeds appeared among the most troublesome of the many that were the pressing concern of a Ministerial Committee at that time.

In these circumstances there were some who doubted whether any British whaling expedition should be sent out in 1940–41. By mid-1940 there was, moreover, a stock of whale oil in the country amount-into to 340,000 tons, together with over 100,000 tons overseas owned by or available to the Ministry of Food. It was the realisation that once whaling had been stopped and the ships converted to other uses there would be little or no chance of getting them back again which eventually caused Oils and Fats Division to decide that a limited enterprise should be undertaken—a decision only reluctantly approved by the Treasury and received with 'horror and surprise' by the Colonial Office. The project to send four expeditions was, however, whittled down to three, and eventually, after the British occupation of Iceland and the consequent undertaking to buy 25,000 tons of herring oil, to two. This time, as the previous loose arrangements had proved unsatisfactory, the vessels were to be chartered by the Ministry and managed on its behalf by two experts chosen from the whaling companies that had shown most ready co-operation in the previous season. In addition, substantial supplies were hoped for

[1] Vol. I, pp. 74-76, 161-164.

from the three Norwegian expeditions and perhaps from the Japanese.

Lord Woolton did, however, give the Colonial Secretary an assurance that he would, within the limitations imposed by the shortage of shipping, do his best to help with the oilseeds surpluses; on political grounds this—it was felt—must be extended to the Belgian Congo and the Free French African colonies, even if that meant buying produce that had to be destroyed instead of shipped. In the autumn of 1940, therefore, agreements were signed whereby the British Government undertook to buy specified quantities of certain oilseeds and oils from Free French and Belgian Africa, at prices in line with those paid in British West Africa. These prices, however, were not such as to encourage the native producer to bring forward the maximum amounts; on the contrary, Oils and Fats Division had been forced to lower the original buying prices for West African produce because, even in the comparatively easy shipping situation of early 1940, all of it could not be lifted. The Division would have further reduced the buying price for palm products, had not the Nigerian Government preferred to restrict production by prohibiting the collection of palm fruit in the Western Province. There was one exception to this general want of enthusiasm on the part of the Division: palm oil from the Belgian Congo, which, being produced by modern instead of native methods, was of edible quality and far nearer at hand than the 'intractable surplus' in the Netherlands East Indies. This too the Division would have been glad to help with, but no tankers could be spared for it; the private motorist's basic petrol ration was the target for some criticism on this account as 1941 advanced. (A car doing twenty miles to the gallon, it was pointed out, ate, in terms of freight, a citizen's weekly fats ration for every mile it travelled.)

As for copra, whether from the South Seas or the Indian Ocean, freight was scarce and, had it not been, processing capacity in Britain was limited. In India itself groundnuts were exceptionally abundant in 1940 and the price of linseed there was threatened by the large Argentine surplus. The India Office asked the Ministry of Food for help in preventing a catastrophic fall in prices, and the Oils and Fats Division, though of the opinion that a price fall would solve the groundnuts problem by enabling the surplus to be absorbed on the Indian home market, did agree to pay comparatively generous prices and so to arrange the buying programme that the decline in the domestic market should be gradual. The Indian authorities undertook to promote new uses of groundnut oil there, with the aid of a levy on the exporting firms; even so, they feared a glut in the following year and therefore imposed acreage restrictions. The effect of these was to be felt in very changed circumstances later.

During the winter of 1940–41 the import situation, though never as acute as for some other major commodities, was by no means free from anxiety, and further means of economizing usage were sought. Current allocations for the domestic ration and for food manufacture were regarded as minima—a statement from the War Cabinet's Scientific Food Committee in October 1940, which was, however, based on a number of false premises,[1] declared that the fats supply was too low for health—but economies in technical uses were equally difficult to find. Linseed users—the paint, linoleum, and allied industries—were by now working chiefly on Government account, and the only hope of reducing demand lay in persuading the Services to make economies. So too, with lubricating oils requiring castor and rape seed, though here there was some possibility of drawing on high stocks. The heaviest industrial demand, however, came from the soap industry, and here again any substantial reduction of supplies—of, say 20 per cent.—would at once raise first, the problem of glycerine, which was essential for munitions, and secondly, that of soap rationing. Discussions on soap rationing did in fact begin between Departments early in 1941; but neither the Board of Trade, which would have had to run a rationing scheme, nor the War Cabinet, was enthusiastic about it. In the meantime only a slight reduction was made in the supply of raw materials to soapmakers.

In the spring of 1941, however, the import prospects began to look more promising. More tanker tonnage was forthcoming for palm oil from West Africa[2] (though not from Sumatra, for which only the deep tanks in liners could be made available) and for Icelandic herring oil; the passage of the Lease-and-Lend Act promised ample supplies of American lard on a short haul. Against these had to be set increased sinkings—over 100,000 tons of oilseeds were lost at sea in the first eight months of 1941—and the decline and end of whaling 'for the duration'. The two British expeditions to the Antarctic had returned safely with about 38,000 tons of oil; but most of the Norwegian ships had been captured by a German surface raider, only one factory ship escaping with about 14,000 tons of oil. With the catch of the South Georgia land whaling station, there was a total of

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[1] The estimate of butter consumption was based on a seasonally low level of imports; no allowance was made for fats allocated to the food industries; unrationed fats (dripping and suet) which still made a small contribution, were ignored. 'What a pity', wrote a high Ministry official, 'that these people do not ask us for the facts on our work before writing memoranda about it'.

Even so, the level of fats consumption was about 20 per cent. below what it had been before the war, although probably a good deal more evenly distributed over the population.

[2] By mid-1941 the Ministry was relying on West Africa for nearly half its supplies of oilseeds (including well over four-fifths of those yielding consistent oils) and over three-fifths of its vegetable oils. There was some alarm, therefore, when the Admiralty gave warning that for strategic reasons the West African ports might have to be closed for a period. Supplies were still available from elsewhere, but only at higher costs and over much longer hauls; it seems unlikely that, had the threat of closure been put into effect, the fats ration could have been maintained at the mid-1941 level.

but 60,000 tons—provided none of it was lost in transit—to replenish British stocks. Oils and Fats Division were more than ever anxious that whaling should continue in 1941–2; but the Admiralty still wanted the catchers, and the factory ships were now required for use as tankers for fuel oil and to be converted for the carriage of aircraft from the United States. Even three expeditions, all that could be sent by British and Norwegians combined, were felt by other Departments to be unjustified. The Ministry of Food was presented with various calculations indicating how many years its stock of whale oil would last; it stoutly replied that to discontinue whaling could be to gamble on the length of the war. A lengthy argument was ended by the Admiralty's declaring that it could not provide escorts for the whaling fleet, without which the enterprise would be too risky. For the rest of the war the only source of whale oil seemed likely to be the land station in South Georgia.

II

By far the worst difficulties encountered in 1940–41, however, were those brought about by enemy air raids. To these oils and fats were particularly vulnerable by reason of the elaboration of the processes by which oilseeds and oils become margarine or cooking fat, the geographical concentration of much of the plant (which did not, however, preclude considerable dependence on inland transport), and the high level of output that was called for in war-time. Already in August 1940 the Division was considering how it might relieve its dependence on the Unilever margarine plants at Purfleet and Bromborough, which were at that time contributing between them a little less than two-thirds of the total of 6,500 tons a week, and were both in target areas. Production at either could, indeed, be raised in face of damage to the other; and additional capacity could, it was thought, be created to the extent of a further 2,000 tons at the smaller margarine factories, together with the ice-cream factories of the Unilever subsidiary, T. Wall and Sons. Priority was secured for the purchase of machinery in the United States for this purpose. Purfleet and Bromborough, however, were also responsible for nearly 6,000 tons of refined oils a week, or just under half the total requirements, and if the margarine plant at either should be put out of action, it seemed unlikely that the refinery would escape. That this actually happened at Purfleet in September 1940, when the margarine plant was stopped by bombs for a fortnight—at the very point when the butter ration was due to be halved—while the refinery was not affected, served to emphasise the weakness on the refining side. Moreover, two lesser London refineries were damaged, and their associated crushing mills totally destroyed, entailing an increased movement of crude oil to London from Hull—the first of many transport disturbances resulting from bombing. Already in mid-September it was being suggested that the option to take margarine in lieu of cooking fat—the plants making which were more widely distributed—might be withdrawn as a precaution.

This suggestion was repeated in October, together with the more drastic one that the total fats ration be reduced from eight to six ounces, by the 'official' side of the Division in response to an anxious inquiry from the Minister whether the maintenance of the ration could be guaranteed.[1] To reduce the ration would not have been very opportune, having regard to the pronouncement of the Scientific Food Committee a few weeks later, and the Commodity Director, feeling that cuts in consumption should only be made when they were unavoidable, was not prepared to endorse the suggestion. He did not think much, either, of an ambitious proposal to erect a complete 'shadow' plant—crushing mill, refinery, and margarine factory—in a safe area, at a cost of £2½ millions, to be ready (on paper) in 18 months' time; the plan might not be feasible, and the area no longer safe when the enemy discovered what was going on there. Instead, the principle of piecemeal extensions and improvements to plant, already being applied to margarine manufacture and to oilseed crushing—by the adaptation of some old-fashioned mills to deal with palm kernels and groundnuts instead of cottonseed and linseed—should be extended to refining. There was a number of refineries in which the capacity for some 'sub-process', such as deodorizing, bleaching, or neutralizing, might be below that of the rest of the plant and thus be a limiting factor on its total output. By a series of small, comparatively inexpensive, and reasonably expeditious extensions, refining capacity could be increased by nearly 3,000 tons a week. Moreover, insofar as these were made to refineries near margarine or compound fat plants, they would help to relieve transport also. In addition, the Dowlais hardening plant, now nearing completion, might be adapted so as to be capable of refining instead of hardening up to 500 tons a week (out of a total hardening capacity of 1,800 tons).

These plans were promptly approved by the Minister and sanctioned by the Treasury—as part of the cost would fall on Government account—early in November. A further tentative proposal to build an additional large refinery at Dowlais (which had been rejected on expert advice when the Dowlais scheme had first been mooted) was dropped, on the ground that the transport of refined deodorized oil from that particular site would be even more troublesome than that

[1] By this time Bromborough had had bombs dropped all round it, and Purfleet been hit again, though with only slight damage. Even so, the air raids interrupted work and above all delayed transport.

of crude oil to the tanks at Merthyr Tydfil had already proved to be. Instead, a new proposal was mooted for a combined refinery and margarine factory at Selby, which would obviate the need to transport refined oil between the two. For transport and refining, separately and together, were standing out more clearly than ever before as an exposed flank. Oils and Fats Division had already had to draw on the emergency stock of lard to meet local shortages of compound fat, which in turn had been created by the effort to build up stocks of margarine; and the Minister, in turning down a request to approach the Treasury for authority to buy more lard for dollars, explicitly declared that this would be impolitic until something had been done to approve the processing position. Again he called upon the Division for a full report on a 'most precarious' situation.

The assembly of facts and figures that resulted, for all that it did its best to put a good face on things, could not but confirm the Minister's fears. A 'theoretical' capacity of 13,000 tons a week was said to yield, at that time (early November) an actual output of about 12,000 tons, so that the margin of safety was at most 1,000 tons, 'subject to the availability of transport'.[1] Serious damage to any single major plant such as Purfleet 'would in all probability necessitate a reduction in the fats ration.'

The Minister found it 'disconcerting' that the ration could only be maintained 'if we are free from a number of catastrophes some of which we will certainly get', and asked what practical steps could be taken to increase processing capacity by twenty per cent. He was not impressed by a further recommendation in which a reassessment of current refining capacity at 16,000 tons,[2] to be raised by the additions already approved to 19,000 tons, was used as an argument against building the three new refineries that would be required if the Minister's instructions were to be carried out to the letter. It was again urged that the refineries would take eighteen months to build; it was also pointed out (though this was a confession of weakness) that transport was still a difficulty and that the new refineries might be useless unless they were near margarine factories or at any rate crushing mills. The reference to delay was given force by the fact that the new plant at Dowlais, originally scheduled to begin operations

[1] The figure of 12,000 tons for actual refining capacity, unlike comparable figures for crushing, hardening, etc., did not represent the average performance over a stated period; its basis was not given. In the draft of the document in question, it had been put at 10,500 tons, and the margin of safety given as 'Nil'. However, in the first quarter of 1941 the average output, with a seven day week, was 12,300 tons.

[2] This figure, like the previous estimates of refining capacity, rested on no more than the *ipse dixit* of the Commodity Director. It assumed that all refineries would work 24 hours (three shifts) a day for seven days a week, but an earlier (and lower) estimate on the same assumption had been accompanied by a warning that production could not be maintained at that level for any length of time; and in fact the refineries in the London area (including Purfleet) were only able to work two shifts a day, owing to air raids.

in November 1940, was still not ready. But the Minister, in January 1941, asked again for plans for 'achieving security, and security as soon as possible'.

This led to the revival of the Selby scheme that had been first put forward in the autumn. At Selby there was a crushing mill capable of dealing with nearly 5,000 tons a week, but the associated refinery produced only 1,000 tons of oil, and there was no margarine factory. As a contribution to transport difficulties, Unilever was already providing at its own expense a small plant that would be capable of turning out 450 tons of margarine a week, and it was now suggested that this scheme should be merged in a larger 'shadow' margarine factory of 2,000 tons weekly capacity, plus a new refining plant of 1,000 tons; the latter, moreover, could be installed in the existing buildings. The particular attraction of this scheme to the Division was that it promised eventual relief in the transport of refined oils, the limiting factor on both their output and that of margarine, but for which the capacity existing or being created was considered—and for margarine certainly was—ample. It was therefore pressed upon a critical Treasury even though the new refining plant would take eighteen months to erect and though two smaller schemes for adapting and extending compound fat plants adjoining refineries at Keadby (Lincolnshire) and Hull could be completed in about six months. These latter were immediately approved; but the full Selby scheme might not have got past the Treasury, had it not been for the decision in March 1941 that refrigerated tonnage could not be provided for butter in excess of a two-ounce ration at any time of the year, and possibly not at all. The extra margarine capacity to be provided at Selby could now be represented as a useful precaution against the total disappearance of butter; for if one discounted all the margarine factories not attached to refineries—which had a total capacity of 8,000 tons—as not to be relied on in emergency, then the others, even on paper, had not quite enough capacity to meet the maximum demand for margarine that would result (9,600 tons a week). This argument, it will be noted, was at the opposite pole to that being used a little earlier against the extension of refining, and its use of statistics was equally opportunist. However, it served to obtain sanction; the new Selby refinery was completed in 1942 and the margarine plant in 1944. As large scale air raids ceased in May 1941, neither, in the event, was ever wanted.

III

On the face of it, to spend about £150,000 on fixed plant for completion a year later appears a roundabout way of solving a problem in commodity movements, even if it has the incidental advantage of setting the responsible Minister's mind at rest. Certainly it implies a defeatist attitude towards the transport problem within Oils and Fats Division which is all the odder when it is considered that Unilever had, in fact, furnished the Ministry of Food with its first Director of Food Transport, and that a plan of 'movement control' for road and rail tank vehicles had been put forward in the first part of 1940. Unlike Transport Division, which was all for integrated organisation of food movements of any kind, Oils and Fats Division still preferred, even in mid-November 1940 when transport delays had become acute, that 'individual traffic movements should be looked after by the processing firms'. What was more, the Division had, up till then, no idea of what the movements of refined oils actually were, though it was at last trying to find out. Oilseeds and crude oils, on the other hand, were allocated by the Brokers' Association with due regard for transport economy.

The means of transport used for oil were four: water, i.e. coasting steamer or river barge (canals, apparently, were not much used for inland movements); rail tank wagons; road tank wagons; and containers that could be loaded on ordinary rail or road trucks. The last-named were the chief recourse of the Division in remedying the shortage of tank vehicles; it had ordered a large number early in the war and was now getting gradual delivery of them. But they were unpopular with firms accustomed to bulk delivery of their oil supplies, and the slow return or actual loss of the empty containers detracted from their usefulness. Water transport followed recognised routes and there appeared little scope for economy in its use, though some perhaps for its extension. But the key to the problem was the use being made of the specialised road and rail tank vehicles. The road vehicles belonged either to processing firms or to private hauliers selling their services to the highest bidder or the first comer; they might be used for technical oils or chemicals rather than edible oils. Discussions with the Ministry of Transport about pooling these vehicles came to nothing; but in practice the majority of them at least came to operate under the supervision of the Traffic Officer, appointed by Oils and Fats Division in each of its five 'processing areas'.

The rail tank vehicles were chiefly owned or leased by the processing firms, and had not been brought into common user like other private rail wagons.[1] They numbered upwards of two hundred, and the Ministry itself had leased some fifty more, which it used mainly for the carriage of whale oil from the north to Purfleet, but also by way of relief to firms in difficulties. In January 1941 Oils and Fats Division at length secured details of the principal regular movements of bulk

[1] Savage, *op. cit.* pp. 68-9, 108-9.

oil by rail (amounting to some 3,000 tons a week) and was able to discuss with the railway companies the possibility of regulating them centrally (just as the insulated vans for meat had been regulated since December 1940).[1] In March 1941 it was agreed in principle that all rail tank wagons should be pooled and placed under the control of the Division. Some exemptions had, however, to be granted —wagons used only internally within a large processing plant, and those used solely for molasses or chemicals—and more were asked for; certain soapmakers in particular being anxious lest their interests, under a pooling system, be sacrificed to the edible trades. To exempt these vehicles, however, would equally arouse outcry from the firms directly working for the Division; and in many instances the making of soap and of edible fat was so closely integrated that the vehicles would have been impossible to distinguish. The same argument applied to the carriage of materials that had passed out of Ministry ownership, like linseed oil or acid oils from refineries. In the end it was decided that all the rail tankers that might ever be used for oils outside the processing plants should be rented by the Ministry. Those in continual use on regular long distance hauls would be controlled from Headquarters; the others were looked after by the Area Traffic Officers. These arrangements came into force in August 1941 and worked so well that the pooling system was continued after the war.

If the analogy of meat be any guide, the Selby scheme might have been dismissed as unnecessary if proper control of road and rail tankers had been in operation a year earlier. When, in late 1940, the Director of Oils and Fats wrote that what was causing him anxiety was not manufacturing capacity of any kind but 'entirely the practical difficulty of keeping the refineries clear of the oil that they make', he was putting his finger on the real menace of the air raids: not destruction but dislocation. Some plant was of course destroyed—notably in a raid on Hull in May 1941—or seriously damaged; and all the main producing areas suffered at one time or another. Yet although Bromborough had over 500 air raid warnings in 1940 alone, including seven attacks on the factory itself, the loss of production was negligible.

IV

During 1941 the Division gained relief from its processing difficulties partly as a result of its own exertions, partly because butter was not, after all, entirely cut off (the ration, indeed, went up to four ounces for the second quarter of the year), but, above all, because

[1] Vol. I, p. 208.

the coming of Lend/Lease meant that American lard, permission to buy which had been frequently refused that winter, would be freely available in quantity. Here at last was a fat that needed no processing; and when it began to flow at an average rate of 4,000 tons a week, not merely the existing cooking fats ration of 2 ounces a head, but one-half as much again, could be met out of lard alone. The refined oils thus released for margarine instead of compound fat would enable a rise in the combined butter-margarine ration to 7 ounces; the opportunity would be taken to get rid of the troublesome margarine-cooking fats option,[1] so that the actual rise in margarine consumption would only be about ¼ ounce per head per week. More fat could also be found for cake manufacturers and fish-friers, the latter as part of a campaign to increase potato consumption. These improvements, introduced in mid-November, did not long survive the attack on Pearl Harbour; the advantage of the abolished option, however, remained.

The resumption of lard imports, however, provoked some difficulty in the trade. As lard was to replace compound fat in the ration, as well as to trade users, and as, moreover, it would be some weeks at least before the margarine-cooking fats option was got rid of, it seemed logical that it should pass through the same channels, viz. the Brokers and the depots of MARCOM. A proposal to this effect was accepted by higher authority in the Ministry; but when the lard importing firms heard that their function was to be purely advisory they naturally protested loud and long at being cut out of their own trade, at the very point when it looked like being important once more. They were not at all appeased by being offered a generous share from the margin proposed to be paid to MARCOM for handling the lard, even though it would have been money for next to nothing. What was more, in view of their connexion with the American meat packers, and the assurances given by the British Government that in the handling of Lend/Lease goods there would be no discrimination against American firms, they invoked the aid of the United States Embassy in London.

The lard importers' claim that a separate distribution scheme for cooking fat would not decrease efficiency did not, in fact, survive examination, quite apart from the fact that it contemplated allocation of compound fat from MARCOM through the importers—a manifest anomaly—should lard itself ever run short. The extra cost was estimated at upwards of £300,000 a year, for the lard importers were not satisfied with a rate of profit that would have amply recompensed MARCOM; they were, thought the Ministry, 'asking an impossible sum to perform an unnecessary task'. In the end a solution was reached by admitting the lard importers to MARCOM—a step involving the

[1] Vol. II, pp. 589-90.

revision of that company's articles of association—splitting the remuneration of MARCOM into two parts, for distribution and manufacture respectively, and giving the lard importers a proportion of the former, to be settled by the contending interests among themselves. (They actually got one-fifth of the gross margin of 6s. 8d. a ton on *all* fats distributed by the company, falling to 15 per cent. if the annual total were to fall below half-a-million tons.) The Lard Importers' Association continued to act as technical advisers to the Ministry, sampling, inspecting, and if necessary arranging for lard to be re-conditioned; their premises were used for storage. Thus, having begun their campaign with broadsides against Unilever, as supposedly dominating the Ministry of Food in its own interest, the importers entered into partnership with the object of their attack, in true mercantile fashion.

The Division was quick to perceive and to act upon the opportunity presented by Lend/Lease lard for 'concentrating' the compound cooking fat industry; that at a time when the rest of the Ministry of Food had barely begun to think about the implications of the White Paper on Concentration.[1] Only about 1,500 tons a week, half the former quantity, would henceforth be required, mainly for trade users, though a little was needed for kosher and vegetarian retail sale. This could be supplied by a handful of factories, instead of the fifty that were then in operation, and yet allow a margin of safety for air attack. In mid-1941, therefore, discussions were opened with the industry and rapidly reached an amicable conclusion. The firms were, of course, all members of MARCOM so that their profits would not be affected by closure; all that was necessary was to arrange an allowance to cover the overheads on the non-nucleus factories. Nucleus factories, of which eight were eventually chosen (reduced to four in June 1942 when lard was so plentiful that it could be given to trade users also), were selected mainly for their nearness to refineries, but preference was also given to factories making cooking fat alone. The trade attached importance to this, and it also had the advantage of enabling labour to be diverted from cooking fat to margarine manufacture in plants that had hitherto produced both, without prejudice to the resumption of cooking fat manufacture if wanted. The closed premises were to be used chiefly for the storage of the growing stocks belonging to MARCOM, including Lend/Lease lard. The scheme came into force on 1st August 1941, and was received with some surprise by the manpower authorities.

An effort to rationalise the dripping industry had begun even earlier, before the word 'concentration' had been heard of in its war-time context. Under the 'trade user' scheme introduced in the summer of 1940, a melter sold his dripping to approved consumers

[1] Cmd. 6258 of March 1941. Vol. I, pp. 322-325.

against a permit from the Area Oils and Fats Distribution Officer; but if these permit sales (which were, of course, based on the users' entitlement, not the melter's supply), left him with a surplus, he might sell it as he chose, in principle only within the statutory maximum price. This surplus was *ex hypothesi* a loss from more to less essential uses, and the Division would like to have laid hands on it, particularly as the glut of slaughterings expected (rightly) that autumn might be expected to increase the marginal supplies for the time being. The amount of dripping produced was, of course, small in relation to the total fat supply; about 33,000 tons had been produced in the first year of war and as time went on this was bound to diminish. But, particularly in the absence of imported lard, it made a useful contribution. The case for rationalisation was exceedingly strong, on account of the concentration of livestock slaughter upon which the melters depended for their raw material; this had left some of the two hundred odd melters remote from their supplies, and transport was wasted in keeping them all in operation. The elimination of the less efficient ones, moreover, might be expected to increase the yield of dripping and make its distribution easier to control.

When these points were mooted with the trade, however, they were not well received, and the Division decided first to get agreement about disposal. Even this proved difficult—it was not achieved till early 1941, by which time any margin over permit demand must have been small by reason of the decline in slaughterings—but it was eventually agreed that the melter should dispose of his dripping: against permit to a trade user; to a Government Department; to another melter (with Ministry approval); or, up to a strictly limited amount, by retail sale. If there was any balance, it should be sold to the Ministry. Butchers' shops, tripe-dressers, and gut cleaners were not covered by these arrangements, so far as their own production was concerned, and this left an obvious loophole for evasion. Indeed, the trade was not sufficiently well organised for procedure by agreement to be effective; only the Co-operative Movement, which did a sizeable trade in dripping, was ready to undertake rationalisation. The Raw Fat Melters' Association was revived from a 'moribund condition' and asked to submit a concentration scheme, early in 1941; but the trade was all but incapable of constructive thought, and the agreement that was eventually reached in the autumn was due almost entirely to the patient ingenuity of the Oils and Fats Division itself.

In November 1941 a war-time marketing company for the whole industry,[1] *British Melters Limited*, was set up. Sixty nucleus plants were to be kept in operation, with a few reserve plants in case of need; licences to process edible fats were withdrawn from the others (though,

[1] The Scottish melters held out for a separate scheme, but eventually came into line under the threat of requisition.

pending a similar scheme for technical fats, they retained the right to process these). The nucleus firms were chosen on grounds of efficiency and location vis-a-vis slaughterhouses and/or main users of dripping, and they were tied to both, selling their output as branches of British Melters Limited, each with its separate code number. Any imported fat that might be required to make up their customers' requirements was likewise allocated through them. The scheme was brought into operation just in time for the increased allocation of fat to fish-friers; the friers found, however, that dripping did not 'go as far' as the frying oil on which they usually relied, and extra lard was eventually issued to make up the difference.

To devise a satisfactory compensation scheme for British Melters was not easy; the basis usually taken, pre-war turnover, was felt to be unsuitable partly because some firms had inadequate records, partly because the character of the raw materials had changed as a result of war. Formulae were therefore devised by which each firm's turnover of various types of fat in a datum period after the issue of the Control Order in July 1940 (averaged, *for slaughterhouse fats only*, with performance in a pre-war datum period) was apportioned between different types of sale, each with its notional price, and of raw material, each with its notional processing cost. Thence was derived a notional figure for the firm's gross profits, and after allowance for overheads at a fixed rate, its net profits for the purpose of the share-out. The sum to be shared out was obtained by deducting from the total gross profits of the sixty operating plants, first, an allowance for their overheads at a fixed rate, secondly, a sum to cover claims for the continuing overheads of closed firms, which were allowed up to one-quarter (later, one-half) of the datum overhead allowance; thirdly, war risk insurance and expenses of the Company. Provision was made for appeals, and if necessary for independent arbitration. The Company's Board consisted of a 'neutral' chairman,[1] seven directors each representing nucleus and closed firms, Area by Area and (at first) two directors appointed by the Ministry. The scheme was to last as long as the concentration of slaughterhouses.

The compensation scheme appears to have given general satisfaction in the trade, and the results of concentration were certainly beneficial from the Ministry's point of view. The release of manpower was not great, but there was a useful economy in fuel and transport, a fuller control of disposal (though some small producers, like the tripe-dressers, might still escape the net), and, most noteworthy if not most important, an eventual improvement in the average quality of the product that was felt, in 1944, to justify an increase in its price.

[1] Sir Francis Boys, formerly Director of Meat and Livestock in both Ministries of Food. For this purpose, the eight Oils and Fat Areas were treated as seven, by counting London and the South-East as one.

CHAPTER XXV

World Shortage and Co-ordinated Buying

I

It was at once seen that the attack on Pearl Harbour would transform the world oils and fats position. Lord Woolton promptly decided that the ration concession granted in mid-November must be withdrawn;[1] and steps were at length taken to restrict soap consumption.[2] On the supply side, the most immediate threat was to consistent oils. Stocks of these had never been high enough for the Commodity Division's comfort, though they had been raised during 1941 from 30,000 tons to 50,000 tons (crude oil equivalent), or about ten weeks' cover. Although the extent of the Japanese conquests could not yet be foreseen, the Director of Overseas Purchases prudently assumed that there would be little or no more copra and that he would have to depend on West Africa chiefly for consistent oil and wholly for palm oil. Three days after Pearl Harbour he proposed to encourage the collection of palm kernels by raising his buying price; and in spite of some misgivings on the part of the Colonial Office lest the rise be inflationary[3] the increase of £1 a ton was put into force almost at once. A corresponding increase for palm oil, proposed in January 1942, was accepted in February. The soft oils position was not immediately dangerous, but here again the Division's dependence on West Africa seemed likely to increase; for crop restriction in India had been seconded by a failure of the monsoon, internal consumption there had increased according to plan, and shipment, which was mostly made from the east coast, promised to be difficult.

By early February, with Singapore gone, losses in the Far East were so high that United Kingdom wants could no longer be treated in isolation. Some four-fifths of the world supply of copra had been cut off, and a large part of the palm oil. The problem was not confined to food; the output of glycerine was involved, as well as the palm oil needs of the steel industry, with which the United States was, of course, vitally concerned. On a rough reckoning, there was enough copra for five-sixteenths, enough palm oil for one-half, enough palm kernels for five-sixths, of the pre-war requirements of the United

[1] This was done on 12th January 1942, the earliest date consistent with the eight-weekly permit period.

[2] Below, pp. 493-494.

[3] Below, pp. 468-472.

Nations; and though these requirements might be reduced in some countries and some conditions, elsewhere they had increased. Some sort of means had to be found of sharing out the limited supplies of what were frequently, though not strictly accurately, referred to as 'hard oils';[1] even more urgent, something had to be done to stop competitive buying between the Allies in supplying countries.

While the principle of a single buyer for each market was readily accepted, its translation into practice was complex, because so many interests were involved. The Middle East Supply Centre had the first claim on East African supplies, and the United Kingdom Commercial Corporation, which was the Centre's purchasing agent for a number of foods, eventually became the sole buyer for East Africa. In Fiji and Tonga, and in Ceylon, the Colonial Governors became the sole buyers—which was to cause some surprise in Australia, when the Governor of Fiji took over all copra on Ministry of Food account. The price fixed on this occasion ultimately became the basic price for the whole of the South Seas, though not without argument that illustrated the intricacies of the political situation there. Australia and Canada were in fierce competition for the copra supplies of the French Pacific Islands (except Tahiti, which had fallen into the New Zealand sphere of influence); but the Free French authorities wanted the United States to buy their produce. New Zealand regarded its mandated territory of Western Samoa and the Cook Islands as a domestic preserve, and was reluctant to buy on behalf of a Ministry of Food pool at a price that, it feared, might not be as good as the Free French territories would get; not till June 1942 were the New Zealanders eventually persuaded to come into line. Meanwhile, United States buyers had been active in the Belgian Congo and in the Australian and Argentine tallow markets, where prices rose to extravagant heights.

An agreement with the United States was indeed the most important of all, and in April 1942 Mr. Herbert Davis left for Washington to seek it. The chief obstacle in his path was not want of goodwill, but the administrative divisions that made it impossible for him, at first, to know with what American department to negotiate.[2] The *Memorandum of Understanding* that he reached, dated 13th May 1942, was actually subscribed to by the Department of State, the Department of Agriculture, the Board of Economic Warfare, the War Production Board, and the Maritime Commission. The United States was to

[1] This term was a convenient one, especially in cables, to cover both consistent oils and palm oil, and it will be used here where there is no danger of ambiguity. The two types of oil are, however, different; moreover, a soft oil can be artificially hardened and is, then, practically speaking, a hard oil.

[2] Vol. I, 236-7; and Eric Roll, *The Combined Food Board* (Stanford, Calif., 1956) pp. 44-47. Sir Herbert Davis has said that the first two weeks of his visit were spent in discovering the appropriate authority; so that he could only address his notes 'To whom it may concern'.

be the sole buyer of all oilseeds and oils and fats in North and South America (except for animal fats in Argentina and Uruguay, which were tied up with the British meat imports thence), Portuguese and Spanish Africa[1] and Liberia, and the Caribbean; also of copra in Tahiti and the Free French Pacific Islands: the United Kingdom, in British territories outside the American zone delimited above, in the Belgian Congo, and Free French Africa. A provisional balance sheet of allocation was drawn up, under which the United States and Canada would take all the purchases in the United States zone, except for a specified amount of Argentine linseed to be turned over to the United Kingdom and paid for in sterling. The Americans were similarly to get specified quantities of palm oil, copra, and tallow, bought by the United Kingdom; these quantities were recognised as minima, and the Ministry of Food undertook to encourage extra production 'through an increase in price, improvement in internal transportation and loading facilities, or by other means', and to ship extra quantities if they were available and the United States could provide freight. (Such quantities, it seems to have been agreed, would have priority once the United Kingdom's rationed requirements had been met; conversely, it was understood, though not put down in the Memorandum, that the United Kingdom's programme for United States lard imports would be fulfilled.) The principle was laid down that purchases were 'for the joint benefit of both parties'; there would be a fair allocation of grades, and prices charged would be weighted averages.[2]

This agreement was rapidly followed by a clearing up of outstanding points; and by the end of July, when the Combined Food Board's Fats and Oils Committee met for the first time, even the hard bargaining about copra was nearing its conclusion.[3] One of the first acts of the Committee was to bring some order into the process of allocations by asking for the submission of 90-day forward shipping programmes. (At first the major preoccupation of the Combined Food Board was to promote economies in shipping; cf. the 'meat switch' proposed in the autumn of 1942.)[4] Towards the end of 1942 the corresponding Committee was set up in London, under the auspices of the London Food Committee.

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[1] In the end the Portuguese and Spanish colonies markets were left to neutrals, and their prices rose enormously.

[2] The proposal to apply weighted averages to purchases from the Belgian Congo, where American buyers had paid prices greatly in excess of those paid by the British, had later to be abandoned.

[3] The last point to be settled was the Australian copra allocation, which involved characteristic technical difficulties. Australia was in future to be relieved of the need for making margarine for the Services, which would henceforth draw from U.S.A., but she still needed glycerine, and it had to be decided whether she should (a) import copra and send the residues to U.S.A. for soap making (b) let the copra go to U.S.A. and import glycerine thence (c) use her own supplies of tallow for splitting.

[4] Vol. I, p. 243-245; Roll, *op. cit.* p. 127 ff.; above, pp. 254-256.

II

The Memorandum of Understanding was in essence an agreement over marginal supplies of oils and fats between two partners who were all but able to make themselves self-sufficing within their spheres of influence. Complete self-sufficiency for either was impossible because not every kind of fat is interchangeable with every other; the Americans could not do without 'hard oils' from the British sphere, the British, in war conditions, without American lard. An exchange of these two was implicit in the agreement from the outset, and it meant that for oils and fats, unlike any other major foodstuff subject to combined allocation, the British met their Ally on equal terms and could not, except financially, be represented as the mere recipients of United States bounty. They were fortunate also in that, for geographical reasons, the shortage of shipping was at its least acute on the homeward West African run to the United Kingdom and did not act as a limiting factor on imports. Lastly, until the war neared its end and the requirements of the liberated territories cast their shadow over the inter-allied deliberations, the United Kingdom was the principal claimant—the United States being largely self-supporting—on all imported supplies.

The proceedings of the London Oils and Fats Committee, therefore, were from the first little more than a necessary formality. The Ministry of Food, by virtue of the size and diversity of its programme, and the expert knowledge at its command, was able to determine the allocations of oils and fats to all the claimants in its sphere by separate agreements; and when these were reported to the committee, they were generally approved without discussion.[1] The United Kingdom programme, which could readily be supported by a wealth of statistical justification such as no other claimant could produce, and which was known to subserve a strict control of consumption, was never open to challenge. The other requirements were, in effect, met out of it; and if supplies turned out to be higher than expectations—which, in view of the Ministry's cautious habits, was almost inescapable—no one questioned the United Kingdom right to be residuary legatee.

In Washington, on the other hand, the debate in and around the Fats and Oils Committee was continual, for all that it did not, except for occasional difficulties about lard, revolve round the extent of the current United Kingdom oils and fats allocation. Rather was it concerned, almost from the outset, with provision for the future. There was indeed an anxious period about current supplies in late

[1] One exception was the Middle East Supply Centre requirements of soft oils, which—perhaps because of the argumentative nature of their sponsors in London, the Ministry of War Transport—took a long time to settle.

1942 and early 1943, evoked by Russian requests for oils and fats from continental U.S.A. at a time when rationing had not yet been established there. The United Kingdom lard allocation was trimmed in consequence for a time. Thereafter, however, the role of the British in Washington was to urge, in and out of season, economy in United States domestic consumption, both for food and for soap, in order to provide against claims for Relief. For a variety of reasons, they were not successful; so that, when the claims were duly presented for payment, they could only be met, even in part, by reducing current consumption in Combined Food Board member countries. At that point the machinery of allocation broke down for oils and fats, as it did for other major foods.

III

The British undertaking to promote greater exports of oils and fats from the countries within their sphere of influence represented, of course, no more than formal confirmation of what they had been seeking to do from the moment the news of Pearl Harbour was received. Many factors combined, however, to limit the possibilities of such an increase, quite apart from the over-riding shortage of freight which, but for the others, might have been felt more keenly. So far as palm produce and copra, derived from trees of slow growth, were concerned, the problem was to ensure that all the fruit that could be transported was lifted; in the British and Free French African colonies there were considerable untapped resources, but little hope of getting at them. Groundnuts are an annual crop, and a greater acreage might be secured if the right price were paid; but here again internal transport might be scarce, and groundnuts competed with other crops used for native consumption. In general, the production of oilseeds might compete with other Allied demands: in Ceylon the output of rubber was vital; in West Africa there were demands for other raw materials, and for native labour in the construction of military works. Last but not least, the producing countries suffered from shortages of food and durable consumer goods, and varying degrees of monetary inflation. The loss of Burma rice affected India and, more severely, Ceylon; West Africa, particularly, felt the loss of cheap textiles and other goods from Japan, which the United Kingdom was not in a position to replace; the export of linseed from Argentina (which was not, of course, a direct concern of the British) was likewise affected by the shortage of coal from Britain. The governments of producing countries, moreover, framed their economic policies in time of shortage with a view to the interests of their own people, which might not coincide with the greatest possible exports of oils and fats. For all these reasons, the overseas operations of Oils and Fats Division were in practice directed less towards increasing supplies than towards limiting and arresting their decline.

The territory in which least difficulty was encountered was the Belgian Congo, which was unique in possessing a plantation industry, run on capitalist lines, and which, because of its nearness to the Dominion of South Africa, was well supplied with durable consumer goods. The output of edible palm oil had already been increased in accordance with the agreement of 1940 with the United Kingdom, which also took the greater part of the palm kernels; the remainder were crushed in the Congo and the resulting oil was used locally, or exported—like the technical palm oil—to South Africa.[1] After Pearl Harbour there had been an incursion of American buyers into the market for technical palm oil, and its price had consequently risen high above that paid by the Ministry of Food for oil of edible quality. As for palm kernels, the Ministry's price was by 1942 regarded as insufficient reward for the labour of cracking the outer shells, and the whole kernels were being used by the natives as fuel. Upon the introduction of co-ordinated buying, therefore, the Ministry raised its price for kernels, and though reluctantly, was compelled to let that of palm oil rise also. The results, however, were satisfactory; exports of palm kernels to the United Kingdom rose from 17,000 tons in 1941 to 47,000 tons in 1943, and of edible palm oil, from 37,000 tons in 1942 to 58,000 in 1943. For political reasons, these price concessions had to be extended to the neighbouring Free French colonies.

In British West Africa, this straightforward way of attracting more supplies was not open to the Ministry; the economic situation was itself more complicated, and the colonial authorities, both in London and on the spot, had more complex notions about how it ought to be treated. They were concerned to prevent the inflation that must result from a rise in producers' prices coupled with a shortage of imported consumer goods; and they subscribed to the view, commonly if not unanimously held among experts on primitive economies, that the stimulus of an increased price would not have the same effect in Africa as in an advanced industrial society. As a Treasury official who visited West Africa in 1942 put it:

> 'It is generally admitted that the African native is uninterested in money for money's sake . . . His natural philosophy . . . leads him to consider work only as a means of acquiring the medium of satisfying his meagre requirements. When this is accomplished his efforts cease . . .

[1] The fruit of the oil palm yields two types of oil that are totally different. *Palm oil* is produced in the country of origin from the outer covering of the fruit, which is afterwards cracked to obtain the inner kernel. *Palm kernel oil* is obtained by crushing the kernels in a crushing mill.

It followed that to increase prices for his output, and so enable him to satisfy his 'simple wants' more easily, would encourage the native to produce less than before; and this would—it was argued—be especially true at a time when there was a shortage of consumer goods on which to spend his money. It would disturb the economic stability of the territory, without producing any more oilseeds. This argument amounted to saying that the price determined under surplus conditions was still exactly right in times of shortage, which if true would have seemed remarkable to others besides the highly experienced Oils and Fats Division. The Division did not consider that the collector of palm fruit was too simple-minded to know his own business; if prices were too low, he would take other work that was not only better paid but probably called for less effort—and indeed, economic stability notwithstanding, wages of paid labour in West Africa were rising. So, for that matter, were the prices of consumer goods; and as, apart from textiles, these were still reasonably abundant in West Africa, it did not seem likely that the native producer, with his income that would remain tiny in any case, would be called upon to demonstrate his incapacity for saving. The Division took the view that the relative position of the oilseeds producer, at any rate, must be maintained; but it had encountered opposition when it raised the prices of palm kernels and palm oil after Pearl Harbour, and the authorities in West Africa were less open to persuasion on these points than was the Colonial Office itself.

The growing importance of West Africa in the war effort—strategic as well as economic—had been matched by the development of a number of *ad hoc* institutions, culminating in the appointment in mid-1942 of a Resident Minister—Lord Swinton—[1] who was to be chairman of the West African War Council, a body including committees on supply and priorities. A corresponding Committee—the Africa Committee—was set up in London, answerable to the War Cabinet.

Earlier in the year, the Colonial Office had decided to set up a West African Produce Control Board, which would buy all oilseeds offered for shipment, for re-sale to the Ministry of Food. This step was apparently taken at the instance of the authorities in the colonies, who were on bad terms with the shippers; and though the Colonial Office defended it on the ground that it would save manpower and avoid duplication of work, Oils and Fats Division dissented, considering that it would lead to 'duplication, obstruction, confusion and complications all round'. In consequence the Ministry of Food declined to appoint a representative to the Board.

The 'oilseeds drive' that the Resident Minister was to launch

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[1] Lord Swinton has given his personal account of these events in *I Remember*, Chapters XVI-XIX.

shortly after his arrival consequently lacked the one stimulus that, in the view of people with a lifetime's experience in the West African trade, would be effective. 'Production targets' were formulated, to be attained by the direction of durable goods (which otherwise might remain in the towns) to the producing areas, by improving transport, and by propaganda. A continuous effort was indeed made to provide textiles, kerosene (to reduce the use of vegetable oils as fuel), and salt (which could no longer be shipped from the Middle East) in particular; the army was called in from time to time to relieve a chronic shortage of road vehicles; and transport bonuses were paid to the merchants to encourage purchases from remote areas. As to the prices to be paid for the oilseeds themselves, however, nothing whatever had been said. In spite of the efforts of the new Produce Control Board, the output of palm products in the second half of 1942 had been disappointing; a fact that was attributed to military demands for labour and even—by some—to a hold-up of supplies in hopes of a better price. In view of the concessions made in the Belgian and French territories, the Colonial Office agreed in January 1943 that a rise in price must now be allowed—though there was talk at one time of withholding part of it from the producers, to be used for their benefit later. The Government of Nigeria, however, raised objections which were only partially overcome: a general increase in palm kernel prices was conceded, but not on palm oil, as it was thought that the latter would diminish the incentive to crack kernels. At the same time the production drive was to be intensified: 'targets' were now fixed for the smallest possible areas, and were to be achieved by exhortation, personal contact, and any other methods that the ingenuity of the local 'production officers' could devise. The merchants were asked to open up fresh buying points—a policy that the United Africa Company had already adopted on its own account; and further taxation was to be imposed 'to ensure that the [native] idler did some extra work'.

About the 1943 groundnut crop the same line was taken. In 1942, when a small price rise had been accepted by the Governor of Nigeria, there had been a severe drought which affected not only groundnuts, but the corn crop on which the native growers relied for food; so that exports were only about 100,000 tons, as against over 200,000 in 1941. Early 1943 was a particularly anxious time for Oils and Fats Division; supplies from other sources, notably India, seemed likely to fall short of expectations and the lard programme from the United States was problematical. The Division would therefore have liked to offer a much better price for West African groundnuts. The local authorities, however, again pinned their main hopes on a production drive, coupled with only a slight rise in price. The export 'target' was set at 300,000 tons—a figure much above the Division's expectations; and the campaign was launched in April, when the Resident Minister met the Emirs and Chiefs of Northern Nigeria and appealed to them for groundnuts in a speech of religious fervour that, he reported, aroused great enthusiasm.[1] Elaborate plans had been made for the distribution of seed; for local targets to be achieved by every form of inducement from compulsion (by the native authorities only) to bonuses; a record area was prepared for sowing; nothing more could be done—at the price—except 'to pray that God would give the rain'. The rain, however, came late and was insufficient; and though the weather improved later in the season the results of the Nigerian campaign were not spectacular—less than 200,000 tons.

The output of palm kernels increased during 1943, but that of palm oil now began to decline; and Oils and Fats Division once again pressed for the price rise that had been denied in the spring. An enquiry on the spot revealed that not only the merchants but the local officials now considered that a rise would be necessary. It was not that the producers had too much money, as had been feared; rather had they been 'attracted away from production by the easier money to be won by growing food crops for the town markets or sending their ablebodied men as Pioneers'—whose wives, moreover, received a separation allowance that relieved them of the need to crack palm kernels and/or press more oil than they wanted for themselves. Some delay occurred while officials of the Colonial Office visited the territory in person, but prices of both palm oil and palm kernels were raised in January 1944, by £1 and £3 a ton respectively.

There was still, however, resistance to a similar rise in the groundnut price. Although the last corn harvest had been a good one, corn still gave a better return than groundnuts; prices of consumer goods—notably textiles, but also kerosene and salt—had risen greatly, and the wages of paid labour, sometimes employed by the peasant farmer, had risen by 100 per cent. The words 'economic stability', had the groundnut grower been able to understand them, would have had a mocking ring in his ears; but when the Division suggested a rise of £5 a ton, the Governor of Nigeria repeated the former view that this would 'upset Nigerian economy' to no purpose. The Governor was willing, in view of current expectation in the territory, to concede a rise of £1; but the Resident Minister seems to have felt that this concession gave away the whole anti-inflation case. After full discussions with officials and merchants, Lord Swinton concluded that the producer of groundnuts was not getting a square deal; that there was clear evidence that he was influenced by the relative prices of corn and groundnuts; and that a price rise of £3 a ton should be

[1] 'Quite spontaneously . . . the Chiefs . . . pledged themselves to see the business through. When I told them that Hitler was as determined to destroy the Moslem faith as he was to destroy Christianity and that this blasphemous tyrant had said . . . "There is no God but Hitler", there was a growl from the whole assembly'.

conceded. This the Division thought insufficient; but in any case the rains were again late and poor, and it was once again found possible to buy only about 200,000 tons from Nigeria. A little more—40,000 as against 30,000 tons (in shell)—was obtained from Gambia.

In spite of the price increase for palm oil, the position showed no improvement in 1944. The Belgian Congo, with much higher prices, but also a better supply of consumer goods, was still making a good showing, and the contract between it and the British colonies did not fail to be pointed out by the Americans, aware of the undertakings given in the Memorandum of Understanding. The West African authorities, however, remained firmly opposed to any price increases, whether for palm produce or for groundnuts, in 1945, and their views prevailed.[1] Oils and Fats Division, though it conceded—inevitably—that there could be no *proof* that a more generous price policy, or indeed any policy, would have led to higher production, was still of the opinion that such a policy would have been worth trying. To the Division, the arguments in favour of economic stability were undermined by the undoubted fact that the native producer was not, in 1942–44, enjoying any such thing. The production of oilseeds was contending with high wages for paid labour and more remunerative prices for other crops; in early 1945, with groundnuts at 79 per cent., palm kernels at 77 per cent., and palm oil at 53 per cent. above pre-war levels, the producer was being asked 200 per cent. and more extra for textiles. If indeed the African native aimed at satisfying his simple wants with the least possible effort, he was throughout given ample incentive to do it otherwise than by selling oilseeds to the Ministry of Food.

IV

So far as groundnuts from India were concerned, the problem was different. Except for the famine year of 1943[2] neither supply, price, nor even shipment presented acute difficulties; but the Division was confronted, both in 1943–44 and 1944–45, with the natural desire of the Government of India to use groundnuts as a means of putting pressure on the United Kingdom to secure imports of food grains. This policy derived from the famine; or perhaps rather one should say

[1] They would apparently have liked to see any extra payments made, not direct to the producer but by way of a stabilisation fund on the lines of that in operation for cocoa.

[2] C. B. A. Behrens, *Merchant Shipping and the Demands of War* (in this series) and Sir Henry Knight, *Food Administration in India*, 1939-47 (Stanford, Calif., 1954).

from the long-term impact of the famine on Indian public opinion. For even in 1942–43 the Indian Government had shown itself willing to encourage the export of groundnuts. It had reversed the policy of acreage restriction adopted in 1940, which had led to a sharp drop in supplies to the United Kingdom in 1941; and it had, even in the year of the famine, prohibited forward dealings and so stopped the speculative rise in prices that had made it impossible for the Ministry of Food to buy for export in the spring of 1943. In the autumn of that year, however, when purchases of the new crop were proceeding smoothly at declining prices, the Indian Government let it be known that no more than 200,000 tons might be exported over the season, unless India's minimum requirements of wheat were met in full.

This put Oils and Fats Division in a difficult position. It had hoped to get about 465,000 tons of groundnuts from the 1943 crop (as against 360,000 in 1941 and 330,000 in 1942) of which 300,000 were for the United Kingdom and the remainder for other United Nations needs, including a substantial quantity for the Services in the Middle East. Some groundnuts had already been shipped to the United Kingdom, and all the rest of the quota would be needed for the other claimants; accordingly liftings for the United Kingdom were suspended. Wheat for India was not, of course, the business of the Division, nor indeed of the Ministry of Food; the problem was not supply but shipping, and shipping allocations had in the last resort to be settled by the War Cabinet. Tonnage was in fact allocated for a substantial quantity of cereals, though nothing like the million and a half tons that had been mentioned at one time. The suspension of liftings had the effect of exposing the weakness, practically speaking, of the Indian Food Department's position (which it was known that the Indian Commerce Department did not support). Groundnuts for export were *ex hypothesi* surplus to the requirements of Indian crushing mills; and though on paper they might be used for internal consumption as nuts (and no doubt would have been, if the famine had been bad enough), in practice there was nothing to be done with them. The problem of storing them at the ports got worse and worse; the Indian Food Department, which towards the end of 1943 had been with difficulty persuaded to raise the quota from 200,000 to 250,000 tons, was talking early in 1944 of 325,000 and possibly 390,000; an appeal was made to the Ministry of Food to resume liftings to the United Kingdom. But Oils and Fats Division, realising that its position was now strong, was in no hurry: 'the more chaotic the conditions in Bombay and Madras . . .'the more likely the Government of India is to let us ship what we want'. It relented only to the extent of accelerating shipments to other destinations, until in April 1944 a firm figure of 440,000 tons was agreed to, to be raised to 500,000 tons on the stipulation that the remaining quantity was not bought before June. Thus, in the end, the Division got rather more groundnuts than it had asked for in the first place.

Nevertheless in 1945 the same process was repeated. The Division had very early proposed an export quota of 500,000 tons, coupled with the proviso, put forward the previous year without response, that any unshipped holdings should be made available to the Indian Government, if necessary, for famine relief. But the Indian authorities fought shy of this latter proposal; they wanted to avoid interference with the market, they were not prepared to requisition and distribute groundnuts through Government agencies, and they would not (they said) have time to improvise such arrangements should an emergency come. In short, the Government of India would not know what to do with surplus groundnuts if it had them. Its statistics, however, indicated that only some 300,000 tons would be available for export, and of these only 100,000 tons might be bought before February 1945.[1] Once again the Indian Government was slowly driven by events from this position and by gradual degrees the export quota was raised to 500,000 tons. Some inconvenience was caused the Ministry of Food, because by the time the ultimate releases were made there was a temporary closure of certain Indian ports, for operational reasons. However, by the end of August 1945 over 470,000 tons had been bought.

Ceylon, the only major producer of copra, apart from the far away South Sea Islands, that was left to the Allies after the Japanese conquests, was affected by inflation in India, as well as having problems of its own. The chief of these, perhaps, was the loss of a staple food—rice from Burma—which could only be replaced by other imported cereals involving a change in national diet. There were other obstacles to an increase in the output of copra: the competition of the all-important rubber industry for labour, and a shortage of consumer goods similar to, though less important than, that affecting West Africa. The situation was not, however, complicated in Ceylon by objections on the part of the Colonial authorities to the payment of higher prices, so that the Ministry of Food was free to pursue what price policy seemed to it best.

The island produced both copra and coconut oil for export; Oils and Fats Division preferred the former as easier to ship and providing a useful residue for feeding-stuffs. When co-ordinated buying was

[1] There was again talk of bartering groundnuts for cereals, or possibly fertilizers to improve indigenous food production. There was also a proposal to export groundnut (and linseed) oil rather than the whole seed, so as to retain the cake for cattle-feed; but the shortage of containers for the oil precluded any immediate application of this idea.

Another notion behind the prohibition of export was that this would lead to a switch of production from groundnuts to food grains, by depressing the price of the former. Though this failed in 1944 and 1945, the volume of exports fell heavily in the post-war years.

introduced, through the Ceylon Government, the price of copra was therefore raised, but that of coconut oil slightly lowered. Although more coconuts were, naturally, being eaten as food—as much as 40 per cent. of the total production in 1943—and although the high prices offered locally for the crushing residue or 'poonac' (resulting from a shortage of cow's milk) offset the lower export price for oil, the results of the Division's price policy appeared to be satisfactory until well into 1943. Then, however, trouble developed because the rise in Indian prices enabled the Government of India, which received a substantial quota of Ceylon copra at the standard price, to resell at a considerable profit. The producers thought this unfair, as prices of imports from India had also risen steeply; but the Division did not want to raise its buying price simply for this reason, and accordingly the Ceylon Government approached that of India to obtain a refund of its windfall profits for the benefit of the copra industry. Early in 1944 the Indian Government at length agreed. Meanwhile, however, the copra producers had got wind of a possible increase in price, and exports fell off accordingly; producers elsewhere claimed that the mid-1942 price was no longer sufficient to meet increased costs. Accordingly, the Ministry of Food now agreed to raise its buying price for copra everywhere by one-eighth, and, in the special case of Ceylon, to make up to the new level any deficiency after the refund from India had been paid.

No increase, on the other hand, was given on the price for coconut oil; nevertheless an increasing proportion of exports took this form, and the Ceylon Government were inclined to encourage it, so that more poonac could be used for cattle-feed and secure an increased output of milk. This, it was hoped, might decrease the use of coconuts for *their* milk and so allow more to be used for processing. The increased output of oil led to a demand for more oil-drums to be made available; for there was, of course, an acute shortage of tankers, and the crushing-mills of Ceylon, like the sugar-mills of the Caribbean, were liable to be embarrassed by being unable to get rid of their output. On occasion, production was entirely halted for this reason; and though the Ceylon Government made plans for increasing oil storage capacity, these were necessarily for the long term. Exports, whether of copra or of coconut oil, fell away slightly from the peak figure of 120,000 tons (oil equivalent) in 1943, despite the efforts of the Ceylon Government. One particularly useful measure was the restriction of exports of desiccated coconut; equivalent to about 45,000 tons of copra in 1939, they were down to one-tenth of that amount in 1945. The Colonial authorities did not, however, feel able to apply the same restriction to exports of coconuts to India, which rose from 5 million nuts in 1942 to 23 millions in 1944. Nor could the decline in exports be arrested by another rise in prices, conceded, in agreement with the United States and Canada, in June 1945:

Exports of Copra and Coconut Oil from Ceylon
('000 *tons oil equivalent*)

1941	95
1942	95
1943	120
1944	110
1945	105
1946	92

Even after Pearl Harbour one oilseed—linseed—remained abundant in Argentina, which produced over 90 per cent. of the pre-war world supply. The purchase of Argentine linseed was, under the 1942 Memorandum of Understanding, the business of the United States; indeed, now that freight from India was easier, on account of returning cargo being wanted for outgoing military supply vessels to the Indian Ocean, the British intended to rely on India for supplies, as in pre-war days. Famine, inflation, and speculation, however, made it impossible to buy linseed in India even at extravagant prices in 1943; United Kingdom stocks fell to a dangerously low level, and, as in the autumn of 1939, recourse had to be made to Argentine supplies. Fortunately these were still plentiful, in spite of the inroads of Russian demands on United States linseed, reflected in United States drawings on Argentina; freight, too, was easier because the Ministry of Food was taking more cereals from North America. In 1943 the British took no less than 485,000 tons of United States purchases of Argentine linseed (as against 70,000 tons in 1942); from India, only 20,000 (against 190,000). In 1944, (however, the Argentine export position deteriorated; a severe drought affected sowings, and for want of imported fuel oil the authorities began to reserve linseed for the purpose. United Kingdom imports fell to 250,000 tons over the year; and in December the Argentine Government put an embargo on all linseed exports. The linseed surplus had disappeared just at the time when requirements, both for liberated Europe and for post-war building and repairs, might be expected to reach their highest for many years.

This situation was complicated by the bad political relations that had arisen between the United States and Argentine Governments; so that the Combined Food Board was asked by the State Department not to allocate any Argentine oils and fats 'unless they were absolutely essential'.[1] As this was the case, the Board explained that it could not comply with the State Department's request; and, indeed, shortly afterwards it promoted a deal whereby exports of linseed were to be resumed in return for an undertaking to supply fuel oil. Agreement

[1] For similar troubles over meat, above, pp. 257-266.

was reached in February 1945; but difficulties arose over the supply of tankers to carry fuel oil from the Caribbean (where Argentine vessels were not allowed to go) to the Plate. In July 1945 linseed was still being used as fuel, and its paper allocation by the Combined Food Board was still contingent on its release for export—a fact that added to the general difficulties at that time of reaching agreement with the Allies and U.N.R.R.A.[1] Oils and Fats Division, moreover, was convinced that, had it been free to buy in Argentina, it would have been able to secure the United Kingdom allocation from that source without difficulty. However that may be, what it actually received from Argentina in 1945 was but 17,000 tons of linseed, and 6,000 of linseed oil. Fortunately the situation in India had improved; some 190,000 tons were bought, of which about two-thirds came to the United Kingdom and the remainder to other 'L.F.C.' countries. In 1946 things were very much worse; the world shortage of linseed presented a major problem in the immediate post-war years.

[1] Below, pp. 488-489.

CHAPTER XXVI

Problems of International Allocation, 1943–45

I

THE soap-rationing scheme of February 1942 was the last major extension of the control of oils and fats, and—until after the war—the last important inroad into their civilian consumption in the United Kingdom. For more than three years the household ration of fats, including butter, achieved complete stability; and only a comparatively minor reduction was imposed, in 1943, on trade users. This evening-out was not accomplished without technical ingenuity and a monetary expense that would not, in peace-time, have been justified; for though the total supplies of oils and fats were in the event rather more than would have been sufficient to maintain consumption levels, they always appeared at the time to be so uncertain as to call for the utmost economy of usage, given those levels. Moreover, one particular sort—whale and other marine oils—had become a wasting asset, to be eked out as long as possible; by early 1942 stocks were down to 200,000 tons, and no-one could say when whaling might be resumed.

Two expedients in particular are noteworthy. Some 70,000 tons of technical palm oil was taken from soapmaking and refined into an edible oil that could be used in margarine; the residues, say two-fifths of the total, were handed back to the soapmakers, and the difference made up to them in hardened linseed oil, which in 1943–44 was still plentiful. Some 25,000 tons of fat for margarine were provided by crushing cocoa-beans from West Africa as an oilseed; but this idea was not liked by the Ministry's Animal Feeding-Stuffs Division because the residues could not be used for cattle-cake, and was anyway brought to an end when the spread of swollen-shoot disease threatened a shortage of cocoa beans for their normal purpose. These devices put an extra load on crushing capacity which led to—or rather, perhaps, exacerbated—the labour shortage in the mills, which, in spite of the employment of Italian prisoners of war, was a constant source of anxiety. They were matched by similar expedients in the field of allocation to trade users: lard and compound fat were substituted for each other as the supply situation dictated, and the fish-friers were forced to take dripping instead of the refined oils that they would have preferred. By such means the drain on whale oil stocks, which in the calendar year 1942 had amounted to 135,000 tons, was reduced to 180,000 tons for the years 1943 and 1944 taken together.

As for stocks of other oils, they rose greatly; the total stock of raw materials and lard, allowing for the run-down in whale oil, amounted at the end of 1944 to nearly 660,000 tons (in terms of crude oil) or half as much again as at the end of 1942. Vegetable-oil stocks, looked at alone, rose over the two years by almost 300,000 tons, and what is most remarkable of all, those of the scarce consistent oils rose by nearly 100,000 tons during 1943 alone, and reached a war-time record at the end of 1944. All this took place under a regime of international allocation that presupposed a world shortage of oils and fats and particularly of consistent oils, in which import programmes were subject to approval at the Combined Food Board, and in a period in which shipping for civilian purposes was chronically scarce. How was it done?

The answer is that, in terms of controlled consumption, there was in these years never actual, but only prospective shortage, whether of supplies overseas or of shipping to take them to the United Kingdom. Estimates of supplies, like import programmes, invariably played for safety; there was a 5 per cent. margin, from mid-1943 onwards, in the sinkings allowance alone. This applied to all commodities to some extent; but Britain's oils and fats position was exceptionally favourable because of her position as residuary legatee to supplies within her sphere of influence and because so much of the imports constituted return cargo for military supplies. Thus they remained unaffected by the most drastic resolutions in favour of shipping economy. In the spring of 1942 the oils and fats import programme—for the eighteen months ended 30th June 1943—had been cut by 120,000 tons, so as to bring stocks down to twelve weeks' cover over that time. In the event, however, they rose during the summer of 1942 to eighteen weeks' cover, and in October the War Cabinet Shipping Committee was actually persuaded to accept fifteen weeks' cover—the level then expected to be reached in June 1943—as a minimum.

This exemplifies another tendency that went hand in hand with the increase in stocks: namely, to insist on a higher and ever higher safety margin against contingencies. In the first year of war, Oils and Fats Division had programmed for no more than ten weeks' cover in each of the major types of oil, and even in August 1941, after a winter of bombing, had professed itself as feeling reasonably safe with eight weeks' stock in hand and eleven in soft oils. There were then, of course, plenty of oilseeds to buy overseas and considerable stocks afloat. The twelve weeks' cover for which the Division secured acceptance in the spring of 1942 represented, therefore, an advance on previous estimates; the attack on its import programme had evoked a compensatory defence mechanism. Eighteen months later, when to fortify itself against American criticism the Ministry undertook the first of a series of full-dress inquiries into 'minimum prudent' stock levels, there emerged a figure of thirteen weeks' stock as a prudent minimum for oilseeds, plus, however, a further four weeks' stock to be held as part of the so-called 'General Food Reserve'[1] against contingencies arising overseas (as distinct from distribution difficulties in the United Kingdom). In addition, six weeks' stock of margarine and ten of lard were considered prudent minima; so that twenty-three weeks' cover was stipulated for margarine, quite apart from any provided by the existence of large stocks of lard.

In February 1944, the first joint Anglo-American inquiry into stock levels (the so-called Llewellin-Reed report) established a minimum prudent level of some twenty weeks' cover in oilseeds and oils, compared with seventeen weeks in October 1943. This figure appears to have been based on no more than the *ipse dixit* of the Oils and Fats Division, for no analysis of the purpose of the stocks, such as had been made in the earlier report, was (it was said) 'available'.[2] Actual stocks, it need hardly be said, were at all times higher than these minima; indeed, on the eve of the invasion of Europe, in May 1944, the surplus *admitted* by the Division to be available for relief, or other contingencies, amounted to no less than 150,000 tons in terms of oil.

Now if ten weeks' cover in the raw materials were sufficient to ensure continuance of processing and distribution in 1940–41—without Lend/Lease lard, without any stock of margarine at all, with no margin of safety either in hardening or refining plant, and with both manufacture and transport liable to dislocation or worse in air raids—then it must have been more than sufficient in 1943 and 1944. Evidently, therefore, the stock levels propounded to the Shipping Committee and the Americans were more obviously prudent than minima. In point of fact, moreover, there was another less evident margin of safety available; stocks of raw materials in the hands of soapmakers. The requirements for soap were, of course, mentioned in the total requirements against which stocks were held, and the Commodity Division only claimed a nominal two weeks' cover for itself in the raw materials for soap. But in contradistinction to other raw materials, which remained the property of the Ministry until processed, those for soap were allocated to soapmakers immediately upon landing, so that it was their stocks, not the Ministry's, that were relevant to an inquiry into minimum stocks. The failure to take them into account was anomalous because nearly all oils and fats are inter-

[1] Vol. I. pp. 274-5. The commodities making up this reserve were not segregated physically from the remainder of United Kingdom stocks.

[2] In general, the new Minister of Food (Colonel Llewellin) was not willing to reveal the details of the earlier inquiry to the American Mission for Economic Affairs, London (MEAL).

changeable at a pinch, so that an excess in soapmakers' stocks might fill a deficiency elsewhere; it became all the more so when the Ministry entered into a commitment to supply 26,000 tons of soap for relief, and the raw materials (20,000 tons, oil equivalent) were not allowed to be debited against soapmakers' stocks, but instead were included in the 150,000 tons reserve already mentioned. As soap in, for instance, 1944 accounted for close on 20 per cent. of the total usage of oils and fats, the omission of soapmakers' stocks from the analysis was substantial.

In contrast with cereals, where the similar inflation of minimum prudent stock levels was taken even further, having regard to the great increase in home production,[1] it is impossible to believe that the Dvision took its own arguments seriously. What purported to be an insurance against a breakdown of distribution was in reality something that could hardly be avowed within the Ministry of Food, and certainly not at the Combined Food Board, namely an attempt to protect the future level of United Kingdom consumption. It drew strength from observation of the proceedings of the Combined Food Board Fats and Oils Committee, and of the weakness of control in the United States.

II

In the spring of 1943 the Americans had introduced a points rationing scheme for oils and fats, and had begun to rebuild stocks that had been dangerously depleted by export demands and unrestricted consumption at home. The autumn 'hog run' promised well for supplies of lard in 1944, and, indeed, there was no more argument at the Combined Food Board about the level of current allocations, whether to Russia, the United Kingdom, or elsewhere. In principle the Board's Fats and Oils Committee was agreed that advantage should be taken of the present glut to build up stocks for relief; in practice it encountered difficulties. The War Food Administration had no legal power to expend funds on a project of this kind; 'set aside' orders might only be made in favour of a specific claimant, such as the United Kingdom; and there was said to be an acute shortage of storage space in the United States. More important perhaps than these technical obstacles was a division of opinion in American food circles on whether the creation of a reserve was necessary, or whether it would not rather increase the embarrassments that some already expected from a post-war glut of oils and fats. Early in 1944 the lard position there began to get out of hand; it was first 'down-pointed' and

[1] Vol. I, pp. 276-280; below, pp. 541-542.

then released from control. Logically, the manufacture of compound fat should have been cut down or suspended altogether, in accordance with the Combined Food Board's recommendation, in the autumn of 1943, that member countries should not raise their consumption without consulting one another; but though the American authorities considered suspension, they did not pursue it in face of trade objections and indeed, released compound fat from the ration also. In consequence the American chairman of the Fats and Oils Committee, who had advised against these relaxations, resigned, and was replaced by one more 'surplus-minded'.

The Oils and Fats Division of the Ministry of Food expected not post-war surplus, but shortage; it had little knowledge of or sympathy with the Americans' control difficulties, political and other, and considered their goings-on evidence of inexcusable laxity. What gave the Division particular offence was United States soap policy. American soapmakers, like Britain, were allocated supplies of raw materials on a datum basis; but their base year was 1941, when consumption was already inflated compared with that in the British 'pre-war' year, 1938–9. The Division was not, however, prepared to press its views to their logical outcome, for a full inquiry at the Combined Food Board taking into account the use of lard for soap in the United States, the demands—which were being wholly met by the United Kingdom—for Relief soap, and the case for a re-allocation of consistent oils to which these two gave rise, must have been accompanied by further inquisitions into the United Kingdom position. Hence at the Fats and Oils Committee in July 1944 the only effective measure taken against future shortage was an allocation of lard to U.N.R.R.A., which was represented there for the first time. Indeed, about the same time London allowed itself to be persuaded by the United States side of the Combined Food Board to ask for an allocation of lard in tierces, which could be used as raw material for margarine and so increase the ration. The project came to nothing because lard in tierces turned out to be no longer available; but it reveals a basic inconsistency in the British attitude which did not bode well for the prospects of those seeking Relief supplies. For one reason or another none of the members of the Combined Food Board was yet prepared to give a lead in reducing consumption further to help the remaining Allies.

This inactivity would in itself suffice to explain why the attempt to keep Belgian and French African resources in oils and fats under Combined Food Board allocation should have met with resistance. Throughout 1943 the Belgians were flatly refusing to renew the long-term agreement whereby surplus Congo produce went to the United Kingdom unless and until they were admitted to the Combined Food Board; supplies, however, continued to move under short-term arrangements. The disposal of groundnuts and palm produce from French West Africa, which had gone over to the Allies at the end of 1942, was the occasion for long and tortuous negotiations which—as the French were likewise not admitted to the Combined Food Board—were scattered at various times between London, Washington, Algiers, and Dakar. These turned, broadly speaking, on the French desire to build up a reserve, covert or overt, with which to relieve the metropolitan country when liberation should come; a desire that was felt to be reasonable by Oils and Fats Division, but which ran contrary to the Combined Food Board's so-called 'principles of allocation'. According to these, all supplies should be put at the disposal of the Board, to be allocated according to its judgement of need; and the earmarking of specific supplies for hypothetical future requirements was anathema.[1] Moreover, Relief needs were to be subordinate to needs for carrying on the war.

The catch about these excellent principles, from the point of view of the 'Paying Allies' in 1943, was that it placed them at the mercy of a body in which they had no share and little faith; as the British representatives in Algiers reported at an early stage of the negotiations, a 'dissertation on the operations of the Combined Boards' could readily be countered by the reply that pooling was all right if you shared in the management.[2] Moreover, inter-Allied arrangements for post-war relief were slow to get under way; U.N.R.R.A. was not constituted until November 1943, let alone assured of any supplies to distribute, and it, too, had been placed in the position of a claimant before the Combined Food Board, not a participant in allocation. The Ministry of Food, and especially its General Department, had been foremost in urging the limitation of the Board's membership, on the ground that its efficiency might be impaired. In the case of French West African supplies, however, the efficiency argument recoiled on the heads of its proponents, for their disposal must have been eased had the French been admitted to the Fats and Oils Committee and the negotiations thereupon fixed in one place—Washington.[3]

As the task of procuring the supplies had been entrusted to the British, in order to keep buying policy in line throughout West Africa as well as because the United Kingdom on shipping grounds was the most likely destination for them, it was Oils and Fats Division that had to endure the frustration devised by those more politically minded. The two crops in question were groundnuts and palm kernels; and the Division wanted not merely to ensure prompt shipment of what could be made available, but to encourage production in 1944. As

[1] Roll, *op. cit.* pp. 157-8.

[2] Cf. the French attitude about meat in 1945 (above pp. 270-271).

[3] The General Department's objection to this was that it would have detracted from the authority of the London Food Council. Vol. I, pp. 239-40, 242, 247, 256-7.

always with oilseeds, there was danger that warehouse accommodation might be choked if supplies were not promptly lifted—a situation which the Division was to turn to its advantage in dealing with Indian groundnuts—and as the French authorities at Dakar were bound to be aware of this, an agreement could no doubt have been readily reached with them by which the British would ship anything that could not be moved to French North Africa. The latter was itself a deficiency area, but its current requirements were small compared with West African supplies and its crushing capacity limited. Higher authority, however, would not hear of direct negotiations with Dakar; and the French Committee of National Liberation at Algiers naturally wanted to do its best for the mother country. It hit on the device of inflating North African requirements, so as to provide a hidden reserve for Metropolitan France when the time came; it cheerfully overstated, in arguments with the British, the capacity of North Africa to crush palm kernels; and early in 1943 it imposed an embargo on West African exports of both groundnuts and palm produce, the most serious aspect of which was not any immediate loss to the United Kingdom, nor yet the 'frustration' of the Combined Food Board, but the threat to future offerings of the crop. After a few months, however, the authorities in Algiers abated the original demands on behalf of North Africa and agreed to co-operate in a campaign to encourage output of oilseeds, on the lines of that being pursued in British West Africa with but mediocre success.[1]

On the future disposal of the West African oilseeds, however, the French continued adamant. So long as it was not required for France, produce from the Cameroons, French Equatorial Africa, and the South Seas possessions (from which it would be difficult to make immediate shipments to France anyway) might continue to flow according to existing arrangements with the British and Americans; from West Africa only that surplus to their own estimated requirements would be released. In particular, they assigned about 45,000 tons of palm kernels to 'reserve'. Palm kernels mattered, by this time, more to Oils and Fats Division than groundnuts, of which it had, after all, got all it needed from India; indeed, it found itself embarrassed by the insistence with which, somewhat earlier, the British at the Combined Food Board had claimed that French West African groundnuts were required for the United Kingdom's immediate needs. (In April 1944, the Division had the record amount of 185,000 tons of groundnut *oil* in stock; eleven months later, over 200,000 tons.) It was, therefore, in the Ministry's interest that shipping should be allowed for the French to move groundnuts to North Africa, if they would thereafter consent to release more palm produce to the United

[1] Above, pp. 468-472.

Kingdom. At this point, however, an obstacle arose in another principle, this time of allied shipping control, that ships could only be allocated to meet current requirements, not for lifting stocks destined for Relief. The French themselves, however, found a welcome way round this one; the whole of the shipments for North Africa was classified as for requirements there, and the local olive oil counted as a reserve for France. This was indeed in accordance with pre-war practice, under which the less expensive groundnut oil had been imported for local use and the more valuable olive oil exported.

The liberation of Paris, the opening of certain French ports for civil supplies, and the need to get raw materials for the Marseilles crushing mills, all meant that the French were more than ever eager to stand on their own feet. Indeed, with the Washington Fats and Oils Committee not in control of the situation and with no allocation for 1945 in prospect, they could hardly be said to have any choice. Towards the end of 1944 they indicated their intention of invoking a break clause, that, in common with the Belgians, they had inserted into all current agreements; so far as was practicable, they intended to reserve the whole of their colonial produce for the home country, at any rate sufficient to bring its consumption level with that of the members of the Combined Food Board. Oils and Fats Division at least felt the French case to be unanswerable, and was prepared, as it had been all along, to take *ad hoc* adjustments on particular oilseeds. But, notwithstanding that the Paying Allies were now, at long last, to be admitted to the Fats and Oils Committee, the British in Washington attempted to make a case for not conceding parity of consumption to France, on the grounds of the 'essential difference between the French and British past contributions' to the war effort. It was suggested that the French, who had heard so much of principles in the past, might now be invited to concentrate on the practical aspects of supply rather than their theoretical rights; but with the Allies on the Committee, and the crisis about to break, no more was heard of this argument.

The ingenuity with which the 'principles of combined allocation' had been used, by what the Director of Oils and Fats once called 'the long-haired brigade' in the Ministry of Food, to evade the Paying Allies' claim for equal treatment had never in fact been justified by any urgent need in the United Kingdom. Not only, once its difficulties with India had been overcome, did Oils and Fats Division have a plethora of groundnuts, but its stocks of consistent oils (including palm oil) steadily rose throughout 1944 and would have done so even had it had no French West African shipments at all.[1] The case for these shipments rested purely and simply on the need to maintain

[1] Above, p. 479.

production, for in view of the Ministry's stock policy, in which a wealth of arguments was being used to show that the bulk of the oilseeds and oils it held were needed to prevent a breakdown of distribution, it could scarcely be claimed that they were a reserve for Relief. In fact, though few outside the realist Oils and Fats Division would have been willing to admit it, the shipments from French West Africa to the United Kingdom were every bit as much a breach of the principle that shipping must be used for current needs alone as those to North Africa for subsequent use in Metropolitan France would have been. It happened that, in the current dispositions of shipping, West African oilseeds could always be sure of a 'free ride' to United Kingdom ports. This being so, it might have been preferable—would have been, looking at oilseeds in isolation—to have dealt with the problem on grounds of simple expediency, instead of invoking principles that, as they were used, served to promote friction and delay.

III

The admission of France and Belgium to the Fats and Oils Committee was accompanied by a new Memorandum of Understanding under which these countries took over from the British the responsibility for purchase in their own colonial territories. The principle of co-ordinated buying was thus preserved; but it cannot be said that the French and Belgians now shared in the management of a common pool of supplies. On the contrary, the Combined Food Board had bowed to necessity by allocating to Relief what these Allies thought necessary to keep for their own use. As for the United Kingdom, its stocks were available for Relief only to the extent that they could not be represented as essential for the maintenance of controlled distribution, and the requirements for this purpose had been, and still were, rising. In the United States, the opportunity to build up stocks for Relief had not been taken when the supplies were there, and the Presidential Election of 1944 had successfully militated against any restrictions in consumption. With the Election out of the way, the American Administration could, as in early 1941, emerge from its paralysis and begin taking decisions, but in a supply situation that was rapidly deteriorating.

The fundamental problems facing the Fats and Oils Committee, like the other Combined Food Board Committees, were first the extent of the liberated countries' requirements, and secondly, who should go short to meet them. It was well-nigh impossible to determine in advance what the situation upon liberation would be; much would depend on the state of indigenous supplies, the extent to which there had been destruction of communications and processing plant, to say nothing of the standard of consumption aimed at. In the case of the Paying Allies, it had been reluctantly agreed that four-fifths of the pre-war consumption figure, or proportionate parity with the British and Americans, would be appropriate; the occupied countries would presumably have to make do with much less. In the late summer of 1944 the Oils and Fats Division of the Ministry of Food drew up its own rough balance sheet for 1945. On a variety of assumptions, some of which it thought might be sanguine, it reached the conclusion that the deficit might be as much as one million tons in terms of oil, only half of which might be found from stocks in the United Kingdom and the United States. It was the Division's view that the gap should be bridged by reductions in American usage, particularly of soap; and so far from contemplating any corresponding cut in British rations, it was budgeting for a slight increase so soon as the war in Europe should be over—to which the Americans, still thinking in terms of a post-war glut, made no demur.[1]

As the end of 1944 approached, however, this position became impossible to sustain. The British Food Mission, which was, of course, responsible for putting forward the United Kingdom case at the Combined Food Board, pointed out that the 'programme' level of oils and fats consumption in the United States in 1945 would actually be below the British and that it would be unreasonable to expect the Americans to bear the whole of the emerging supply deficit, now revealed by the presentation of other Allied demands. Either, said the Mission, European programmes must be regarded as residual, which was politically impracticable; or all programmes must be cut in proportion. To this Oils and Fats Division was content to reply, truly enough, that United Kingdom rations could not be reduced except by the War Cabinet (though this did not apply to allocations to trade users, some of which it had been proposed to increase). The Mission replied that it was no use dwelling on the Americans' past errors, now in process of being retrieved—by the 're-pointing' of lard and cooking oils in January 1945:

> 'If we stand pat and refuse any abatement of our demands we might get away with it as far as the Americans are concerned, but we should do it . . . at the expense of the liberated areas'.

To reduce United Kingdom requirements to a genuine minimum would, London was told, increase the chances of a cut in United States consumption and prove 'more fruitful than the continued exposure of our own excellence and U.S.A./Canadian shortcomings'. In response to this appeal the Ministry consented to forgo the proposed

[1] The Minister endorsed this policy, but it was not regarded as realistic by the officials responsible for import plans.

increase in consumption; but it declined to run down stocks by more than 225,000 tons (crude oil equivalent) over the year; for they—it added with a burst of candour—constituted the chief defence for 1946.[1] Any concessions by the United Kingdom must, however, be matched by sacrifices elsewhere. As British stocks had in part at least been built up from Allied resources, the concessions were not very impressive; but they enabled negotiations to proceed for the time being.

By dint of confining itself to the first six months of 1945, adopting supply estimates that Oils and Fats Division at least thought sanguine, and by scaling down or omitting altogether certain possible claims, such as those of the enemy population behind the British lines and U.N.R.R.A. demands for South-Eastern Europe, the Washington Committee now achieved a balance which was embodied in C.F.B. Recommendation No. 170. The United Kingdom allocation was set at 447,000 tons (crude oil), including some lard from Argentina that might or might not materialise. Oils and Fats Division, regarding the Recommendation with complete scepticism, began to look at its commitments to supply processed fats to Europe and elsewhere and to ask guarantees of replacement. The British Food Mission, still doubtful about the solidity of the British stock figures, now fastened upon soapmakers' stocks, which it observed had been omitted from the calculations, and advised the Division to 'come clean' about them; to which the Division only replied with a further attack on American consumption of soap in particular, which was almost becoming an obsession with it. As the lard situation in the United States continued to deteriorate, and it became by no means impossible that Congress would put its own people first and veto procurement for the United Kingdom, the Division began to talk of depriving the Americans of the *quid pro quo* for lard—eastern hemisphere consistent oils and technical palm oil. The Belgians, who supplied the latter from the Congo for the American steel industry, might have had something to say about this proposal; but in any case, though the Division might view the repudiation of a Combined Food Board allocation with equanimity, the Ministry of Food as a whole could not. With Recommendation 170 outmoded by the facts, and the deadlock that resulted only one of several, the problem passed out of the commodity experts' hands into those of Ministers—an event which the former always viewed with dread, lest it lead to some fatal 'political' concession.

In briefing Colonel Llewellin for the tripartite talks in Washington during April and May 1945[2] the Division therefore fell back on the old

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[1] In the joint inquiry into British stocks undertaken with M.E.A.L. in January 1945, the Ministry succeeded in justifying this limited stock reduction by reference to current difficulties and threats to ordered distribution so long as the European war continued.

[2] Vol. I, pp. 251-254.

argument that to give away too much in stocks would endanger distribution. It was now willing to sacrifice 250,000 tons—25,000 more than previously—during the calendar year 1945, but this would reduce its cover to fifteen weeks' supply, 'the point at which distribution difficulties would begin to arise'. Leaving aside the fact that this point had been set at twelve weeks' cover in the spring of 1942, when the difficulties of distribution were manifestly greater,[1] the figures adduced did not support the argument that it would be reached at the end of 1945; there would be, in fact, three weeks' extra, or 100,000 tons, in hand, quite apart from anything in the hands of soapmakers.[2] The position was therefore indefensible from the start, and though the envoys in Washington attempted to argue that fifteen weeks' was only an *absolute* minimum, they were well aware that it could not be held. As the Minister himself put it, the stocks, accumulated by 'austerity and self-denial' and now 'the cynosure of greedy American eyes', were the 'only line of defence against an obviously worse position in 1946'; an admission that at least made it possible to use them as a bargaining counter in return for American concessions. In effect, the extra 100,000 tons was given up—though by mid-1946—in return for a comparable stock reduction by the United States and, most important, the acceptance of the principle of parity in consumption.[3] As the gap could not altogether be bridged by running down stocks, the acceptance of this principle entailed the reduction of consumption in the United Kingdom by a further 50,000 tons in 1945.

The task of preparing a balance sheet in accordance with the Tripartite Agreement was handed over to the Fats and Oils Committee, where there was now some complaint from the Paying Allies and from U.N.R.R.A. The latter complained that its allocation was too small and drawn in part from unreliable sources of supply; the Belgians and the French objected to a British request that they refund loans of oils and fats made to them by the British and complained that they had received little or none of their allocation except from their own colonies; the Belgian delegate even declared that his acceptance of the oils and fats allocation was contingent upon satisfactory allocations of other foods—a declaration that struck at the very foundations of the Combined Food Board, which, if only for practical reasons, had always dealt with each major food separately on its merits. These difficulties were ironed out in subsequent meetings by a combination of conciliation and firmness; in particular, the

[1] Above, p.479.

[2] The estimated year-end stock figure was 420,000 tons, as against a requirement of 23,000 tons a week. The latter, however, included usage for soap, at about 4,000 tons a week, while the former, being Ministry-owned stocks only, excluded those of soapmakers. If like is compared with like the consumption figure becomes 19,000 tons and the end-1945 cover, about 22 weeks. The Americans do not seem to have spotted this.

[3] Roll, *op. cit.* pp. 204-5.

Allies were reminded that nothing would be shipped against allocations until they were fully and generally accepted. In August agreement was finally reached for the period July 1945—June 1946.[1]

In the course of these negotiations the Ministry of Food had had to accept a further slight reduction in its total allocation, and also a switch of 40,000 tons from lard to other oils, entailing processing difficulties. In fact, the Ministry was to get in 1945 only half the lard it got in 1944. The first casualties of the Tripartite Agreement were, in fact, the cooking fats ration, which was halved, and trade users of fats, whose allocation was cut by one-tenth. The savings from these two measures were reckoned at 90,000 tons a year, considerably more than the 54,000 tons to which the Minister had agreed; but Oils and Fats Division had never supposed that this would be enough. The United States had at the same time taken steps to reduce both edible fat and soap consumption, but the Division had been reluctant to propose a cut in soap, partly because of its unpopularity, partly because the rationing scheme was not in a fit state to stand it. It was, in fact, already in a chaotic state; and when the Minister decided that, nevertheless, the ration must be reduced by one-eighth he was bequeathing to his successor the task of introducing a major reform in its administration[2]—worth while in itself, though perhaps not for the sake of 16,000 tons of fats a year. By any normal criterion, the Division's stock position at the end of 1945 would still be extremely strong.

The prospect for supplies in 1946, however, was one of gloom, relieved only by the prospect of a resumption, on a limited scale, of whaling. The British had lost all but one of their eleven factory ships, the Norwegians five out of thirteen; many smaller vessels had been lost or turned over to other uses; but with the aid of two German factory ships taken over by the British, nine expeditions were fitted out in 1945–6 and from their rather disappointing results the United Kingdom obtained 60,000 tons of oil. (By early 1946 stocks of marine oils had fallen to 16,000 tons, compared with 450,000 tons at one time in 1940.) Results from future years, however, could be expected to be better; the total yield in 1946–7 was to be two-and-a-half times that in 1945–6. No such rapid recovery was to be expected in other sources of supply, nor in butter output; indeed, it became an article of faith with Unilever that butter would never again be a major item in human food—a fact that may account for its proposal, a little later on, that led to the East African groundnuts scheme. Groundnuts were, indeed, expected to remain scarce, for India might be expected to take the greater part of its output for its own underfed and increasing population, and Nigeria could not possibly make good the deficit

[1] Roll, *op. cit.* pp. 253-264.

[2] Below, pp. 502-503.

even were exports not hindered by the sorry state of its railways. The supply of liquid oils, which had been the easiest of the Ministry's problems during the war, was now to be the most difficult; even with a cooking fat ration of one ounce, palm kernel oil had to be used to make good the deficiency in liquid oils at one time in 1946. Lard was to be cut off by the dollar shortage; edible palm oil from the Congo scarce; Argentine linseed far below the paper allocation. Supplies from the countries that had been under Japanese occupation were an unknown quantity. There was, in short, no prospect of any immediate lifting of war-time control; it was not until February 1948 that the total fats ration crept back to its war-time level of 8 ounces per head per week, and then only by reason of improved butter supplies.

CHAPTER XXVII

The Control of Soap

I

At the outset of oils and fats control, its responsibility for soap was confined to the provision of raw materials; distribution, in common with other civilian goods than food, was the business of the Board of Trade, and the Prices of Goods Act, 1939, applied to soap. When, at the end of 1940, the food import programme had to be severely curtailed, Oils and Fats Division naturally wanted to apply to soapmakers the same order of restriction—twenty per cent.—that had already been applied to other trade users. The Soapmakers' Federation—whose then Chairman was a Unilever man, Mr. H. H. Bagnall—felt very strongly that a cut of this magnitude must entail a rationing scheme, and was ready to co-operate; in consultation with the Ministry it had, by February 1941, drawn up such a scheme, which was thereupon put to the Board of Trade. But the Board of Trade, which had no local offices and no experience as yet of rationing, jibbed at making its first effort with soap and suggested instead that it be 'diluted' or 'filled', that is to say, adulterated with non-detergent matter. For technical reasons, however, this would not have sufficed to make the full economies desired, and though these might have been achieved on paper by banning exports in addition, Oils and Fats Division felt that it was better to restrict consumption at once, rather than resort to expedients which, after all, might not turn out to be sufficient. Accordingly, in mid-March, the Ministry offered to run the scheme itself, and though the Board of Trade continued to point out the difficulties—of which the main were the wide variations in individual requirements and the influence of water hardness on usage—its principal objection had been overcome. Another obstacle, the Ministry of Supply's need for the by-product glycerine, had been removed now that it was assured of supplies on Lend/Lease.

Accordingly the scheme was submitted to the Lord President's Committee, then considering various proposals for the extension of rationing at the instance of the Cabinet Office economists.[1] But although the Committee was shortly to be prodding Lord Woolton to get on with further rationing schemes, it was less than enthusiastic about this one and at first would do no more than agree that pre-

[1] Vol. I, pp. 194-198.

parations might go ahead. One stumbling-block appears to have been the proposal to base entitlement on 'units of detergency' (i.e. of fat content) and to classify the various types of soap accordingly; the phrase was regarded as 'formidable' and the Minister himself thought it might 'kill the scheme'. After further discussion it was abandoned in favour of a ration by weight, varying according to the fatty acid content—really a concealed version of the former scheme, but one that entailed the standardisation of packs.[1] Hence there was bound to be delay while new cartons were prepared—instead of printing units of detergency on the old ones—and a firm decision to ration was essential, as soapmakers could not be expected to make all these changes to no purpose. Towards the end of June, therefore, the Prime Minister's approval was secured.

Thereafter Ministry and trade went forward steadily with their plans; the coming of Lease/Lend lard had eased the oils and fats situation, and there appeared to be no urgency about imposing a scheme that was expected to be unpopular. The attack on Pearl Harbour, however, transformed the situation by threatening a shortage of palm oil, of which soap was the principal user, and consistent oils, of which it also made substantial use. Shortly afterwards the Lord President's Committee authorised the rationing of soap as early as possible. The need to fit in with local Food Office work meant that the earliest date had to be Sunday, 9th February 1942. As with other hoardable commodities, such as tea, the intention had to be kept secret; within the Ministry discussion had been limited to a handful of senior officials and attempts made to use the code word 'nutmegs' to disguise the object of the new scheme.[2] But shops in the Colwyn Bay area were sold out on the previous day, thanks, it was thought, to the premature circulation of documents by a subordinate official without any indication that they were secret. Leakages elsewhere were, it was thought, due to the dispatch of documents to local food offices in packages marked 'Not to be opened before 8th February'; the torn condition of some of these consignments suggested that the inscription had roused curiosity about the Ministry's intentions. As soap rationing had been on the cards for over a year, it would have been surprising if some people had not put two and two together, particularly when a 'Kitchen Front' broadcast on the Saturday

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[1] One weekly ration would buy 4 oz. hard soap (4 units of detergency in the former scheme)=3 oz. toilet soap=3 oz. Flakes=6 oz. No. 1 powder=6 oz. soft soap=12 oz. No. 2 powder. Abrasive soaps, shaving soap, and shampoos were to be free of ration, as the work involved would have been out of all proportion to the saving of fat.

[2] By the same token, sweets had passed as 'carrots' and tobacco as 'cabbages'; but it was difficult to carry on technical discussions without giving the game away. A reference to 'the conflict between edible purposes and washing', for instance, provided a clue to the subject of one otherwise discreet teleprinter message.

In the Commodity Division itself only four people had been aware of the intention to ration soap, and there was no evidence of disclosure by the Soapmakers' Federation.

morning had warned them to look out for an announcement next day.

Although soap was the subject of a special Rationing Order[1], under which the retailer was obliged to cancel a space on the back of the ration book for each sale, the essential administrative machinery for rationing soap was completely lacking, namely a link between a retailer's sales and his supplies; in this the soap scheme was on a par with that for bread, later on. In the nature of the case a tie to a single retailer, though canvassed before the war, was hardly practicable because of the disturbance to existing trade channels—particularly pharmacists—it would have entailed; it might have been possible along with 'National Soap', but the Division did not want to introduce this and it would not have been likely to get past the Prime Minister. Cutting-out of coupons would have been practicable, but the Ministry had been moving away from this throughout the period when soap rationing was being framed and had only reluctantly reverted to it for points rationing; in any case, the machinery could not have been got ready, in addition to Rationing Division's other preoccupations, in the early part of 1942. For that matter, Oils and Fats Division did not want a rigorous rationing scheme; all it wanted was to secure a twenty per cent. reduction in soapmakers' deliveries over all, and it was quite willing to connive at evasion—though this is not how it would have put it—by allowing the soapmakers to distribute, as a rule, a uniform 80 per cent. ratio of deliveries during the six months before rationing started. This meant that soft-water areas, where consumption was low, got less than the rationed quantity, and hard-water areas more; so that if customers in the latter were restricted to their strict allowances, there should have been an accumulation of soap in the shops. Naturally, this did not happen; but so long as the required economy of usage was secured, it was arguably better to turn a blind eye to irregularity and take credit for the saving in manpower, time, and red tape compared with a real rationing scheme. The weakness, as with bread, was that no further economy could be secured without complete recasting of the mechanism.

Complaints at the outset of soap rationing were less than the Ministry had expected, and most of them soon died down. Some concessions were made, notably a double ration for infants under one year, but—in conformity with the Ministry's general policy—most of these were made outside the domestic ration and through the employers of 'dirty workers'.[2] Industrial users in general were to receive

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[1] S.R. & O. (1942) No. 211.

[2] Liquid soap, which is mainly used in wash-rooms at works and offices, had originally been unrationed. Once hard soap was rationed it became impossible for managements to provide it on account of pilfering; so in order to conserve supplies of liquid soap for this essential purpose it, too, had to be included in the ration (by S.R. & O. (1942) No. 1221).

100 per cent of their previous requirements; but the application of this principle to institutions, hospitals, hotels, and offices did not prove wholly feasible, and a more complicated system had to be devised, which allowed—for instance—women residents in hotels to get a few soap flakes for washing stockings and other 'smalls'. From May 1942 allowances to institutions were based on the domestic ration *times* the number of their residents, and they might take part of their allowance in loose coupons to be issued to the latter, like those given to home-based members of the Forces. In soft-water districts this may have meant increasing the entitlement of some institutions; but the gain in equity was clear.

II

The rationing of soap did not of itself give the Ministry of Food any control over prices, though it had used its influence with soapmakers on more than one occasion when the cost of raw materials had had to be put up. In August 1942, however, with a fresh rise of prices in the offing, the Ministry agreed with the Board of Trade and the Treasury (which was interested in soap as an item in the Cost of Living Index) to take over responsibility for price control. Thereupon it began to apply to soap, for the first time, the kind of investigation into profit margins customary with foodstuffs; and at once the question of advertising costs arose. As branded soaps were to continue, it seemed logical to the firms concerned that the cost of promoting them should be allowed as a charge against the margin; and though the Ministry had earlier attempted, in another industry, to enforce the opposite view, it had had to content itself by a compromise in which the recognition of advertising costs had been more or less concealed. Since then, however, there had been issued a standing order to the Ministry's Margins Committee to exclude advertising costs from its calculations; and Finance Department, backed by the Treasury, was anxious to impose the rule on the soapmakers. It was known, of course, that they would object; and Oils and Fats Division, as might be expected from its attitude towards Unilever's rightful share in the profits of MARCOM,[1] thought the principle over-rigorous and anyway wanted to avoid a minute investigation into each and every firm's costs. There was in any case no question of allowing increased expenditure over pre-war because, owing to paper restrictions, the opportunity for advertising had much declined; but as the soapmakers' output was controlled in total and in detail by the

[1] Above, pp. 448-449.

Ministry, advertising could not promote sales and might, by encouraging demand for one brand rather than another, tend to upset distribution. The Minister himself agreed that any allowance for advertisement was justified only to the extent that it secured adequate distribution of controlled goods, and this could not be claimed in the case of soap.

A head-on collision with the soapmakers was, however, avoided by refraining from invoking a consistent principle. All toilet soaps were allowed a flat rate increase on current prices that, of course, included considerable advertising costs incurred on luxury lines; the same was done for flakes, so long as they were sold in branded packets, though these were scheduled for disappearance on grounds of paper economy; and even for certain 'premium lines' of hard soap. Generally speaking, however, the bread-and-butter lines of hard soap and soap powders had advertising costs disallowed, though the soapmakers explicitly declined to accept the principle, while accepting the prices. The 'standard' price for ordinary toilet soap, however, was not settled until July 1943 after a long argument with the Soap Makers' Association, representing the smaller firms in the trade who had barely covered their costs before the war and who wanted a price of 3¼d. per 3 oz. tablet, as compared with 2½d. proposed by Oils and Fats Division. Eventually a compromise price of 3d. was fixed, which had the incidental advantage of fitting in with the pricing habits of retail pharmacists. No sooner were these negotiations complete than a fresh agreement was called for by the need to raise crude oil prices to soapmakers to cover the increased cost of imports—and that of supplying hardened linseed oil in place of the technical palm oil now being refined for use in margarine. Moreover, further investigations of costs had shown that some prices in the previous schedule had been fixed too high, in particular that of soap flakes when sold in bulk.[1] The price of flakes was therefore not raised on this occasion even though, in order to keep up the Cost of Living Index, the Division was constrained to raise hard soap prices by 1d. a pound—twice the amount it had originally intended. In consequence, the price of crude oil to the soapmakers had also to be raised so that it was approximately the price of refined edible oils; and that of toilet soap, which did not count in the Index, by ½d. a 3-ounce tablet. The rounding-off process by which the last rise was reached brought some incidental profits to the manufacturers, who can scarcely have realised the occasion for such generosity—namely, the arithmetic of new-potato prices. These changes came into force in mid-August 1943, and with them, the

[1] The average figure on which it had been based had been enhanced by the inclusion of Unilever's premium brand, for which (edible) palm kernel oil and groundnut oil were still being allocated in accordance with the Division's principle of allowing firms to maintain their peace-time formulae as long as possible. With the abolition of packeted soap flakes the brand went into cold storage for the duration.

influence of pre-war advertising costs on prices was limited to toilet soap and a few 'premium' hard soaps. Only for hard soap and bulk flakes were prices specified by Order;[1] the retail prices of powder and toilet soaps were specified on the individual maker's licence and had to be shown on his invoices. Early in 1944 a further Order[2] made it illegal for the retailer to sell soap powders at a price exceeding that printed on the packet and at the same time forbade the imposition of conditions on the sale of soap. The Prices of Goods Act continued to apply to toilet soap, in the absence of 'overt evidence'—as the Board of Trade put it—of any other form of price control.

III

Hand-in-hand with the restriction of soap output went proposals for concentration of the industry. In contrast with fat-melting, where the disorganisation of the trade prompted Oils and Fats Division to take the initiative in drawing up schemes,[3] the Soapmakers' Federation had been asked to put forward proposals. With rationing about to begin, the Federation received a reminder in terms no other part of the Ministry would have used; if it failed to report progress it might be faced with a scheme prepared 'by some Government Department'. In point of fact the Soapmakers' Federation, the Oils and Fats Division, and the Unilever combine, all harboured divergent opinions on the possibilities of concentration. There were those who thought that the abolition of brands and the pooling of soap on the lines of margarine would produce significant economies, particularly in transport, though at the expense of 'goodwill'; there were others who thought that something less ambitious would entail less 'complexity and inequality of sacrifice'. The advocates of 'thorough' were, as might be expected, in a minority in the trade; but even had they prevailed in the Division, it is by no means certain that proposals for a National Soap would have appealed to Ministers.[4] The scheme that found favour with the majority among the soapmakers was based on the retention of brands (though there was some talk, which eventually came to nothing, of their restriction to two for each firm). Factories would be classified, as in the typical Board of Trade scheme, into nucleus and non-nucleus categories; the former would manu-

[1] S.R. & O. (1942) No. 2537, amended by S.R. & O. (1943) Nos. 318, 1245.

[2] S.R. & O. (1944) No. 177.

[3] Above, pp. 461-462; and Appendix D, pp. 737-740.

[4] 'Pool' margarine had of course been long accepted; but branded margarine was not one must suppose, the object of personal attachment on the part of consumers in a way that soap can be.

facture the latter's quota of soap in accordance with a tariff laid down by the Federation and approved by the Ministry, but on the basis of individual contracts between firms.[1] No provision was made in the scheme for the enforcement of its terms on those designated as non-nucleus, save, of course, that the Division controlled the allocation of raw materials.

Though the soapmakers' concentration scheme thus appeared to conform to the classic model laid down in the White Paper of March 1941,[2] the appearance was illusory by reason of the structure of the industry. Ninety per cent. of output was produced by four large firms, and seventy-five per cent. in a belt running from Liverpool to Hull; their production was highly mechanised and often closely integrated with other forms of oil-processing. Scope for the exchange of production, even between different factories owned by the same firm, was therefore limited; nevertheless, three of the large firms had in fact made internal arrangements whereby certain brands, instead of being made in a single factory and sent all over the country, were distributed over several factories, so reducing the amount of cross-haulage. Short of a drastic reduction in the number of brands, or 'national' soap, this process of rationalisation had, by mid-1942, been taken so far as it could go. The remaining ten per cent. of output was produced by some two hundred small manufacturers with a small and largely unskilled labour force, using locally-produced supplies of technical fat, selling their output likewise locally, and making few demands on transport, together with three hundred others who were not primarily soapmakers at all, but made soap along with things like medical supplies or insecticides. To all intents and purposes, concentration could be applied only to these last two groups; but the Division saw no point in closing the local soapmakers in order to increase the demand for operatives by the big firms all of which were in difficult labour areas. As for the 'mixed' firms, it would express no opinion beyond that their output was not essential.

Having established, by the autumn of 1942, that some fifty factories (later reduced to forty-six) could undertake the whole production it required, the Division was prepared to let the Board of Trade and the Ministry of Labour make the running so far as the remainder were concerned. Neither of these Departments, as yet, was in possession of all the information needed to come to a decision, so that although a handful of firms, some twenty in all, were picked out for closure before March 1943, this was done solely on the basis of some urgent local need; perhaps 50 workers had been released by then. By this time factories had

[1] The Federation had suggested that each closed firm should place a contract with a single supplier; but this was modified when the Division pointed out that it might be in conflict with transport economy.

[2] Cmd. 6258; Vol. I, pp. 322-324.

been sorted out by Departments into the three groups—nucleus, non-nucleus mainly soap, and non-nucleus mainly other trades—and an orderly procedure agreed upon; but the list of nucleus firms had not yet been given to the trade. By this time the political tide was beginning to set in against concentration; the Carltona case, the Board of Trade's troubles with the Luton hat industry, and discontent over transport economy schemes from which concentration was not always clearly distinguished, all persuaded higher authority to walk warily. The Minister insisted that his prior approval must be sought for any further schemes,[1] and it seems to have been only because the soap scheme was virtually complete that he allowed it to proceed. At any rate, when the Toro Soap Company of Castle Bromwich followed the example of Carltona Limited and put up a determined fight against closure,[2] Lord Woolton decided that its licence should not be withdrawn and persuaded Mr. Bevin to agree. This virtually killed the scheme, though it was left to the relief soap programme, in 1944, to give it the *coup de grace*. It had never been expected to yield more than about 750 workers, but the yield from the twenty-odd firms that were actually closed was no more than 350.

A field in which there might have been more scope for economy in manpower is disclosed by an incident in the North-Western Food Division early in 1944. The manpower authorities, in the course of issuing 'Letters of Protection' to the agreed labour force of nucleus firms there, had remarked on the high ratio of clerical staff to operatives employed by the 'capitalist' soap firms, as compared with the Co-operative Wholesale Society. On the face of it the figures were startling; of two factories employing round about 400 operatives, the C.W.S. had 72 clerical workers and its competitor 400. Oils and Fats Division explained that the latter, in common with firms similarly placed, 'needed a comparatively large selling staff for the nation-wide distribution and sale of their products', which the C.W.S., selling only to associated societies, did not. Though true enough, this reasoning begged a good many questions in war-time, when the activities of rival commercial travellers appeared as incongruous as the 'implacable competition' of the two leading tea firms which defeated all attempts at transport rationalisation.[3] As with tea, one obstacle to ending this competition lay in the direct flow of sales from manufacturer or packer to retailer; the remedy was also the same, a 'national' product: in each case, moreover, the administration of rationing would have been greatly simplified. Whereas the Minister had himself vetoed National Tea, despite repeated pleadings from the Commodity Division, the case for National Soap was never put before him. The

[1] Cf. the rationalisation scheme for bread deliveries (below, p. 676).
[2] Vol. I, pp. 329-330.
[3] Vol. II, p. 740.

difference, for all that the result in practice might have been the same, measures the extent to which the predilections of individual trade directors might influence Ministry policy.[1]

IV

The rationing of soap gave an immediate impetus to the marketing of substitutes, ranging from washing soda in attractive packages at fancy prices, through materials suitable for coarse clothing or dish-washing, up to meritorious detergents capable of washing the finest fabrics without harm. By the autumn of 1942 Oils and Fats Division had concluded that some degree of regulation should be applied to these products, in the interests both of the consumer—whose clothes, after all, were strictly rationed—and of the best use of ingredients and scarce packing materials. Substitutes indeed made greater demands on the latter than soap itself, for they were all liquids, pastes, or powders, requiring bottles, tins, or packets. There was something to be said, therefore, for restricting the free sale of substitutes to industrial users who could be relied upon to sift the good ones from the bad and would, moreover, buy in bulk. This could have been done, in theory, by putting the substitutes on ration. In practice to do so would have been difficult: partly because it might have reduced the output of glycerine—unless the ration were simultaneously raised; partly because the soapmakers, who virtually ran the rationing scheme, would not have wanted to collaborate with their rivals the makers of substitutes; partly—though this does not seem to have been considered at the time—because only substitutes warranted by the Ministry could have been admitted to the rationing scheme.

As an alternative the Division considered control of substitute manufacture by licence, as was being attempted at the same time under the Food Substitutes Order;[2] with the intention of keeping the permitted products down to a minimum. This was found to be impracticable because most of the substances, washing soda for instance, had legitimate uses with which there was no case for interfering. Next it was proposed to control the packing of substitutes for retail sale, through direct allocation of the packing materials; but it so happened that a quarterly allocation had just taken place, so that control could not be immediate, and that some of the smaller firms did not get their packing materials direct, but through specialist firms who were free to re-sell their own allocations as they thought fit. The Division there-

[1] One point against National Soap would have been that its existence might have hindered the post-war export drive.

[2] S.R. & O. (1941) No. 1606; Vol. I, pp. 310-311.

fore reverted to the notion of control by Order and individual licence, though with the knowledge that a considerable number of products would have to be permitted. An Order was accordingly prepared and issued in April 1943,[1] to come into force in May. It laid down that no-one should label a soap substitute as such for retail sale except in accordance with a licence issued by the Ministry, for specified purposes and at a prescribed price. There was nothing to stop a detergent substance—washing soda, for instance—being sold under its 'ordinary name or description'.

Logically, the criterion for licensing should have been merit alone; in practice, the Division sought to adopt a more convenient one, namely sale in the period before soap rationing: the argument being that any substitute that had been able to establish itself in fair fight against soap was *ipso facto* worthy to continue. But the corollary, that *all* the new products were unworthy, was more likely to appeal to a soapmaker than to his competitors and—the more so in view of the antecedents of the Division—was obviously vulnerable to attack. The makers of substitutes had, of course, known what was coming and the issue of the Order was followed by questions in the House of Commons. To say that these were the result of 'agitation . . . worked up by interested parties' was no doubt true but beside the point; interested parties have their rights like anyone else, and higher authority in the Ministry, its attention thus directed to the problem, took the line that the general public, as well as the trade, was entitled to have access to a good substitute even if it had not been on the market previously. In the end it was decided that all firms labelling products at the time the Order was made should be allowed to go on doing so, but that those considered 'worthy' would be permitted an output based on the average of twelve months (or, at the maker's option, six months) preceding 30th April 1943; the 'unworthy' substitutes, mainly mixtures of common alkalies, would be restricted to their output, if any, during the six months ended 31st December 1941. It is likely that this gave the newcomers more than they might have got if the Division's original proposals had not given a pretext for agitation.

Until December 1943, all licences under the Order were provisional, for a great amount of work had now to be done in investigating individual substances, with help from the Research Association of British Launderers and the Board of Trade. At the same time, with the aid of costings investigations, the Ministry was hard at work determining the permitted prices. Apart from the products that were mainly washing soda, and which were now obliged—at the suggestion of the Board of Trade—to admit that they were 'unsuitable for woollens and delicate fabrics'—two categories of substitute were

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[1] S.R. & O. (1942) No. 638.

admitted, dependent on the proportion of 'active detergent matter' they contained.[1] The first of these qualified for any purpose for which soap could be used; the second, for household cleaning and washing of cottons. Later a third, lower, category suitable for dish-washing and such purposes only was admitted. This was after the war, when the need to reduce the soap ration revealed the full value of the arduous work that had been put in to make the trade in substitutes reputable. It had always been recognised that the restrictions on their output would be one of the first to go after an armistice; and in June 1945 the manufacturers of licensed substitutes were told that henceforth they might make and sell as much as they pleased. Those that had been previously refused licences for want of datum performance were invited to renew their applications. The raw material supply was already easier; even so, the relaxation of these restrictions could not, of itself, solve the problem presented by the cut in the soap ration. For that came at a time when the soap distribution scheme was already breaking down.

V

When a rationing regulation has behind it no linkage between the amount a customer can buy and the amount his supplier can obtain, it is only a matter of time before compliance with the law becomes voluntary. So it was to be with bread; and so it was proving, as the year 1944 went on, with soap. Malpractice, either by collusion between customer and retailer, or by the erasure of cancellation marks on the soap 'spaces', was easy; it was encouraged by the stringency of transport, for the soapmakers had taken to making rare but very large motor-van deliveries, often of several months' supplies at a time, so that shopkeepers' shelves were laden with soap. In mid-1944 the flying bomb attacks on South-East England caused large movements of population that resulted in local shortages of soap; these remedied, the attacks ended and the process was repeated in reverse. Lastly, to the Allied Forces advancing in Europe, soap was a convenient form of currency, and an abnormal number of Services coupons were soon to be presented in the shops.

A scheme combining inflexible allocation and virtually unlimited demand was in no position to cope even with the moderate ration cut

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[1] The principal ingredient available during this time was 'Teepol', a petroleum derivative marketed by the Shell Company; about 8,000 tons a year at first, equivalent to 2,000 tons of active material or about 3,000 tons of soap. Hence had all the substitutes at first put on sale been useful, their quantity must have been negligible compared with the amount of soap still available.

Many of the post-war detergents have a different base, sometimes akin to soap.

(of one-eighth, except for children under five) that was proposed for June 1945. The Division recognised that at the very least the cutting-out of coupons would be required; even so, it would probably be necessary to re-stock the shops if the coupons were to be honoured. But Food Offices could not be expected to cope with soap coupons until the new ration books, for use from July onwards, were issued; in any case the Minister (Colonel Llewellin) had set his face against coupon-cutting for soap and was unmoved by arguments that control would not work without it. There was no option but to reduce the ration without reforming the scheme, and this was done at the end of June; the shops could not be re-stocked, because this would have encouraged the illegal sales against which the public and the trade were now warned. No improvement was expected and none came; London, which was said to be receiving 100 per cent. of its pre-war requirements for a population 77 per cent. of pre-war, was still short of soap. Complaints flooded in from all sides; but nothing could be done until after the General Election except prepare a reform for submission to a new Minister.

The solution to the problem was seen in an assimilation of soap rationing to the points system. The retailer would surrender the cut-out coupons[1] to the Food Office at the end of each eight weeks, and receive in return vouchers valid for purchases from manufacturer or wholesaler in the next eight-week period but one; unspent vouchers would be carried forward into the next eight-week period but not that beyond. Other sales, including those to wholesalers by manufacturers, would be by permit as before. This structure provided the motive—future supplies—for compliance with the rules that had hitherto been lacking; and though the shops were not re-stocked with soap, because there were no spare fats available, and only an extra two weeks' supply, as a cushion, was allowed, the effect was immediate. Order in the trade was restored within three weeks of the introduction of the scheme on 16th September 1945, and the Ministry's warnings that it would be some time before the situation might improve were shown to be almost grotesquely gloomy. The scheme stood up, moreover, to a further reduction in the ration in June 1946. Its success throws a curious light on the Oils and Fats Division's earlier pride in having devised a rationing scheme without red tape—a scheme which one leading member of the Division is known to have thought might have been applied to margarine.

In this as in so much else the Division manifested an outlook that was inveterately commercial. As a phrase quoted earlier has suggested, it found difficulty in regarding itself as part of a Government Department; it stood aside, so far as it might, from 'time-wasting'

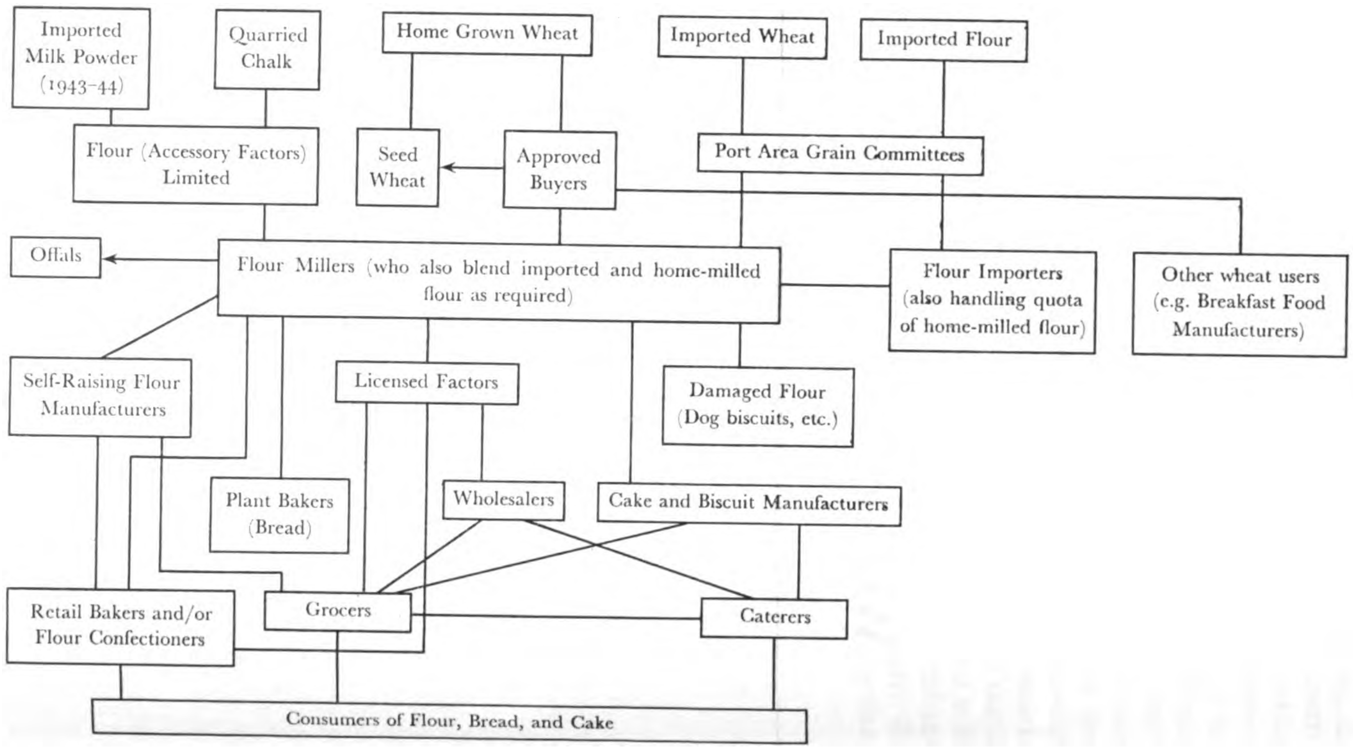
[1] The existing coupons were too small to be cut out singly, so that for a time consumers had to buy two rations at a time.

committees, desiring neither to influence, nor be influenced by, the wider considerations of policy beyond what was absolutely necessary. This attitude owes something, no doubt, to the absence for oils and fats before the war of a statutory marketing scheme or other forms of Government interference, as well as to the lordly position of the Unilever combine within the trade. Such aloofness and self sufficiency would have been more difficult for those controlling sugar, cereals, meat, or even bacon. So too the Division showed itself little affected by the ideals and aspirations towards a better post-war world that sprouted, even if they did not always flourish, in the war-time Minstry of Food. One may be forgiven for feeling that this detachment went too far even for the good of the control itself, and that it was fortunate for the Ministry that other skills could be found sufficiently assertive to supplement, even willy-nilly, the managerial and technical talent that the Division deployed with such virtuosity. To criticism on these lines, however, the latter would probably have retorted that the cobbler should stick to his last.

Part V:
Wheat, Flour, and Bread

FIGURE V

Wheat, Flour, and Bread under Control



CHAPTER XXVIII

The Structure of the Trade and the Framing of Control

I

In the years before the Second World War the United Kingdom depended on imports for over three-quarters of its wheat, all its maize, and about half its barley. Of these, wheat was by far the most considerable both in quantity and value. Cereals were imported mainly through the 'grain trade', a term embracing all firms—236 in number at the outbreak of war—engaged in the complicated manoeuvres of buying, transporting, and marketing grain. They included shippers, shippers' agents (acting on behalf of overseas shippers), merchant importers (who bought grain on arrival from shippers and their agents and sold it to millers and wholesalers), wholesale dealers or factors buying from importers and selling to millers and corn merchants, brokers (intermediaries), and option brokers on the futures market. Many firms in the grain trade undertook several of these functions. At each of the seven principal grain ports[1] there was a Corn Trade Association to which nearly all the importers belonged. Each association ran a grain exchange through which imports passed on to the home market; in London and Liverpool, through which the great majority of the firms operated, there were organised futures markets. All these associations were affiliated to the National Federation of Corn Trades Associations which claimed to represent the whole of the trade engaged in dealings in imported grain.[2] Though several of the importers were firms of some size, there were no giants in the Grain Trade apart from the big millers who imported cereals on their own behalf on a large scale.

Before the First World War nearly all incoming grain had been shipped to merchant importers who sold it to millers and other users; but between the wars there had been a decided trend towards elimination of the purchasing hierarchy as the milling industry encroached on the buying side. By the nineteen-thirties the big

[1] London, Liverpool, Hull, Bristol, Glasgow, Leith, and Belfast.

[2] Nearly all the importers were British firms, though a few foreign shippers established in this country—notably the great French firm of Dreyfus and the equally eminent German Bunge—had joined the Corn Trade Associations. A few British firms acted as agents for overseas shippers.

millers were tending to deal directly with shippers or their agents without using the services of importers or brokers. The two great milling concerns, Ranks and—to some extent—Spillers, bought part of the grain they needed in the countries of origin where they maintained buying agencies; nevertheless they used the futures markets—both at home and in such overseas centres as Winnipeg—for hedging their transactions, and were thus dependent on the facilities provided by an organised grain exchange, no less than the merchant pure and simple. The English and Scottish Co-operative Wholesale Societies, who dealt in cereals on a large scale, generally dispensed with the services of the grain trade and ran the whole gamut of the trade themselves from purchase of cereals through their own agencies abroad, through milling and distribution, to sale of the flour in their own retail shops. By 1939 the two great combines and the Co-operatives were reckoned to be buying half their wheat direct from overseas shippers or though shippers' agents. For some years the grain trade had been complaining of progressive loss of business; and its income was also reduced by falling world wheat prices.

Whereas the grain trade was fragmented into small and at most medium-sized units, milling had undergone a measure of rationalisation. After expansion during the First World War, milling capacity was found to exceed peace-time demand for flour, and in 1929 the industry set up the Millers' Mutual Association to buy up redundant mills, stop their production, and divide their trade among the members of the Association, which included 96 per cent. of all private flour mills in the country. (The Co-operative Wholesale Societies kept aloof.) The plan was effective: the number of active mills was reduced and flour production fell. Each member of the Millers' Mutual was allotted a production quota which in effect became part of the 'goodwill' of his enterprise; the larger firms benefited from buying up the smaller complete with quota, and thereafter re-arranging production economically. Some of the mills thus acquired were entirely closed, others were kept open solely for provender milling; at the same time the combines set up a few large new mills in advantageous positions.[1]

Mills grinding wheaten flour fell into three categories; port mills, inland mills in large towns, and small country mills. The port mills, about 100 in all, produced three-quarters of the country's flour and other wheaten products: nearly all the rest was ground in the 160 large inland mills. Less than 2 per cent. of wheat flour and other products was ground in the small country mills; by the late nineteen-thirties under 300 of these were still functioning, and some of these were only at work during the winter, on home-grown grain. In

[1] A useful account of the flour-milling industry will be found in M. P. Fogarty (ed.) *Further Studies in Industrial Organisation* (1948), pp. 1-100.

addition to the flour mills, about 200 mills in large towns were engaged in grinding maize and other provender for animal feed, and there were, besides, about 1,700 small country provender mills. The port mills were continually growing in importance at the expense of the inland mills; the three largest groups, Ranks, Spillers, and the Co-operatives, operated mainly at the ports where they could effect substantial economies in handling charges, as grain could be discharged in bulk into the waterside mill silos. Shortly before the war it was estimated that these three groups milled 50 per cent. of the flour produced in the United Kingdom: the Co-operatives alone were grinding just under one-fifth of the entire production. There were, however, other large milling firms, and in spite of the tendency towards concentration, competition in the milling industry was still keen and in no sense did a monopoly exist.

The large millers were strongly organised in the Association of British and Irish Flour Millers,[1] but there was less co-operation among the smaller firms; 200 country millers, however, belonged to the Provender Millers' Association. Though the large concerns made less and less use of intermediaries, the smaller firms who could not buy grain in quantity made their purchases through jobbers or factors who bought cereals from importers or brokers by the load and split it into parcels for sale to small millers or to wholesale corn merchants. These jobbers were a recognised element of the grain trade.

About 10 per cent. of the wheaten flour used in the United Kingdom was brought in by flour importers, a group of traders mainly distinct from the grain trade proper, organised in the National Association of Flour Importers. Over the three years immediately preceding 1939 imports of flour had fallen from an average of 465,000 tons yearly to 400,000 tons. The greater part of the imported flour was used in Scotland, the London area, and the commercial and industrial parts of Lancashire.

While the trade in imported grain was highly organised, that in home-grown was much less so. Farmers sold their grain through local markets or by private treaty either to corn merchants or direct to country flour or provender millers. The corn merchant disposed of home-grown grain, through factors' markets or produce exchanges, either to factors or to millers needing soft English wheat for their grists; and he also bought imported grain from jobbers or factors for distribution to millers. There were several thousand corn merchants, many of them being also provender millers or makers of compressed feeding-stuffs, while a few were flour millers: their trade organisation was the National Association of Corn and Agricultural Merchants.

The miller sold his flour to factors and wholesale dealers or direct

[1] The Millers' Mutual Association was an offshoot of this organisation.

to bakers and grocers, and his wheat offals either to the dealers or to farmers for animal feed. Port millers relied mainly on imported wheat, but the inland millers mixed home-grown wheat with imported in their grists, and many small country millers specialised in biscuit flour made entirely from English wheat, and in flour for confectionery and home baking containing a high proportion of home-grown grain. There were about a thousand flour factors and over twice as many wholesalers or flour packers. Various estimates gave the number of bakers as 22,000–24,000 and of flour retailers as about 60,000 just before the war. Only about 100 firms made biscuits.

Apart from animal feed the main uses for grain, other than wheat, were brewing and distilling. There had been a considerable reduction in the number of maltsters and brewers: shortly before the war only about 600 of the latter were still in operation. Large brewing firms made most of their own malt, using a mixture of home-grown and imported barley. Other users of cereals were those making oatmeal and other oat products, breakfast cereals, pearl barley, and compound feeding-stuffs. A high proportion of the latter was milled in port provender mills, using imported maize. Cereal products were either marketed through wholesalers or distributed by the makers direct to retailers. Large provender millers dealt mainly with corn merchants, but the small country mills sold their products direct to farmers.

In the years before the war the United Kingdom's annual requirements of wheat amounted to close on 6½ million tons, of which about a quarter was home-grown. To stimulate home production the Wheat Act of 1932 had set up a Wheat Commission which paid farmers for their wheat the difference between the market price and a standard rate, up to a fixed maximum. Funds for these 'deficiency payments' were raised by means of a levy on all flour, whether home-milled or imported, at the point of first-hand sale. The immediate result of the Wheat Act was to encourage home production (though mainly at the expense of other grains); it rose from a million tons in 1930–31 (when the wheat acreage of the country was the lowest on record) to over one and three-quarter million tons in 1934. A slight decline in production followed, though the yearly average over the five succeeding years was about 1½ million tons, compared with average yearly imports of 5 million tons (wheat and flour). For the three years just before the war the average annual production of barley was about 800,000 tons, with imports of 900,000 tons, and of oats 2 million tons with a little over 70,000 tons imported. Maize imports, mainly from Argentina, averaged 3,200,000 tons yearly. More than half the imported wheat came from Commonwealth sources—Canada and Australia—and there were substantial imports from Argentina and the United States, while other imported grain was drawn from a variety of sources in Europe, America, and Africa.

II

During the First World War the maintenance of cereal supplies had been entrusted to the Royal Commission on Wheat Supplies, a body deriving its authority from Crown Warrant and formally independent of the Food Controller, though relying on him for the making of Statutory Rules and Orders governing cereals. The Commission became the agent of the Wheat Executive set up by the Allies to obtain cereals for themselves and for neutral states: it had an independent Chairman (the Earl of Crawford and Balcarres, at the time of his appointment President of the Board of Agriculture) and several public men as members, together with representatives of grain trade interests. There was always some personal link between the Commission and the Ministry of Food at a high level, but relations 'were complicated and at times delicate'.[1]

The Commission bought cereals at home and abroad for the Allies, maintaining overseas agencies for the purchase and shipment of grain, and, at the home ports, Landed Grain Committees to deal with arrivals and to arrange for storage and transport of cereals. It allocated grain to millers and to corn merchants, using existing trade channels for distribution; regulated the extraction rate of flour from wheat and the use of diluents in bread; restricted bakers' ingredients for cake and flour confectionery; and rationed cereals for animal feed. In all this the Commission acted in accordance with the policy of the Government to provide abundant unrationed bread throughout the war, to make up for deficiencies of other foods. The Commission had entire control of its own finances and administered the bread subsidy. It enjoyed executive power almost completely free from departmental control.

The Commission functioned through committees each with an executive section staffed by the trade. Its standing committee was the Purchasing Committee, responsible for buying policy and control of supplies. The Contracts Branch allocated grains to the importers who were its agents for selling cereals to merchants and millers. Though the Food Controller had signed the Order taking over the flour mills and the agreement by which the millers became the Commission's Agents, in practice the Flour Mills Committee of the Commission exercised entire control over them. Other Committees dealt with Finance, Freight, Claims, the Bread Subsidy, and Home Grown Cereals; the last named was concerned only with price control as home-grown grain was left to pass from grower to miller along the normal trade channels. The Landed Grain Committees at the ports

[1] Beveridge, *op. cit.* pp. 84-86; *Royal Commission on Wheat Supplies, First Report*, 1921 (Cmd. 1544).

were manned by members of the grain trade, and the overseas agencies in the principal exporting countries were either British grain firms acting as the Commission's agents or *ad hoc* executive offices set up by the Commission.

'The formal independence of the Wheat Commission', wrote Sir William Beveridge, 'was a source of weakness and internal strain in the machinery of food control'. In the summer of 1918 the strain developed into open conflict; but the Commission, strong in influence with the Allies and in the War Cabinet, managed to beat off an attempt by the Food Controller (Mr. J. R. Clynes) to absorb it into the Ministry of Food. With singular detachment, the Commissioners nevertheless recommended that in any future war this branch of food control should not be divorced from a central Ministry.[1] In his Memorandum for the Committee of Imperial Defence in 1936,[2] Sir William Beveridge repeated, more emphatically, 'The disco-ordination which . . . led . . . to the setting up of independent Sugar and Wheat Commissions, never fully absorbed in the Ministry of Food, was a weakness which should not be repeated'.

In its early, tentative discussions with the trade about cereals control, the Food (Defence Plans) Department appears to have accepted this view. Its proposals differed from the practice of the First World War solely in substituting two commodity directors within the Ministry of Food—one of Flour Mills, the other of Cereal Supplies—for the autonomous Commission; the former would be assisted by an advisory committee of millers, the latter by an expert Purchasing or Supplies Committee. It was expected that overseas agencies would be set up to forward grain bought under bulk contracts, and to purchase cereals in countries where there were no such contracts. As before, the port Grain Trade Associations would be mobilised as Landed Grain Committees to supervise the receipt and despatch of imported grain; and the flour mills, under Ministry control, would be authorised to buy home-grown grain at controlled prices. Members of the grain trade would become the Ministry's agents to handle imported grain and the millers would operate as contractors to the Ministry: private importation of grain would cease. Control of supplies, distribution, and prices would be complete.

Discussions with the various sections of the trade during 1937 revealed no objections to control as such, but brought out strong divergences of opinion and of interest. The millers, whose position as an essential link in food supplies was strong and who hence had no need to stand on the defensive, made no bones about accepting control, even indicating that they would prefer a Director of Flour Mills who was not himself a miller. The flour importers pointed to

[1] *First Report* (*loc. cit.*) para. 6.

[2] Vol. I, Appendix A, p. 380.

the advantages if importing more flour and less wheat in war-time, and objected strongly to a proposal by the millers that, in the interest of equity, all imported flour should be compulsorily mixed with the standard flour produced by the controlled mills. The grain trade questioned the need for bulk contracts and referred approvingly to the last-war practice by which the Royal Commission had continued to seek tenders from merchants and brokers. The Co-operative Movement complained of discriminatory allocation by Landed Grain Committees in the earlier period of control, and demanded that it should be directly represented on each and every committee. To these and other points the Department returned soft or compromise answers; as also to a suggestion from the Ministry of Agriculture that it use the (second) Wheat Commission—the body administering the deficiency payments under the Act of 1932—as a nucleus of cereals control in war-time. A positive decision in this sense seemed, at this comparatively early stage of war preparations, to be making too heavy a commitment for a future Food Controller. The Corn and Agricultural Merchants' Association was, however, told that its members would become approved buyers of home-grown grain on behalf of the Ministry of Food.

By early 1938 it was becoming clear that piecemeal discussions with the separate sections of the trade, such as had taken place so far, were not going to reconcile divergent views: 'discussion of the scheme with different Associations, each proposing amendments to the same section, is becoming embarrassing'. After some hesitation, therefore, it was decided to constitute a single Central Cereals Advisory Committee; and by a process that is far from easy to follow, the Food (Defence Plans) Department came to regard this committee, even before its establishment, as the future cereals control: that is, as executive rather than advisory. At the same time, largely as it would seem under influence from within the Wheat Commission, the Department almost imperceptibly shifted away from its notion of a cereals control integral with the Ministry of Food. When, on the occasion of the Munich crisis, a Cereals Control Board was hastily designated, its chairman was no less a person than Sir Alan Anderson, G.B.E., shipowner, director of the Bank of England, and erstwhile member of the old Royal Commission; an appointment that only made sense if the Board were to be an autonomous control body. After the crisis—in which the Board's services were never, in fact, called upon—the Department obtained sanction from higher authority to set up a Cereals Advisory (Defence) Committee, or shadow Cereals Control Board, 'comparable with the Royal Commission on Wheat Supplies'. In February 1939 fifteen members—all, with the exceptions of the Chairman, the Vice-Chairman and one civil servant (the vice-chairman of the Wheat Commission), members of the trade—were appointed. In war-time—they were told—they would work 'under the general supervision of the Food Controller'; meanwhile they, assisted by the staff of the Wheat Commission, were given the task of preparing the final plans for cereals control—which is to say all the plans, apart from certain general principles and a scheme already agreed upon for closing the futures markets on the outbreak of war.[1]

The shadow Cereals Control Board thereupon established its own hierarchy of committees; an Executive Committee for day-to-day business, and four specialist Committees covering Imports, Home-grown Cereals, Finance, and Flour Mills Control. The chairmanships and vice-chairmanships of these committees were shared out between the various interests, including the Co-operative Movement, and the three non-trade members; that of the all-important Imports Committee fell almost inevitably to Mr. J. V. Rank, who had played such a decisive part in influencing pre-war wheat storage policy.[2] It was a measure of the declining influence of the grain trade that its man had to take second place. By dint of intense work during that summer, the Board got itself into readiness to function; the border between it and the future Animal Feeding-stuffs Control was demarcated to its satisfaction, with the Board in control of all cereals purchases for whatever purpose; Orders for requisitioning stocks, fixing flour prices, and controlling flour mills (but not for controlling prices of home-grown barley and oats) had been agreed with the Food (Defence Plans) Department. The Flour Mills Order was now to take a different form from that originally contemplated. The original intention to take the mills over and employ their owners as contractors had been abandoned as unnecessary; it would, it had been thought, be sufficient to require millers to comply with the directions of the Food Controller. But an Order drafted in this sense was now found to be *ultra vires* the new emergency legislation, which conferred only prohibitory and not mandatory powers. It was therefore necessary to proceed by way of a general prohibition of milling except under the terms of a licence; in practice a general licence to all millers.[3]

When war broke out the shadow Board, with its Committees, immediately began to function, and shortly assumed its title. The Imported Cereals Committee was set up in Mr. Rank's mansion at Godstone in Surrey, where it was to remain throughout the war; the remaining Committees met at the Wheat Commission's office in

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[1] The writer was told by the official mainly responsible, thereafter, for preparing cereals control that nothing whatever had been done when he took over.

[2] Vol. I, pp. 20-21.

[3] The Order and the General Licence were eventually issued as S.R. & O. (1939) Nos. 1037 and 1039 respectively.

Mandatory powers were later conferred by the Emergency Powers (Defence) Act of 1940 (3 and 4 Geo. 6, c. 20); cf. the similar act of 1939 (2 and 3 Geo. 6, c. 62).

Smith Square, Westminster, with a 'retreat' at Weybridge in case of need. Day-to-day decisions were taken by the Executive Committee, with Sir Alan Anderson himself presiding and a senior official of the Ministry attending as liaison officer; the Civil Service procedure of making and recording decisions by means of minutes on files was dispensed with, and the overt avowal of reasons for decisions, so vital to this procedure, was cut down to a minimum. Every effort was made to keep the Ministry informed, but the Imported Cereals Committee in particular wished to 'carry on its work as far as possible on normal commercial lines' and resisted an effort by the Ministry's own Overseas Purchases Board[1] to impose prior sanction on all cereals purchases; instead the Ministry's liaison officer was to secure Treasury sanctions and report on purchases after the event. On the side of home-grown cereals there was a good deal of friction and delay; the Cereals Control Board was unable to impose its wishes on the Ministry over the control of wheat, and control of oats and barley was shuttled back and forth between Smith Square and Great Westminster House over several months. The Board wished to take over complete control of animal feeding-stuffs, but the Ministry demurred on the ground that not all of these were cereals, and that feeding-stuffs were so bound up with livestock policy, the burning question of the first two years of war,[2] that a unified control under the Ministry's own hand was essential.

Throughout these debates the Cereals Control Board, much to the discontent of its members, had remained without formal status or memorandum of appointment, and in February 1940 the Ministry at length set about drafting one. It was at particular pains to ensure that the Board should not arrogate to itself financial autonomy—the very existence of the Board's Finance Committee was a rock of offence—and the sole responsibility of the Director of Cereals Finance to the Ministry's Financial Secretary was to be laid down. A dividing line between cereals control and feeding-stuffs control, with home-grown wheat, rye, and peas on one side and barley, oats, and beans on the other was likewise drawn. At this point, with the memorandum of appointment in all but final shape, the Ministry's Legal Adviser was consulted for the first time. He immediately pointed out that to confer such 'extensive powers and duties' upon the Board was *ultra vires* the Minister, who could not 'lawfully divest himself of his responsibilities or confer them upon another body or person outside the "corpus" of the Ministry'. Surprise at this ruling was rapidly followed by relief rather than chagrin, when it was seen to offer the chance to get rid of the 'over-mighty subject' and absorb cereals control into the main body of the Ministry. Not only officials, irked by the unsatisfactory way—in their view—in which the Board and its committees con-

[1] For this body, see Vol. I, pp. 45, 68.
[2] Vol. I, Chapter VI, *passim*; above, pp. 237-239.

ducted business and recorded decisions, but Mr. Rank, who chafed at having to work with a Committee and through the Board and saw a new freedom in the post of Director of Imported Cereals, grasped at the unexpected opportunity.

It might have been difficult to explain to Mr. W. S. Morrison, himself learned in the law, how, having regard to all the disadvantages now made manifest, to say nothing of its illegality, the decision to set up the Board had ever come to be taken. The equivocations in the submission to the new Minister betray official embarrassment; the Board (he was told) had been modelled on the former Royal Commission, but the analogy had 'proved false and misleading'; there had been 'a good deal of uncertainty' whether the Board and its Committees were 'advisory or executive'. He was not told that it had been set up in defiance, overt in the case of some concerned, of the advice of Sir William Beveridge and of the original Commissioners themselves. A more persuasive argument could be found in immediate experience: the Board had proved 'less responsive to policy direction than Divisions with a personal head'. None of this argumentation was really germane to the legal issue, and it was primarily on this—on the inability of the Minister to delegate authority—that the Ministry relied when telling the members, on 7th June 1940, that their services as a Board would no longer be required. The morrow of Dunkirk was not a time for obstruction and recrimination; but had the Board been so minded it could have retorted on the Ministry that its law was already out of date. An Order in Council[1] dated 23rd May 1940 had expressly amended Defence Regulation 55 so as to give any 'competent authority' power to 'delegate all or any of its functions . . . to any specified person or persons'. It was merciful good fortune rather than poetic justice that spared administrators this rejoinder, and extraordinary that their attention should not have already been drawn to the change in the law.

The demise of the Cereals Control Board put an end to an administrative anomaly before it had had time to become a serious menace to the unity of food control; it was felt as the removal of a drag on the machinery rather than a change in it. Mr. Rank at Godstone had already established substantial independence of Smith Square, and the control of flour mills, now to revert to the separate Division proposed in the original scheme, had never presented any difficulty. The Port Area Grain Committees continued as before, their allegiance to Godstone unchanged. As for control of home-grown grains, it had hitherto been largely nominal, and the change-over came in time for a more vigorous policy to be initiated. Yet though the Board's very existence was rooted in misconception, the

[1] S.R. & O. (1940) No. 781.

Ministry's acknowledgement of its earlier services, made on the occasion of its dismissal, was something more than an incidental courtesy. Its members had stepped in to relieve an over-burdened Department in the critical early months of 1939 and had done much to secure that cereals control should work adequately, if not altogether smoothly, from the time war broke out. The false position in which they came to find themselves was no fault of theirs; it was a reflection of the distaste for thinking out fundamental principles that pervaded so much of the pre-war planning. It was providential that in the first nine months of war—in this as in so many other fields a continuation of the preparatory period—time was given to remedy the most serious deficiencies in organisation and put cereals control on a firm footing.

CHAPTER XXIX

The Tactics of Procurement, 1939–42

I

THE policy governing British wheat and flour imports during the First World War has been succinctly stated by Beveridge:[1]

> '. . . the (Wheat) Commission laid down for itself the principle of being able to meet in full all demands for human consumption, while maintaining a reserve for emergencies. The demand for wheat as such was reduced, both by prohibiting or limiting its use and that of other cereals for purposes other than human food, and by altering the character of flour through lengthened extraction or "dilution". Whatever the demand as so reduced might be, the Commission was always prepared to meet it in full and at once. The public might be urged to avoid the waste and to eat as little as possible; they should not be forcibly prevented from having as much as they wanted and could pay for. A sufficiency of bread should always be available to make up for shortage of other food.
>
> This policy the Commission, with the advantage of an early start and backed by effective priorities for tonnage and finance, put substantially into practice . . .'

His account holds good for the Second World War, for all that the autonomy of the breadstuffs import programme appeared circumscribed, even in the days of the Cereals Control Board (1939–40), by the existence of a formally complete food import programme, subject to Ministerial approval. Such a programme had been previously accomplished only on the eve of the Armistice[2]. The absence of rationing, even more the very fact that bread and flour were the 'buffer' to absorb variations in the rations of other foods, meant that consumption was apt to vary at short notice. Stocks were seldom, or were seldom thought to be, sufficient to cushion changes in 'off-take' and so leave the required rate of imports untouched. The consumer of bread and flour, though perforce submitting to alterations in their quality, remained sovereign over quantity; a fact reflected in the anxious watch kept by the Cereals Division of the Ministry on the weekly returns from millers. The comparative un-

[1] *Op. cit.* p. 90.

[2] Vol. I, p. 4; Beveridge, *op. cit.* pp. 136-137.

predictability of flour consumption, compared with that of rationed foods, the supreme importance attached to unlimited supplies, the sheer bulk of imports, and the seasonal influence of the freezing of the St. Lawrence River from December to April—all these factors combined to give discussions and decisions on the subject an aspect of continual crisis. There arose the paradox that the country's first priority foodstuff should appear most often threatened—far more so than sugar or oils and fats—by shortage of shipping. (It is difficult to say how far those recurrent threats were real, for the exaggeration of perils, as also of the heroism of the measures required to meet them, was an inseparable part of the business of decision.) The breadstuffs import situation had a way of stepping out of the frame of general import programming in which it should logically have been viewed; the wheat and flour stock position insisted on being regarded as *sui generis* (which, in a sense, it was).

The first occasion on which this happened was the autumn of 1939, when an unexpected stocks crisis was brought about by shipping delays and diversions resulting from the outbreak of war.[1] Stocks at the disposal of the Cereals Control Board in early September were upwards of 1,300,000 tons of wheat, plus upwards of 200,000 tons of flour; the newly harvested home crop, amounting to as much again, was all to come (which is not the same as saying that it would be all available, or could be drawn on at any desired rate). These quantities, for all that they included a Government reserve stock of 484,000 tons, did not allow much margin against a shortfall in imports, for the wheat market had been depressed before the war and trade stocks were so low as to offset the existence of the Government reserve. Within three weeks the Cereals Control Board was faced with a prospective as well as a current shortage of arrivals; the imported wheat situation could only be relieved at the expense of maize and feeding barley, the shortage of which reacted on supplies of home-grown grain; and remedial measures were delayed or frustrated by the need to convince the Ministry of Shipping and the Treasury of their urgency. A promise of 48 ships to be sent to the St. Lawrence for wheat before it closed, exacted from the shipping authorities after the matter had been raised in the War Cabinet, was only part fulfilled, as was a similar promise for tonnage to load in the Plate, and the Treasury wholly declined to lift the ceiling price of 60s. a ton for the chartering of neutral shipping, so that Greek ships already in the Plate could not be hired.

Nevertheless, and despite the failure of half-hearted efforts to get more out of the home crop,[2] the crisis did pass, though not without leaving an indelible mark on future policy. In mid-November, when

[1] Vol. I, pp. 68-70.

[2] Below, pp. 555-560.

bulk wheat stocks had fallen to 630,000 tons, less than one half of their September level, some mills on the East Coast were said to have been temporarily stopped for lack of grist. Precisely what this meant remains uncertain; one may surmise that certain types of imported, probably hard, wheats ran short and could not be readily replaced on account not merely of low shipments but also because of the diversion of shipping to West Coast ports that had been put into force in mid-October.[1] Moreover, it later emerged that Mr. J. V. Rank had personally declined to release any of the Government stock, which he regarded as a sheet-anchor, to ease the situation: so that in a sense the stoppage of the mills had been deliberate, the choice of a lesser evil.[2] However that may be, it was a powerful reinforcement to the argument, now pressed by the Ministry of Food on the War Cabinet, that the proper safety level for stocks, to be reached as soon as possible and thereafter maintained, should be the equivalent of thirteen weeks' supply; a figure justified at this time by no argument other than that from history: thirteen weeks' supply being the desirable minimum laid down by the War Cabinet in March 1917.[3] Mr. Chamberlain's War Cabinet reaffirmed this ruling on 6th December 1939; thereafter, 'glossed' and refined as from time to time seemed expedient, it formed a Charter for cereals control. The immediate intention was that loadings overseas should be so organised as to bring stocks up to the prescribed level by the end of March 1940, when the home wheat crop would have been exhausted and the country entirely dependent on imports until the next harvest. This aim was not quite realised on time, despite recourse to expedients like 'borrowing' wheat from France (through the good offices of the Anglo-French Food Executive) and a slight rise in the rate of flour extraction (from 70 to 73 per cent.); but with the seasonal improvement in shipments, and the diversion of cargoes after the fall of France, stocks at the end of the first year of war rose to a satisfactory level.

II

At no time during this period was the Cereals Control Board able to formulate or carry through a long term buying policy for wheat, such as had been postulated for all imported foodstuffs in the pre-war

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[1] Vol. I, p. 134; Behrens, *op. cit.* p. 80-82; Savage, *op. cit.* pp. 110, 131-2.

[2] Most of this Government wheat was stored on the West Coast, and special measures would have been required to supply East Coast mills with it.

[3] Cmd. 1544, *Royal Commission on Wheat Supplies, First Report* (1921) p. 7; 'Our central policy as laid down by the Cabinet in March 1917 was to hold a Government reserve of breadstuffs equivalent to 13 weeks' consumption'. In fact this level had been reached only during August-October 1917, in July 1918 and January 1919 (*ibid.* App. 13). See also Vol. I, p. 14, and authority there cited.

plans and had been partly put into effect for sugar.[1] Its original programme for the first three months of war, in which normal import requirements of just over 5 million tons annually were inflated by one-third in order to take care of expected sinkings, derived from faulty reasoning about the war-time shipping problem and so was never a starter.[2] It had, however, embodied a tentative apportionment of purchases between the exporting countries, in which were balanced shipping economies, exchange difficulties, and the requirements of hard and soft wheats for the grist. A similar attempt at apportionment, though with a different objective—the preservation of some sort of quota system in the interest of an 'orderly' world market for wheat—was made under the aegis of the international Wheat Advisory Committee during the first weeks of war. Any such arrangements, even had they been agreed upon by all concerned would have been difficult to sustain through the buffetings of war; in fact no agreement was possible, for the Canadian Government refused to be tied down to the pre-war quota proportions. Faced with a wheat surplus of record dimensions, elected on a pledge not to restrict wheat acreage, Mr. Mackenzie King and his colleagues felt that they could not afford to forgo any chance of relief. Was not Canadian wheat the most accessible to the United Kingdom in terms of time and shipping? They put forward a claim for 'reasonable and sympathetic priority' in any consideration of the United Kingdom's war-time wheat requirements, seeing that 'a substantial export of wheat on a reasonable price basis' was important for Canada's economy and political unity. The British, for their part, felt that the course of Canadian wheat prices since the outbreak of war, though not unexpected, was anything but justified by the long-term supply prospects.

In the informal pre-war discussions with the Canadian Wheat Board it had been assumed that the Winnipeg wheat market would be closed on the outbreak of war, leaving the British Government buyer face to face with a single Canadian seller; a long-term contract would then have been a necessary outcome. For reasons of its own, however, the Canadian Government had decided that the market might continue. Prices had risen sharply; the October 'future', which had averaged some 54 cents per bushel during August, reached a peak of 81 cents on 7th September, falling on 23rd September to 72½ cents; a level at which it was still above the growers' guaranteed price of 70 cents. It was in anticipation of such a speculative price rise that Mr. J. V. Rank had persuaded a willing Food (Defence Plans) Department and an at first reluctant Treasury to buy ten million

[1] Above, p. 20-23.

[2] The fallacies—for which the Board was not responsible—are explained in Vol. I, pp. 65-67.

bushels of futures in August 1939. Left to itself, Mr. Rank's Cereals Import Committee at Godstone would have countered by reducing purchases in Canada to a minimum—say 3,000 tons a week—relying on the surplus to bring prices down eventually. The Treasury, however, refused for about five weeks to countenance any buying in Canada, until convinced that this was essential; and the total abstention so enforced evoked concern in Ottawa. On 30th September Mr. King telegraphed to Mr. Chamberlain that the Ministry of Food's purchasing policy 'had all the aspects of a commercial struggle between opposing interests'; while Mr. Rank, notwithstanding that the Treasury had forced him to be rather more drastic than he intended, protested within the Ministry against 'political interference with a business deal'. If a long-term contract were to be made, it ought to be at a price not more than 70 cents a bushel, itself much higher than that being paid in Australia and Argentina.

Talks in London during November with emissaries from Canada—Mr. T. A. Crerar, Minister of Economic Resources, and Mr. McIvor, Chairman of the Wheat Board—wholly failed to bridge the gap. Tentative proposals by Mr. Crerar for a purchase of 300 million bushels at a dollar, or 150 millions at 93 cents, were well above anything the Ministry would consider, even now that Godstone knew it would have to buy heavily in Canada to build up the thirteen weeks' reserve by the end of March; on the other hand they were repudiated by the Canadian Cabinet as too low.[1] Both sides could not but admit that the conditions for a long term contract simply did not exist—as yet. The prospective buyer did not fear a rise in price, nor the prospective seller a fall.

III

In the other principal markets[2]—Australia and Argentina—no such price difficulty was encountered, and—once a payments agreement was concluded with Argentina—no trouble over currency. There was a technical limitation on the amount of soft wheats that could be conveniently put into the millers' grist; but the effective

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[1] The Ministry offered, in early December, to buy 1½ million tons (60 million bushels) at 82½ cents a bushel. A good deal of feeling was aroused in Whitehall by a Canadian attempt to make the financial arrangements for the Empire Air Training Scheme consequent upon a satisfactory price deal for wheat. The Chancellor of the Exchequer (Sir John Simon) went on record that 'at a time when the Minister of Supply was about to make large purchases in the United States we should not give the impression that we could be dragooned into paying iniquitous prices'.

[2] The Cereals Control Board was constrained on economic warfare grounds to purchase more than 150,000 tons of wheat in Rumania and Bulgaria in 1939-40. Cf. W. N. Medlicott, *The Economic Blockade*, Vol. I, Chapter VI.

brake on purchases was shipping. Thus by the middle of December 1939 tonnage had been secured for only half the 300,000 tons of wheat and flour that had been bought in Australia: and shipment of the much larger quantities bought in Argentina—850,000 tons of wheat, besides 380,000 tons of maize and 170,000 tons of other grains—proved equally difficult even though some easement of the financial restrictions on chartering neutral—especially Greek—tramp steamers was eventually secured.[1] In these circumstances it was perhaps a little odd that the Cereals Control Board should have made a long-term contract with the Australian Wheat Board for as much as 1,500,000 tons of wheat and 150,000 tons of flour, for shipment during the calendar year 1940. True, the price was favourable, the Treasury enthusiastic, the political argument in favour of relieving the Commonwealth Government of some of its surplus strong; but the quantity was much greater than a year's normal usage of Australian wheat in the United Kingdom and shipping was by no means secured. Mr. Rank, in carrying out the deal, had relied on a guarded undertaking by the shipping authorities to lift a million tons of grain from Australia in 1940. When confronted with the *fait accompli* of the contract (made, incidentally, without reference to the Dominions Office or to higher authority within the Ministry of Food) the Ministry of Shipping 'took the strongest exception to being presented with this demand for shipping at short notice'.

The Cereals Control Board countered with a renewed demand for the full use of neutral shipping and the end of what looked to it like a Ministry of Shipping attempt to bring down neutral chartering rates by boycott, at the expense of the import programme.[2] Debates on this question at the Exchange Requirements Committee and elsewhere proved inconclusive; before the fall of France the United Kingdom was not, in the event, able to devote to cereals any substantial block of neutral tonnage. It was, therefore, something of an achievement for the Ministry of Shipping to have lifted over 900,000 tons from Australia during 1940. But this left a large residue of the contract quantity unshipped and, what was worse, often stored up-country in unsuitable conditions; no more tramps could be allocated for Australian wheat after April 1941, so that it had to move in driblets as liner space was available; more than 300,000 tons were still in Australia at the end of 1941. The lesson of the ill-fated

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[1] Objection was raised by the Bank of England and the Ministry's own Finance Department to the employment of the foreign houses, Dreyfus and Bunge, as intermediaries in the Argentine trade; but the Cereals Control Board was able to show that there was no practical alternative inasmuch as the Argentine Government had itself no machinery for bringing the grain to seaboard. This was also the case in Canada—below, pp. 526-528.

[2] For the difficulties of the Ministry of Shipping in dealing with neutral shipowners, see Behrens, *op. cit.* pp. 59-64.

Australian Wheat Contract of 1917 had to be re-learnt the hard way;[1] but it was not lost on the Ministry of Food when a proposal was mooted for creating a 'relief' stock of wheat in Australia at the expense of the United Kingdom. The proposed amount (50 million bushels) was first halved and the whole project afterwards shelved.

During the first half of 1940 the Cereals Import Committee continued to operate on the Winnipeg market, buying always in small parcels and hedging its purchases with futures deals in the ordinary way. Godstone was also able to take advantage of the large maize surplus in the United States in a way that made it, in effect, a substitute for Canadian wheat and so tended to moderate the price of the latter. An Anglo-French mission to the United States in February, headed by M. Charles Rist and Mr. F. Ashton-Gwatkin, to discuss questions of economic warfare,[2] had given the opportunity to explain to the State Department the reasons for various import restrictions on luxury articles and to invite the Americans to find means whereby the Allies might purchase essentials. Early in March the United States Ambassador in London offered to sell a large quantity of maize at 72 cents a bushel, 15 cents per bushel less than the pegged internal price. Although this price was far higher than that of Argentine maize, which the Ministry of Food would otherwise have bought, it offered the prospect of a useful switching of purchases, as cheap wheat could be shipped from the Plate instead. The Ministry accordingly made a counter offer; it would buy 20 million bushels at 50 cents and also 20 million bushels of wheat. The low maize price was unpalatable to the Americans and a hold-up in negotiations followed. The deadlock was, however, broken by Mr. Rank, who urged that he, as Chairman of the Cereals Import Committee, should make a bid through American trade channels who could be relied upon to induce their Government to pay an export subsidy. After consultation with the United States Agricultural Attaché, this course was followed, towards the end of April. On 9th May the United States Department of Agriculture announced that an export subsidy would be paid on maize sold to Canada and to European markets and that 25,000,000 bushels would go to the United Kingdom—at 50 cents a bushel. The proposal to buy United States wheat was not pursued. Apart from its indirect value in cheapening wheat supplies, the maize was badly needed for animal feeding, more especially as shortage of shipping had reduced the flow from South Africa to a trickle.

Until the last week in May 1940 Godstone had firmly maintained, against senior Ministry officials and others hankering after the extra

[1] Beveridge, *op. cit.* p. 92; 'The Resident Commissioner in Australia became perforce an entomologist, engaged in a desperate, costly, but ultimately successful struggle against the grain weevil . . . '

[2] Medlicott, *op. cit.* pp. 367-77.

security that a bulk contract with Canada would appear to give, that the huge wheat surplus there made such a contract needless, and that it could only be made, as Mr. Crerar's mission had indicated, at an uneconomic price:

> 'The Canadians dare not sell you at the world's price if it were a low one' (wrote Mr. Rank on 23rd May), 'as they would get into trouble with the farmers . . . that is why I have always been a strong opponent of comprehensive deals as I consider it part of my duties to see that the British taxpayer gets off as lightly as possible'.

A few days later, however, a deal was suddenly concluded with the Canadian Wheat Board for 50 millions of Winnipeg October futures, at a price of 82½ cents a bushel, or well above the spot market price. The motive and circumstances of this sudden *volte-face* remain somewhat mysterious, perhaps by reason of the demise of the Cereals Control Board shortly afterwards; Treasury sanction was secured verbally and not confirmed in writing until the end of July.[1] It is likely, though no proof can be given, that Godstone changed its mind on account of the poor crop in Argentina, which was to be the occasion for a prohibition of export thence. (The deal was concluded on 1st June, i.e. before the Dunkirk evacuation and the fall of France.) At any rate the change was permanent, for it was followed up by enquiries about a larger deal, for 100 or even 150 million bushels of December or later futures; to which the Canadians responded with an offer at 80 cents. With this the Ministry decided to close, despite the fears expressed by some of the more politically-minded members of its Supply Department that it might be tactically unwise to indicate to the United States that the United Kingdom would have no use for one of the former's most important surplus commodities; that, in short, the deal was tainted with 'unilateralism'. There was some opposition at the Exchange Requirements Committee on currency grounds, but eventually a purchase of 100 million bushels (roughly 2½ million tons) was authorised. In effect the Ministry had covered its whole requirements of Canadian wheat for over a year ahead.

The change-over from normal market operations to bulk purchase of futures did not affect the way in which Godstone procured the actual grain. As before, wheat was purchased from the Canadian shippers at the seaboard as and when required to load vessels, and paid for by handing over a corresponding quantity of futures plus a cash premium corresponding to the difference between Fort-William/Port Arthur prices and those at the point of loading. The premium might vary from shipment to shipment according to the

[1] The mystery has been partly cleared up in Lord Woolton's *Memoirs* (1959) pp. 184-6, 195-6.

local supply position, but over the long run would average the cost of moving the wheat and holding it in store. As the price paid for the futures continued for some time to be higher than that of spot wheat, adjusted for differences in time and location, there was a paper loss on conversion of the one to the other; the proper accounting for which was the cause of some heart searching in Cereals Finance. Whether the loss was real was a matter of judgement. It was later argued with some force that to accumulate so large a block of futures through market operations would have pushed up the price of wheat at least to the level at which the futures had in fact been privately acquired. Moreover, the buyer would have been operating—as things turned out—under the disadvantages resulting from the Argentine crop failure and the acute shipping shortage that left him no alternative but to buy in Canada. Thse arguments were not altogether conclusive, given the enormous Canadian surplus; and indeed it is doubtful whether Godstone at the time thought of the bulk purchases of the summer of 1940 as a hedge against simple market risks. They were rather a recognition of the Canadian political situation: that if the British pressed their market advantage too far the Winnipeg Exchange might be closed, the services of the shippers in bringing the wheat to seaboard lost, and the influence of Mr. McIvor's Wheat Board, with which Godstone enjoyed the advantage of excellent personal relations, weakened. In other words, the purchases were primarily an effort to keep British wheat supplies away from politics, to the extent that this was still possible.

IV

Dependence on Canadian supplies became more marked during the winter of 1940–41, as the shipping situation became dramatically worse and the Ministry had to do battle to get even the most drastically reduced import programme carried out.[1] It was indeed the non-fulfilment of programmes, even on the North Atlantic, as much as formal cuts in them that caused Godstone disquiet. Cereals for human food had, of course, first priority and in all the various revisions the import programme for these was pruned only to the extent to which current stocks were in excess of thirteen weeks' supply. Cereals Division was indeed now saying that a reserve no greater than this was 'dangerous and unsafe'; the autumn bombing had destroyed or

[1] Vol. I, pp. 161-169; Behrens, *op. cit.* pp. 196-200. The Ministry of Shipping had taken it upon itself to favour raw materials at the expense of food, with the result that over the months from August to November 1940 the latter received but 85 per cent. of the programmed quantities (as against 96 per cent. received by the Ministry of Supply).

disabled several large mills (notably in London and Southampton), so that the remainder had to run 'all out', and in this situation flour stocks needed to be higher, without a corresponding decrease in wheat. In January 1941 the Food Policy Committee was persuaded to adopt a fifteen weeks' minimum stock level for imported wheat, to be held until the home crop was in sight; by the end of February, however, stocks had fallen below the thirteen weeks' level, and flour consumption had gone up as a result of shortage of other foods, particularly meat. At the new rate of usage, stocks were sufficient for only 11½ weeks. Squeezed between enhanced flour consumption and reduced milling capacity, the Ministry of Food was faced with two alternatives: import more wheat—and particularly more flour—or raise the rate of extraction to 85 per cent. For the moment it compromised, importing more flour and raising the extraction rate only from 73 to 76 per cent. The seasonal improvement in imports and the abrupt cessation of the air raids to which flour mills were so exceptionally vulnerable, made the more drastic measure unnecessary for the time being.[1] Indeed, by June 1941 the influx of cereals became almost an embarrassment, and the Ministry of War Transport, which wanted to bring in steel, a difficult cargo, rather than wheat during the months of good weather on the North Atlantic, waxed sarcastic when the Ministry of Food demurred, and accused the latter of being 'determined to stick to the arithmetic of the Prime Minister's [shipping allocation] formula for 1941, even if this meant excessive cereal imports'.

The second winter crisis for cereals imports had been weathered in much the same way as the first, namely by concentrating shipping on the North Atlantic at the expense of other sources of supply. Apart from the dollar expenditure it meant, the shipping switch had other disadvantages which had been reflected in strong argument at the Import Executive in early 1941. Both the Foreign Office and the Board of Trade were concerned at the shrinkage of coal exports to Argentina that must result if smaller quantities of grain (the principal return cargo) were imported from the Plate. The Mines Department argued in August 1940 that there would be unemployment in South Wales unless coal exports were running at 2½ million tons a year. The greater part of the corresponding imports would have had to be maize, and as the autumn of 1940 advanced it became abundantly clear that not only was little or no tonnage available for feeding grains, but that the original programme of wheat imports from Argentina could not be maintained. At the end of 1940 it was proposed to reduce Plate grain loadings henceforth to 50,000 tons a month, one quarter of the level then ruling; and though the pressure of the Board of

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[1] Vol. I, pp. 166-169 contains a detailed account of this crisis.

Trade, its Mines Department, and the Foreign Office caused the Import Executive to decide that the fall should be brought about by stages, the proposal was in full effect from April 1941 onwards. (Some coal had to be sent out to keep the *frigorificos* going, on which the United Kingdom had become increasingly dependent for meat.)[1] Even so, some 700,000 tons of maize (less than one quarter of the pre-war annual average) were imported during the calendar year 1941, from Argentina, South Africa, and the United States.

So great were the Ministry of Food's holdings of both wheat and futures in Canada that it was for a time in no hurry to make further bulk purchases. In the autumn of 1940, negotiations were opened, culminating in an offer from the Canadians in December to sell 120 million bushels each of spot wheat and futures at 85 cents. This was declined; the spot wheat in particular was not wanted as the Ministry would have had to take it over at Fort William and bear the cost and trouble of moving it to seaboard, as well as the carrying charges pending shipment. In March 1941 the Canadian Wheat Board made Godstone an offer the latter thought considerably more attractive; 120 million bushels split equally between October, December, and May (1942) futures, at 81, 82, and 84 cents respectively. Elsewhere opinion was less enthusiastic: the Ministry's General Department wondered whether it were wise to close the British market entirely, in effect, to United States wheat that *might* be available on Lend/Lease and that would assure a sufficiency of Canadian dollars for bacon and cheese; Mr. J. M. Keynes, in the Treasury, pronounced the price too high compared with the 70 cents guaranteed by the Canadian Government to the farmers. (He may have thought that the difference would be pocketed by that Government; but this was not so—any profits made by the Wheat Board were passed on to the farmers.) The question was also raised whether wheat should not be saved by raising the extraction rate, a step then being considered on other grounds.[2]

A decision might have been postponed, but for the seasonal improvement in shipping and with it the prospect that Godstone's holdings would be used up by the end of July. Movement of wheat to seaboard was liable to be held up unless the Canadian shippers knew that there were options to be tendered against it and these were to be procured at least two months ahead. There was, moreover—though this was not made as clear to the Treasury as it might have been—no alternative source of hard wheat. It was therefore not

[1] Above, pp. 230-234. One of the results of the collapse of coal exports was to accelerate the accumulation of blocked sterling by Argentina.

[2] Above, p. 527. The Treasury also asked why futures and not spot wheat had to be bought, and Godstone had, not for the first time, to proffer technical enlightenment. (It seems that futures dealings were suspect as containing an element of speculation not meet to be touched by Government hands.)

possible, as some had wished, to wait until the Washington Wheat Conference, scheduled for the summer of 1941,[1] should have been held. At the beginning of May the Treasury agreed that the Canadian offer be accepted and an announcement to that effect was made in the Canadian House of Commons on the 13th. (In view of Godstone's now urgent need for the wheat, part of it was taken in July futures at 79 cents.) A further purchase of the same size, at roughly the same price, was made in November 1941: this time the Treasury consented with 'admirable promptitude' and it was the Ministry's own Mission in Washington which tried to hold things up. The Mission, whose sensitiveness to the political climate of Washington was sometimes so high as to be almost excessive, wanted to consult both the American Department of Agriculture and the British Delegation to the long-protracted Wheat Conference. London, however, robustly maintained on this occasion that purchases 'necessary to meet current needs and obligations' could not concern either of these parties;[2] and shortly afterwards the Mission was firmly told of the *fait accompli.* With it, Godstone reckoned to be covered until the autumn of 1942, and this policy of buying ahead it wished to continue. On the other hand it was sceptical of suggestions for a long-term contract with Canada; this would only be possible if a price were fixed for a number of years after the war so as to insure the sellers against a slump.

V

At the end of 1941, with the extension of war to the Far East as well as Russia, the United Kingdom began to encounter a shipping stringency more acute and more prolonged than ever before; endurable only because the country's war economy was now sufficiently organised to deal with it. One of the earliest casualties in the drive for austerity that began after Pearl Harbour was the white loaf, which had survived the previous winter of bombing. Its disappearance may perhaps be counted as inevitable, seeing that it represented the only major import economy left to be undertaken; nevertheless the circumstances in which this came about have a certain tactical interest.[3] Cereals Division appears to have played into the hands of the supporters of wheatmeal bread by raising an alarm about the prospective stock level and clamouring for an additional 200,000 tons of imports at a

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[1] Vol. I, pp. 350-3.

[2] In order to avoid confusion it should perhaps be mentioned that the fact that Treasury sanction had already been received was diplomatically concealed from the Mission for several days. A cable was sent requesting a reply because the proposal required submission to the Treasury immediately, the day after the Treasury had in fact approved it.

[3] See Vol. I, pp. 256-9 for an account of the debates leading up to the decision.

psychologically inopportune moment; moreover the case for these extra imports rested largely on an underestimate of the amount and the rate of marketing of home-grown supplies during the rest of the season.[1] Caution on this count was reinforced by caution on the matter of where the danger level for stocks really lay. Ironically enough, the Minister had, on 13th January 1942, expressed some scepticism on this score, in a memorandum drafted, as he said, 'to clarify his own mind' and not circulated beyond a handful of high officials. The War Cabinet's ruling of about the 13 weeks' supply he described—to the scandal of some of his official readers—as 'not precise' nor ' very well informed . . . it has since been decided by the Department that an additional quantity of 130,000 tons must be kept in the hands of the millers. For some reason . . this does not seem to be regarded as part of the reserve, and I am now told when the War Cabinet said 13, it really meant 14.' Moreover, Lord Woolton remarked, home-grown supplies of wheat were now much greater than they had been in December 1939;

> 'what we require is a [danger] level that takes into account stock on the farms and which varies monthly according to the season of the year'; '. . . it is our business' the Minister wrote, 'to determine the minimum quantities of food that we must have; such quantities must have precedence in loading over all other imports into this country. *But these quantities must be the minimum.* Men at the front cannot be deprived of munitions to enable us to build up further security stocks of food . . . and it is very difficult for us to be honest with ourselves as to the extent of this minimum. But we can try . . . '.
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> . . . 'I want', he went on, 'to define precisely the extent of the risk that we can take and this is information that the Department must give to me in order that I can obtain the shipping that is necessary for us to do our job'.

The complete candour for which the Minister called was, in fact, seldom if ever forthcoming from any Supply Division. Rightly or wrongly his advisers felt that they would be held responsible for any breakdown in supplies, and hedged their bets accordingly. Thus in early 1942, when the Minister was still insisting that 'we have a "cushion" of wheat stock between our bare needs for security purposes and our present supplies', that 'the public must have variety', and that Lend /Lease foods should be brought over even at the cost of a reduction in the size of the wheat cushion, the Department was laying stress on the wheat stocks position and crying out for extra tonnage to relieve

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[1] In Vol. I (p. 261, n. 1) a gross underestimate was quoted, namely 300,000 tons over the four months January-April. It now appears that this was revised upwards very considerably during the discussions; nevertheless the amount delivered over the five months January-May (854,000 tons) exceeded the paper expectations by rather more than the 200,000 tons in question.

it. And it was the view in support of which the impressive mass of statistics could be marshalled, rather than the view based on shrewd but, in a sense, private judgement that prevailed. Indeed, the wheat situation was tackled by adopting both alternatives; shipments were accelerated and the rate of extraction raised.[1] (In May, when the position looked healthier, it was decided—against the wishes of the Ministry of Food Freight Department—that 150,000 tons of shipping should be transferred from wheat to 'non-bulk' Lend/Lease foodstuffs. How far this decision was actually put into effect it is difficult to say, for it seems there was ample tonnage on the North Atlantic run in the early summer for everything the Ministry could ship.)

The stock position continued to improve during the summer of 1942, aided not only by higher imports and the economy in wheat usage resulting from the increased extraction, but also from a fall in flour consumption from 100,000 tons to 95,000 tons weekly. (This was not expected to be permanent; it was thought to be due to the liquidation of consumer hoards of white flour bought in anticipation of the change to wheatmeal.) The future, however, looked grimmer than before; the War Cabinet's Shipping Committee, set up in April 1942, was busying itself with a number of disagreeable expedients that might have to be adopted if certain hypotheses about future imports were fulfilled: some were arguing, at any rate privately and unofficially, that the Ministry ought to embrace at least some of the expedients by way of moral exercise. In the end these further essays in austerity boiled down to two, so far as cereals were concerned: running down of stocks to the minimum level at end-June 1943, and the 'dilution' of flour with barley and oats.[2]

Such changes affected the size of the procurement programme rather than its pattern. The import of maize for animal feeding had stopped at the end of 1941 and was never able to be restored; during the second half of 1942 upwards of 100,000 tons was brought in on Lend/Lease, mostly for starch and glucose. Imports of wheat from Argentina likewise ceased, the United States having taken over the supply of coal to the *frigorificos* so that there was no longer any need for bulk grain as return cargo. The unshipped balance of the 1940 Australian contract, upwards of 300,000 tons at the end of 1941, was gradually worked off during 1942 by shipments to South Africa and the United Kingdom; no further commitments were entered into.

[1] One further influence in favour of raising the rate of extraction may have been the belief, emanating from the Lord President's entourage, that the 'official' estimate of imports was too sanguine and that a food programme amounting to no more than 10-10½ million tons might have to be contemplated. Discussions on this—the so-called 'trip-line' level of imports—took place and were reported orally to the Lord President's Committee towards the end of February; no record was set down in the minutes.

[2] Vol. I, pp. 261-270; below, pp. 613-616. The total expected saving, including that from counting flour consumption at 96,000 instead of 100,000 tons a week, amounted to 300,000 tons of wheat imports over the year ended 30th June 1943.

Thus the British millers' grist came to be composed of a varying blend of Manitobas and home-grown wheat, plus a temporary admixture of diluent grains. The level of wheat and flour imports, which in 1940 and 1941 had been some 6 million tons a year (ten per cent. or more above the pre-war average) fell in 1942 below 4 million tons.

CHAPTER XXX

The Politics of Procurement, 1943–48

I

DESPITE the sharp reduction in import requirements that resulted from the decisions of the spring and summer of 1942, the winter brought with it the customary anxieties about the wheat and flour stock position. Dilution with barley and oats was deferred till January 1943 by supply and technical difficulties;[1] allocations of shipping were, as usual, below the average requirements of the Cereals Division's programme; above all, the Minister, in contrast with his attitude in the early part of 1942, became anxious about the future:

> 'I should like', he wrote at the end of November, 'to see at least another three weeks' supply of wheat in reserve. We are going to have very anxious times in March and April of next year. I think the anxiety would be a great deal less if we were quite certain that the bread supply was going to be all right. I hope, therefore, that in arranging the shipping programme you will now give this early preference for wheat in spite of the size of our present stocks. I do not want to have the scramble that we had last year to get wheat into the country in the spring . . . I realise quite clearly that if we bring wheat, we shall not be bringing something else—but we must make ourselves absolutely secure'.

This incursion from on high embarrassed officials who had accepted the policy of running down stocks to minimum levels at mid-1943 and were moreover aware that the decreased reliance on imports had greatly enhanced the safety margin represented by a given stock reckoned in terms of total consumption:

> '. . . it is sometimes overlooked', wrote one, 'that what appeared a reasonable bulk stock to hold two years ago is now a pretty generous one in view of the fact that getting on for half our wheat supplies are home-grown. On the 21st November we had 910,000 tons of imported wheat in stock. The rate of usage of imported wheat is now only about 50/60,000 tons. At the worst, therefore, we had 15 weeks' millers' usage of imported wheat, although the total bulk stocks . . . represented only 9½ weeks in terms of flour consumption'.

[1] Vol. I, pp. 266-7.

(This, it need hardly be said, was not the voice of Godstone, which would have wanted to impose various qualifications, such as the need to maintain mixed grists and the preponderance of home-grown supplies in the eastern half of the country—the former of which nullified the advantage of the latter for mills on the east coast.) In any event, the Minister's wishes could only be met by a series of pin-pricks to the consumers of other articles (less sweets, dried fruit, golden syrup, and tea), *plus* a rise in the extraction rate to 87 per cent. or more. The lengthening of the rate of extraction would, the Minister was warned, 'weaken our bargaining power in that we should immediately be called upon to surrender an equivalent amount of shipping'. Various other disagreeable measures were mooted at this time, both inside and outside the Ministry, but the only change actually made was an increase in the admixture of barley and oats (which had just started) in flour from 5 to 10 per cent., made possible by a substitution of oats for some of the barley in beer.[1]

Towards the end of February 1943, however, the import prospects improved, thanks to American help on the North Atlantic route and the diversion of some British-controlled shipping from the Indian Ocean to the United Kingdom import programme by the express instructions of the Prime Minister.[2] An additional 250,000 tons of freight was allocated for wheat and flour, making a total of 1,900,000 tons from January to June 1943; this extra would, of course, all go to increasing stocks (unless consumption unexpectedly went up). In May victory over the submarine was suddenly registered; the rate of sinkings of food cargoes, which had been running at over 9 per cent. for the six months ended March 1943, fell to less than 1 per cent. in the summer quarter and thereafter.[3] For a time there were plenty of ships on the North Atlantic and little but wheat and flour to put in them; bulk stocks rose, in the six months ended 31st July, by just under 750,000 tons of wheat and 200,000 tons of flour. In addition, the biggest home harvest in history was expected. The change in fortune had found Godstone incredulous:

> 'If you went through the history'—wrote Mr. Rank on receiving notice of the extra shipping allocation, early in March—'of what we have been promised and what we have got in the past in this Division, I think you would feel the same as we do and what we all said when we read your letter—that it sounds lovely and we only hope we shall get it'.

[1] Vol. I, p. 268. There was renewed talk of bread rationing also (*ibid.* pp. 287-288).

[2] Behrens, *op. cit.* pp. 316-321, 353, 362-5. In the first half of 1943 American ships brought 1·63 million tons of imports to the United Kingdom. This was equivalent to about half the gains estimated to come from, as Miss Behrens puts it, 'transferring the crisis to the territories in the Indian Ocean area'.

[3] Vol. I, Table VIII (p. 396).

That quotation represents an epitaph on three-and-a-half years of shipping control, as seen by one of the largest users of civilian tonnage. Godstone had learned the hard way to put no trust in programmes or the promises of the shipping authorities[1], which it regarded as invincibly sanguine. It was this mistrust, rather than any paper calculations of danger levels, that caused it to watch stock levels jealously and emit cries of alarm long before they appeared statistically necessary. Henceforward the threats to wheat and flour imports were to be of a different kind, arising not so much from non-fulfilment of agreed loading programmes, or the short-term hazards of war, as from deliberate policies in which United Kingdom stocks became a matter of international moment. The country's breadstuffs supplies, hitherto a problem handled mainly on the technical plane, became more and more political in their implications.

II

The difference first became apparent in the Ministry of Food's dealings with Canada. In the spring of 1942 a further 120 million bushels of October and December futures had been bought, this time at 90 cents, the price to which the Canadian Government had raised the guaranteed price to farmers; given the lower rate at which the Ministry's holdings of Canadian wheat were being used up, this would cover it till the spring of 1943. Wheat had hitherto not been included in the commodities to be supplied under the 'billion-dollar gift', but the Canadian Mutual Aid[2] Act comprised 'any agricultural product' and it was eventually ruled that this phrase covered wheat and flour. Lively anxiety was felt in Godstone lest this should mean the closure of the Winnipeg Market and the loss of the services of the competitive exporters in moving the grain to seaboard; as the Canadians had been told in 1940, and again in May 1942, 'the Cereals Imports Branch . . . hesitates to experiment with the delicate trade mechanism'.[3] Elsewhere in the Ministry of Food there was less disposition to suppose that the Canadians would not, or could not, provide a satisfactory substitute; indeed, by 1943 at any rate it was thought by some people that Godstone had gone rather far in instructing the Dominion Government how to conduct its business. By May, when a further supply of wheat futures was required, the Canadians had announced no decision about the Winnipeg Market;

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[1] Vol. I, p. 166, n. 2.

[2] Canadian Statutes, 7 Geo. VI. ch. 7: 'An Act for Granting to His Majesty Aid for the Purpose of Making Available Canadian War Supplies to the United Nations'.

[3] These views had been made public in Canada in July 1942: Canada, House of Commons Standing Committee on Agriculture and Colonization, Minutes of Proceedings and Final Report No. 9, Wednesday, July 22, 1942.

meanwhile the pressure of demand had, for the first time, forced the market price there above the Wheat Board's 'support price' of 90 cents, and the October future stood at about a dollar a bushel. In these circumstances the Board's holding of wheat had shrunk, and it could not offer the Ministry more than 40 million bushels, and this, moreover, at the market price. When Godstone pointed out that previous purchases had been above the market and that it was now the Board's turn to make a concession, the reply was that the Board was the farmers' trustee and was therefore not in a position to sell their wheat below the market price. 40 million bushels might be[1] as much as the United Kingdom needed just then, for storage space was expected to be full by the end of July 1943 and thereafter shipments would have to be limited to the amount needed to cover current usage (put then at about 70,000 tons of imported wheat per week) and there was even some hope that with these restricted shipments the market might fall in the autumn. There was, of course, no question of shortage; the carry-over into 1943–4 was expected to break all records, the increase for Canada alone being of the order of 250 million bushels.

The Ministry appeared to be in a cleft stick, and even Mr. Rank's advice lacked its usual confidence: 'we feel we are in a very awkward position and we have very little alternative' [than to buy at market price], he wrote on 24th May. Eventually it was decided that the Treasury should approach the Canadian Treasury on general anti-inflation grounds; but although Mr. Ilsley, the Finance Minister, was reported to be very angry because he had not been consulted before the Wheat Board made its offer, the offer could not be improved upon; the position of the board as farmers' trustee was reiterated. Early in June the 40 million bushels were taken, at a dollar. The Canadians agreed, however, that no public mention be made of the deal; this was a relief to the British, who ever since the conclusion of the International Wheat Agreement of 1942 had been resisting disclosure of the prices paid to Canada for bulk purchases, lest they have the ultimate effect of putting up the minimum price for wheat after the war.[2] In August the Wheat Board came forward with another offer, 20 million bushels again at market price, which had now risen to 110 cents. Godstone still thought the price would fall in the autumn and after some discussion the offer was apparently allowed to lapse. This proved to be an error of judgement, for prices continued to rise and had reached 120 cents when, on 27th September, the Canadian Government closed the Winnipeg Exchange. The 'initial advance' payable to farmers was thereupon fixed at $1·25 a bushel, compared with the previous guaranteed price of 90 cents. Though the move

[1] Godstone's advice on this point fluctuated; at one point it talked of taking as much as 60 million bushels.

[2] Vol. I, pp. 353-355.

had long been on the cards it was in the event a surprise to the Ministry of Food and certainly to the Canadian grain trade.

The Canadian Order in Council,[1] dated 12th October 1943, by which the decision was legally effected, carried a preamble making it clear that Ottawa's hand had been forced by the rise of market prices above the Wheat Board's guaranteed price. Mutual Aid had made the Canadian Government the principal buyer of wheat for export, while it was simultaneously acting 'through the Canadian Wheat Board as the farmers' selling agent, thus placing dual and opposing responsibilities upon the Government which it is desirable to avoid'. The conflict of duties had been latent so long as the market remained depressed and the Wheat Board the sole buyer in quantity, so that the Canadian Government was able to fix the price of wheat for export—and hence the rate of expenditure of Mutual Aid funds—while allowing outside transactions to continue. In effect the floor price for the Canadian farmer had served the Canadian Treasury as a ceiling; and directly it ceased to be the one, it was also useless as the other. In sheer self-defence the Canadian Government had to turn the Wheat Board into an engine of price regulation, by giving it full powers over the marketing and disposal of wheat. At the same time all existing stocks of wheat were taken over on behalf of the Crown in Canada.

Why, given the huge stocks of wheat in existence, had the market risen in the way it had, confounding what appeared to be unanswerable reasoning on the part of Godstone? The key to the problem appears to be the congestion of internal transport in North America, particularly along the Great Lakes. When this had first made itself apparent in the spring of 1943, it had been counted on as a factor restricting the sale of Canadian wheat to the United States for animal feed: the Commodity Credit Corporation, which was the sole buyer of wheat imported into the United States, was seriously concerned about this restriction, and towards the end of May put forward the first of a series of embarrassing suggestions by which the British could help to end it. The priority given to iron ore for Great Lakes tonnage, coupled with the heavy wheat shipments being made to the eastern seaboard *en route* for the United Kingdom, was squeezing out movements of animal feed badly needed in the eastern United States; could not the British help by exchanging Manitobas, say at Buffalo, for equivalent quantities of American hard winters, f.o.b. Galveston, Houston, or New Orleans? This suggestion was unwelcome for a number of reasons: the quality of the National loaf, already debased by dilution, would suffer; extra shipping would be required that might have to come out of the sugar programme, and there would be

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[1] *Canadian War Orders and Regulations*: Order in Council, P.C. 7942.

difficulty in finding suitable cargo on the Northern Range in lieu of wheat. Moreover, in the view of the Cereals Division's technical experts and their Montreal agents, the firm of Thomson and Earle, the whole switch was unnecessary. There was no good reason why the American authorities should not move wheat from the Gulf to the eastern states by sea; if port accommodation was an obstacle the British could help by exporting through the St. Lawrence instead of United States ports.

The proposal that the United Kingdom should take wheat from Gulf ports foundered on opposition from both British and American shipping authorities; but the pressure to reduce shipments of Canadian wheat on the Great Lakes by cutting down imports into Britain during the late summer did not diminish. The Ministry of Food had already agreed to release 50,000 tons of Lake shipping in July, in return for an equivalent tonnage of Lend/Lease 'non-bulk' foodstuffs; in August the War Food Administration and the War Production Board made a formal request that shipments of grain to the United Kingdom *via* the Great Lakes be reduced by 3,000,000 bushels, or about 80,000 tons, a month for the remainder of the season. This was defended on the ground that the British ought to share in the cut that was to be imposed on Lakes grain shipments in the interests of steel production, which was said to be threatened by short shipments of iron ore. In relation to iron ore movements, reckoned to be of the order of 86 *million* tons over the season, the pruning by one third of United Kingdom grain shipments that *in toto* accounted for one per cent. of Great Lakes tonnage movements might be counted hardly worth while, and this was the robust view that Godstone would like to have seen taken. But the American food authorities had (it seems) given away the British case along with their own, and the British Food Mission in Washington was not well equipped to argue with them. It had no cereals expert on its staff, for Mr. Rank had always, hitherto, kept the reins in his hands; hence there was no one on the spot who could be at once technical and tough, day in, day out (as there was for sugar, for instance). Lacking this stiffening, the Mission tended to fall back on general considerations of statesmanship. It were fruitless—so the argument always was pressed on London in such circumstances—to inquire into the reasons why the Americans had got themselves into difficulties; the important thing was to help them, promptly and magnanimously.[1] The fact that this invariably meant a sacrifice by the partner having less resources but better organisation was part of the fortune of war.

Throughout August London fought a rearguard action on this question. Time was bought by taking credit for a reduction in

[1] Cf. the passage from Mr. Eric Roll's book already cited apropos of meat (above p. 250, n. 1).

September shipments of roughly the desired monthly amount (85,000 tons) which was imposed by the shipping authorities for reasons of their own. An attempt was made to make any further concession conditional on supplies being at least partly made up from other sources, and detailed calculations were adduced to show that otherwise the stock position in the spring of 1944 might become 'dangerous'. Meanwhile the feed-grain situation was reported to have become critical, not only in the United States but in Eastern Canada; the Canadians, who had hitherto been unwilling to take sides in the argument about Lakes tonnage, were now anxious that the United Kingdom reduce its demands provided the relief went to them. In these circumstances Lord Woolton decided, in response to a renewed 'political' appeal from his Washington representative, to surrender a further 200,000 tons of wheat, unconditionally, during the remainder of the season. After all these transoceanic debates it surprised the Ministry to learn casually in mid-November, from Canadian official returns, that Lakes movements of grain up to the end of October 1943 had been almost a record—60 per cent. greater than in 1942: 'the bottleneck has only been in relation to demand and not in relation to the normal movement'. The influence of transport difficulties in restraining a rise in the price of Canadian wheat had thus been over-estimated.

III

In the arguments about Canadian wheat supplies the newly-established Cereals Committee of the Combined Food Board had so far played a subordinate part, for all that the growing competition for them and consequently for internal transport in North America had been a main reason for setting up this Committee. (Another was the need to mobilise flour-milling resources to meet the enormous demands expected for Relief, in pursuit of which there had been set up a Cereals Sub-Committee of the London Food Committee.)[1] With the admission of Canada[2] to the Combined Food Board, and the consequent appointment of Mr. George McIvor as chairman of its Cereals Committee, that body for the first time acquired the authority that comes from expert leadership.[3] In December 1943 it was resolved—not without a faint outcry from the Ministry of Food's

[1] For this body, see Vol. I, pp. 240-247.

[2] Roll, *op. cit.* p. 141.

[3] Pending a decision on the admission of Canada to full Board Membership, Ottawa had been unwilling to send more than an observer to the Cereals Committee meetings.

A trade expert from Cereals Division, Mr. R. A. Furness, was sent out to be the British member of the Committee and the cereals specialist on the staff of the Mission in Washington. Roll, *op. cit.* pp. 144-6.

cereals officials who thought the London Committee should rather have been given the job—that wheat, as a commodity 'potentially in short supply', should be made subject to allocation by the Combined Food Board.

Mr. McIvor's Committee thereupon began a very deliberate examination of the problem. It was faced initially by a demand that American requirements of Canadian wheat for animal feeding and stock-building (put initially at 175 million bushels in 1944, or half the amount that could, it was throught, be moved that year) should be met in full at the expense of diverting claimants for human consumption, namely the United Kingdom and Relief supplies, partially on to wheat of inferior bread making quality on a longer haul. This would have been to perpetuate the loss of Manitobas to which Lord Woolton had agreed as a temporary measure the previous autumn, and the British naturally objected strongly. The United States authorities, however, would abate their claim by no more than 5 million bushels, and successive recommendations by the Combined Food Board (No. 135, of 13th April 1944, and No. 160, of 3rd August) satisfied the United Kingdom only because the Canadians were able to make more wheat available (395 as against 350 million bushels). While acquiescing in the allocation, London thought it improvident and would have liked to see instead some curb on the United States' use of wheat for animal food and industrial alcohol. Ever since the Hot Springs Conference in May 1943 the Ministry of Food had been developing and strengthening its conviction that the world food shortage to be expected after the war would not exclude breadstuffs.[1] This view, for all that it turned out in the long run to be right, was difficult to argue convincingly in 1943 and 1944, the more so after yet another bumper North American harvest: for although official estimates of European relief requirements were 'astronomical'—a figure of 10 million tons of wheat and flour in a single year was mentioned—qualified judges within the Ministry of Food itself discounted them as being beyond the capacity of war-damaged ports to handle. (Moreover, the Ministry's estimates of the minimum end-of-season wheat carry-overs required in the main exporting countries to secure continuity of flow, were, like those laid down in the draft Wheat Convention of 1942, far higher than past experience would justify.)[2]

Indeed, the short-run position for wheat supplies so improved during the second half of 1944 that the Americans began to talk of abandoning Combined Food Board allocation.[3] The contrary view was taken by the Canadians and British, and in consequence a

[1] Vol. I, pp. 249-50, 354-5.

[2] Vol. I, p. 356.

[3] Roll, *op. cit.*, pp. 146-7.

further allocation (Recommendation No. 169 of 20th January 1945) was made for the first half of the new year. As late as May 1945 the Cereals Committee was still of the opinion that for transport reasons alone allocation should be maintained throughout the year. In June, however, the Committee resolved, at United States instance, that formal allocation be replaced by 'programming' of wheat movements. The difference was more verbal than substantial, for the Combined Food Board had at no time attempted to control wheat usage in the interests of conserving supplies; but the move was a curious one to have taken place on the eve of a world cereals crisis, and it is not surprising that, as Mr. Roll says, 'the Committee's action was widely misunderstood and was regarded as having ended an epoch in the C.F.B's work. As the cereals situation deteriorated in the following months, this "abandonment" of allocation was frequently blamed for a major share of the resulting difficulties'.[1]

IV

During the last two years of war the anxieties of the Ministry of Food over current wheat and flour supplies were nowise diminished, though they were of a different character. Concern about the stock level had, if anything, increased as the proportion of home-grown wheat rose, and with it the real margin of safety represented by stocks equivalent to a given number of weeks' consumption. Unlike Sugar Division,[2] those in control of cereals had made little attempt to allow for this in their calculations of the *minimum prudent level* to which stocks might be allowed to fall. Indeed, they had successfully resisted the efforts of an internal Ministry committee, in the autumn of 1943, to compute such a level for wheat and flour on a basis comparable with that being set for other foods. The original thirteen weeks' desirable minimum end-of-season stock, reaffirmed by the War Cabinet in December 1939, had become transformed, as a result of an inquiry intended to put those matters on a firm and readily-defensible footing, into an all-the-year round desirable minimum of over sixteen weeks' total consumption. The Commodity Division maintained that to let wheat stocks fall below 1,200,000 tons would be 'imprudent', and that milling stood in danger of interruption should they fall below 850,000 tons.

The latter assertion will not bear analysis[3] and in consequence the former was no more than an unsupported expression of opinion.

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[1] Roll, *op. cit.*, pp. 267-8.

[2] Above, pp. 43-44.

[3] Vol. I, pp. 276-81.

Indeed it is doubtful whether anyone outside the Division put any faith in it. Yet it constantly dictated the Ministry's policy in those years. It helped to delay the reduction of the extraction rate for flour below 85 per cent., in despite of the wishes of the Minister of Food (Col. Llewellin) and Mr. Churchill. It gave rise to a degree of caution over commitments for short-term relief supplies which was quite disproportionate to the quantities at stake. More generally, it evoked a constant state of premature anxiety within the Division that was not the best atmosphere in which to form decisions and frame recommendations. Its defence against outside criticism—which frequently had to be undertaken by unconvinced colleagues elsewhere in the Ministry—was perhaps in consequence more arduous than it might have been.

To say that the Division had more cards up its sleeve than it thought it had, or than it needed to have, is not the same thing as saying that the Ministry of Food should have put them all on the table. Some of its critics—British as well as American—undoubtedly thought this at the time, and their views have been echoed by the official historian of merchant shipping.[1] The [stock] figures, says Miss Behrens, 'defied rational analysis and therefore provided a target for attack'; this much may indeed be admitted. What is by no means certain is that what she calls 'properly computed', *i.e.*, lower, figures would not have been attacked also. The Anglo-American argument about food stock levels was not an academic debate, in which the Ministry of Food might rely on the maxim *Magna est veritas et praevalebit* in defence of its position. It was an argument in which the United States authorities were constantly invoking the very existence of British stocks as a reason for avoiding some action on their own part that would be unpopular or awkward to carry out. It would show crass unawareness of the American political scene if one were to underestimate the difficulties driving the Administration thus to take the line of least resistance; certainly the Ministry of Food was sufficiently briefed about them by its Washington Mission. The fact, however, remained that the processes by which food and shipping were allocated were essentially bargaining processes, and your bargainer has to have something in hand; the more so if, like the commodity directors of the Ministry of Food, he has to do his bargaining by proxy and cannot be sure that something will not be given away on political grounds. On this showing it would have been imprudent, to say the least, for the Ministry to disclose its hand fully, if only because the other side would not expect it to do so and would discount any statement accordingly.

It would be wrong to suggest that the Cereals Division itself was actuated primarily, if at all, by such tactical considerations. To the Division the minimum levels it had successfully defended against its

[1] Behrens, *op. cit.*, p. 413.

colleagues' own criticisms were genuinely sacrosanct. Pressed, its members might have privately admitted that they were not necessary against the perils specified by the stocks inquiry, such as delays in shipment or breakdown of distribution. But they would have added that there were other perils less specific and more remote, against which it needed to be sustained; the coming world shortage of grain, relief demands of uncertain and possibly huge extent, and last but not least, the propensity of the Americans to treat British stocks as expendable. Time and again the Division had built up its stocks to what even it considered a safe level, only to have them run down within months through accident or design; time and again, also, it had found assurances that shipping would be provided in accordance with programme to be hollow. After these experiences one cannot wonder that it should carry defensiveness to the limit.

During 1944, however, any anxieties for stocks proved baseless. Expectations that the invasion of Europe, while it was being mounted and sustained, would sharply reduce the port capacity available for civilian traffic in the second quarter of 1944 proved to be exaggerated.[1] Even so Cereals Division proposed at one time to cancel its short-term military relief commitments[2] on account of short shipments expected in May, June, and July. Later in the summer, as usual, wheat imports improved, and by September wheat stocks alone had reached 1,500,000 tons; Godstone, which in May had talked of mills being in danger of stoppage, complained that its stores were full—'after shipping the September programmes we cannot import more than our usage'. In the light of that remark, 1,200,000 tons clearly appears as an optimum rather than a minimum stock figure; but it was reaffirmed as the latter after informal Ministry argument in September 1944. (As the extraction rate was due for reduction in early 1945, and flour off-take had risen to 104,000 tons a week, the number of weeks' supply represented by this tonnage would in future be diminished slightly.)

In the last months of 1944, however, the United States Services, without prior consultation with the British, diverted a large number of merchant ships to the Pacific theatre of war. In consequence, 'All the British programmes had to be cut'[3] and cereals did not escape; November landings had to be reduced by about 70,000 tons, or half the total cut for that month. (The Ministry of War Transport had tried to put the whole of it on cereals, but—more perhaps as a matter of principle than of actual need—the Ministry of Food had successfully stood out for a fifty-fifty split with the Supply programme.) End-year

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[1] At one time it was being said that total civilian imports in the quarter (of which food accounted for roughly half) might not exceed 1½ million tons a month. Behrens, *op. cit.*, p. 399, n. 1.

[2] Vol. I, pp. 278–80.

[3] Behrens, *op. cit.* p. 410.

stocks were still not below the minimum required by Divisional prudence. This level was once again sustained in a fresh Anglo-American stocks enquiry, undertaken in the second half of January 1945. Indeed, the Division attempted—partly on the ground of the lowered extraction rate—to make out that the minimum *working* stock of wheat ought now to be 1,000,000 tons (compared with 850,000 tons in 1943)—and was very indignant with Import Plans Division when the latter, for the sake of agreement with the Americans, shifted 100,000 tons from the working stock into the 'prudent margin', leaving the gross total untouched.[1]

The agreement, however, was stillborn by reason of the breakdown of the Combined Food Board machine and the consequent Ministerial Mission to Washington at the end of March 1945.[2] In the tripartite discussions that followed cereals played a minor part, and the United Kingdom's stocks of them were not even mentioned in the Memorandum of Understanding of May 1945 that resulted. Nevertheless the Americans made clear their opinion that the end of the war in Europe, coupled with relief demands, called for a reduction of the wheat and flour stocks in particular, and the Ministry had to undertake yet another appraisal. In the interval it had experienced a shortage of shipments on the Northern Range, resulting from misallocation of wagons on the American railways that had made it impossible to maintain regular wheat movements to the ice-free Atlantic ports. Following upon disorganisation by severe weather, the United States Services had demanded and obtained priority for wagons regardless of other claimants and in despite of the Combined Food Board Cereals Committee. In April the Ministry had described its wheat stock as 'dangerously low'; the position was thereafter rectified, thanks to an early opening of the St. Lawrence. The lowest level that stocks had reached was 899,900 tons, of which 243,000 were home-grown. The difficulties that were expected in keeping mills going did not arise:

> 'we got through', the Division noted later, 'without having to make extraordinary or uneconomical hauls. At that time we did run 3 trains weekly from Liverpool to Sheffield, but this was mainly to relieve the Liverpool elevators when they were landing the ore carriers which carried about 21,000 tons of bulk wheat each . . .
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> On the evidence, therefore, we have no arguable case. With stocks at 900 [thousand tons], however, there were obvious signs of strain, and I would say that a continuance at this level would have soon put us in difficulties'.

[1] A 'supplementary margin' of 50,000 tons was even added on at this time to cover 'customary war-time irregularities of arrivals'.

[2] Vol. I, pp. 250-254; Roll, *op. cit.* pp. 197-210. For the effect of the tripartite discussions on sugar, meat, and oils and fats, see pp.50, 268, and 489 of the present volume.

The 'ore carriers' referred to were recently converted vessels lent by the Americans that had been brought into service on the North Atlantic, with the reluctant assent of the Division. Liverpool (apart from London, to which the shipping authorities were reluctant to send them)[1] was the only port, it seems at which these ships could discharge. Their employment was the latest example of the inflexibility which was imposed on the Ministry of Food's shipping arrangements by war conditions and which compelled the holding of larger working stocks overall as an insurance against the arrival of cargoes in ports other than those in which they were wanted. What is not clear is whether this inflexibility was not itself in part at least the result of the shipping authorities' unshakable belief that Ministry of Food stocks were over-ample. The Ministry, at any rate, used the experience to justify a claim that 1,000,000 tons of wheat was a minimum working stock 'to ensure that bread supplies are not jeopardised'.[2] This was represented as a reduction from the 1,200,000 ton 'minimum war-time levels', made possible by the end of the European war: in fact, from the context it appears rather as a reiteration of the position Cereals Division had taken up in January 1945. The figure of 1,000,000 tons was regarded as something other than merely prudent, indeed, the words *minimum prudent level* were no longer used.

So swift was the recovery of wheat shipments from Canada, once the St. Lawrence was open, that special measures had to be taken in United Kingdom ports to get the cargoes unloaded; 660,000 tons were shipped in the month of July alone. In spite of some cargoes being diverted to meet urgent needs on the Continent, and the release of 200,000 tons of wheat to SHAEF, Ministry stocks at the end of August 1945 were as high as they had been a year earlier, nearly 1,600,000 tons. Cereals Division, however, continued to look anxiously into the future, and, so far as flour stocks were concerned, at the present. Shortage of wheat, though it appeared to loom ever nearer, was still prospective; shortage of flour was actual.

Procurement of imported flour had been difficult ever since the cereal year 1943–4, when demands both for Russia and for Relief stocks competed with the United Kingdom for a limited Canadian milling capacity. The inquiry under the auspices of the London Food Council had revealed that little expansion was possible in Canada because of a shortage of labour, and although every effort was made

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[1] Lord Leathers explained why to Colonel Llewellin on 30th March 1945. 'The diversion of the large ore carriers to the East Coast might lead to their withdrawal by the War Shipping Administration who have made them available to us on the understanding that the highest rate of turnround will be maintained'.

[2] Mr. Rank had written to an 'official' colleague on 10th April: '. . . when we get to the 9th of May in London the mills will have one month's stock . . . if we are very lucky it will be all right and it is quite possible one or two of the mills may be stopped for a little time, but I don't know that that will be a bad idea if it is not for too long. We shall probably get a little more of our own way with M.W.T. some other time'.

to increase production for export, it was still, at the end of 1944, about ten per cent. short of the minimum paper needs—put at from 105,000 to 110,000 tons. An attempt to bridge the gap by re-opening a large mill at Calgary, the property of the English firm of Spillers, broke down because terms for its acquisition by, or operation on behalf of, one or other Government could not be found that were acceptable to the firm. (Even so, it is not clear where the labour to operate the mill would have been found.) The Ministry of Food became so anxious about its prospective flour stocks at the end of June 1944—they were forecast at 400,000 tons, as against a minimum prudent level of 650,000 tons—that it negotiated an arrangement whereby the United States War Food Administration shipped American-milled flour to the United Kingdom to form a special relief stock held under W.F.A. lien. It also obtained sanction to buy flour, as well as wheat, in Argentina, although Argentine flour was considered to be of poor quality: upwards of 100,000 tons was bought in the cereal year 1943–44 and at one time in the summer of 1944 as much as 6,000 tons a week was being admixed with home-produced straight-run flour. British requirements of imported flour, however, continued to increase, as production of home milled flour declined; by September 1944 it was running at 82,000 tons a week, more than 20,000 tons a week below the level of consumption. Various reasons were adduced for the decline: damage by flying-bombs in 'Southern England', 'tiredness of labour', and wear-and-tear of the mill machinery after years of continuous three-shift working.[1] Output would of necessity fall further as the extraction rate was reduced by stages over the winter from 85 to 80 per cent.

The United Kingdom therefore requested that United States flour be supplied on Lend/Lease. The War Food Administration would have been willing for this to be done out of the surplus held by the Commodity Credit Corporation—the same source that had provided the 'W.F.A. lien' flour—but the Foreign Economic Administration, which had the task of determining the eligibility of exports for Lend/Lease funds, jibbed at the expense, suggesting instead that Canadian wheat be milled in the United States for the United Kingdom, the cost to be borne on Lend/Lease. In January 1945 the Combined Food Board endorsed[2] a recommendation from its Cereals Committee that, *inter alia*, 260,000 tons of flour required by the armed forces overseas in the British sphere of influence should be supplied direct from the United States, so as to avoid a draft on United Kingdom stocks and a consequent default on the British relief commitment outstanding. Action on this recommendation was delayed

[1] Below, pp. 745-747.

[2] C.F.B. Recommendation No. 169; Roll, *op. it.* p. 146.

and in consequence the United Kingdom had to divert some Canadian and Argentine imports and itself draw on stocks. By the end of May 1945 they were down to 400,000 tons; nor was there any prospect of improved shipments, as there was for wheat.

In May a renewed request was made to the United States authorities for 150,000 tons of flour on Lend/Lease to meet 'pressing needs', and this was followed by a request for 302,000 tons, to cover the estimated needs of the 'L.F.C. Countries' and the forces overseas in the second half of 1945. But the Foreign Economic Administration was still intent on its plan for milling Canadian wheat in United States mills. It was left to the Canadians to give this, 'one of the F.E.A.'s woolliest schemes', its quietus, at the beginning of July. Meanwhile United Kingdom flour stocks were at a level that Cereals Division regarded as 'perilously low', i.e. below 400,000 tons; the Ministry of Food decided, and the Treasury reluctantly agreed, that the minimum immediate requirement of United States wheat must be bought if they could not be secured on Lend/Lease. To the British Food Mission the procrastination of the Foreign Economic Administration appeared as 'premeditated', designed to enforce stock reductions on the Ministry of Food to a level the Americans considered reasonable. 'Their prejudices', the Mission told London flatly, 'have unfortunately been confirmed by [the] fact that Ministry has in [the] past cried wolf too frequently and what is more important too soon . . . Americans will argue their case has been proved right since your flour stocks have fallen below your minimum level of 500,000 and even 400,000 without acute difficulties'. Higher authority in the Ministry was in fact now ready to adopt a 400,000 ton minimum stock level for flour, subject to revision if it turned out to be insufficient.

In all 150,000 tons of flour were bought for cash that autumn through the agency of the Commodity Credit Corporation;[1] but though the need was represented as urgent when the order was placed late in August, procurement gave some difficulty, for supplies in the United States were short. Indeed, but for the good offices of the C.C.C. the Ministry recognised that it might have got no flour at all. Various complications ensued, but by dint of a switch with the United States Army, which agreed to release some 50,000 tons of flour in exchange for an equivalent quantity of wheat, the whole was lined up for shipment during October. In spite of the months of delay, however, no more was heard of the parlous state of United Kingdom flour stocks. It seems that production from the home mills could after all be stepped up.

[1] The F.E.A. had agreed to supply 30,000 tons, urgently required for the forces, on Lend/Lease; but these were still undelivered when the war with Japan ended and with it all Lend/Lease shipments. The Americans agreed that the requisition be cancelled and the 30,000 tons added to the purchase through the C.C.C. which would then rank for an export subsidy, as 'pipeline' Lend/Lease supplies would not.

V

It might be said that the Ministry of Food had cried wolf yet again. Now, however, the wolf was really at its door; the breadstuffs crisis, which it had forecast two years earlier, broke in the autumn of 1945 as if out of a clear sky.[1] In September 1945 an estimate for the cereal year ending 30th June 1946 was drawn up within the Ministry in which it was calculated that if the big four exporting countries—Canada, the United States, Australia, and Argentina—would each run down its stocks to the minimum recommended in the draft international convention of 1942, they could together make available some 24 million tons of wheat. But even this amount, fabulous by pre-war standards of international trade, would be perhaps 3 millions short of the stated requirements of importing countries, including the occupied enemy states. The Ministry thereupon secured from the Lord President's Committee an endorsement of its view that the requirements of the United Kingdom and the liberated territories should nowise be reduced for the benefit of occupied Germany. This thesis it prepared to argue at the Combined Food Board Cereals Committee, now enlarged to include the 'Paying Allies'.

In the Committee there ensued a long argument about the resumption of six-monthly allocation for cereals, which had been requested by the Emergency Economic Committee for Europe in September 1945 and turned down, as insufficiently flexible, by the Board itself in November. Behind the argument for flexibility lay the knowledge that the majority of claimants had no firm statistical foundation on which to base their claims and that a *proportionate* scaling down of all claims, which would be virtually the only way to make an allocation, would operate to the detriment of the minority whose claims could be substantiated, the British in particular.[2] Moreover, the other members of the Combined Food Board, Canada and the United States, did not wish to yield up control over the destiny of their own produce. U.N.R.R.A, on the other hand, continued to press for allocation, as the only means by which the countries for which it was responsible might get sufficient supplies; a view which seemed the more justified by the severe scaling down (almost 50 per cent.) that the Cereals Committee applied to U.N.R.R.A's demands for the first half of 1946. The Committee defended its action by reference to the swift and entirely unsubstantiated rise shown by these demands—from 1·25

[1] Roll, *op. cit.* pp. 269-278.

[2] Some members of the Ministry of Food were doubtful about this policy of 'enlightened self-interest': 'the present policy', one wrote, 'amounts to behaving internationally when it suits us (e.g.meat) and not otherwise (e.g. wheat and flour) . . . At the present moment [Nov. 1945] we are not only getting all the wheat we want but are using our position to obtain maximum supplies from the cheapest source—Canada at $1·55 . . .'

million to 4·2 million tons over three or four months. Thereafter the argument was mainly conducted on a monthly basis; 'the Board', says Mr. Roll,[1] 'managed to piece together shipping programmes for April, May, and June [1946] which prevented a breakdown and tided the situation over until the new North American crops came along'.

Meanwhile the United Kingdom's stock position had been further undermined by the development of a cereals crisis in Germany, whose status as an occupied country for which the Allies were directly responsible lent itself to more forceful and direct advocacy than was possible for the countries represented by U.N.R.R.A. or even the 'Paying Allies'. The notion, originally held by the United States occupying authorities, that Western Germany should be able to feed itself once the 1945 harvest was in, had to give way before the difficulties of getting grain off farms and distributing it through a ruined transport system. Even in terms of a nominal consumption of 1,500 calories per head per day by the Germans (roughly half the British average), 2 million tons of wheat were reckoned to be required before the 1946 harvest. In August 1945 the Combined Civil Affairs Committee, representing the three Western zones, requested the Combined Food Board to allocate 500,000 tons for the last three months of 1945 and the Board made an interim allocation of half of that amount. The British zone's share would be 112,500 tons (45 per cent.) and this not very large amount was to be procured by the Ministry of Food in Canada.[2]

It was, however, too late to move the extra wheat to seaboard, or to ship it thence to Germany, during the month of October. The only alternative was to take the wheat out of United Kingdom stocks which at the moment could spare it. But Cereals Division was already worried about the low shipments that, it had been warned, would be coming from Canada during the winter; the home crop in 1945 was well below the peak levels of 1943 and 1944, flour usage was rising, and all in all it looked as if bulk wheat stocks would be below 800,000 tons by the end of May 1946. It was in those circumstances that Ministers had been asked to rule that Germany should not be fed at the expense of other claimants. At the same time the 'big four' exporting countries were formally asked for assurances that they would bend their efforts to relieve the deficit in bread grains. The receipt of such assurances appears to have been regarded by the Commodity Division as being a *sine qua non* of any release of stocks for the benefit of the British zone. But on 30th October the Cabinet, in response to an appeal from Field-Marshal Montgomery, in which he prophesied 'famine conditions to an extent which no civilised people

[1] *Op. cit.* p. 277.

[2] An attempt to get the Canadian Government to pay part of the cost failed.

should inflict upon their beaten enemies', sanctioned the diversion of the 112,500 tons from stock or cargoes afloat. As there was no prospect of replenishing stocks from Canada, it was decided that wheat sufficient to do this, and provide a further 112,500 tons required by the British zone of Germany before the end of 1945, must be bought in the United States.

By this time, however, the situation in the British zone had deteriorated; it was now said to require 460,000 tons (compared with the original 225,000 tons) of wheat before the end of 1945, and 150,000 tons a month thereafter. The amount to be bought in the United States was duly stepped up to 500,000 tons (up to the end of February 1946); but though no difficulty had as yet been encountered in getting the United States' consent to these purchases, procurement lagged behind schedule; up to January 1st only 120,000 tons of American wheat and 30,000 tons of American flour had been bought for Germany. So far from replacing the 112,500 tons of wheat taken from stock, the United Kingdom had released from stocks 50,000 tons of (80 per cent.) flour, and 50,000 tons of barley, and diverted to Germany a further 16,000 tons of American flour. Even so, the demands for grain were still rising.

In January 1946 and again in March Sir Ben Smith, the Minister of Food, visited Washington to discuss the cereals crisis. On each occasion the object of his visit was the same; to urge on the exporting countries action to meet the growing shortage and, conversely, to convince them that the limit of sacrifice by the United Kingdom had been reached. It was a thankless task from the outset; the exporters were in no need of exhortation to reduce carry-overs to the minimum, their problem being rather to get unprecedented quantities of wheat and flour moved to the places when they were needed: and they were incapable of being convinced that the British could make no further contribution. Indeed, this was obviously not so, inasmuch as the British Government had shown itself most reluctant to comply with the recommendation of the Emergency Economic Committee for Europe and restore 85 per cent. extraction. Some members of the Ministry of Food were themselves uneasy about the equivocation into which British policy seemed to have fallen: on the one hand appealing for international co-operation, on the other having reached an agreement with the Canadian Wheat Board under which more than two-thirds of wheat exports in each of the first five months of 1946 were earmarked for the United Kingdom, subject to their being lifted in the appropriate month.

It was thus something of an achievement for the Minister to have to accept only a cut of less than 10 per cent.—215,000 tons—in the United Kingdom's stated requirements for the first half of 1946; the more so as 112,500 tons of this was represented by the loan already made to Germany. The only immediate consequences were the restoration by stages of 85 per cent. extraction and the acceptance of a lower stock level at the end of June than had hitherto been considered safe; 775,000 tons of wheat *plus* 330,000 tons of flour. But the agreement had been barely made before it was undermined by increasing demands and diminishing export possibilities. The 'big four' exporting countries, represented on a special sub-committee set up by the Combined Food Board, were by this time thoroughly aroused and active: the United States put up the extraction rate from 70 to 80 per cent. and adopted various other conservation measures; Canada for its part reduced deliveries of wheat to millers by ten per cent., but was unwilling on technical grounds to put more acreage under spring wheat. On the occasion of Sir Ben Smith's March visit to Washington there was no further overt attack on United Kingdom stocks; instead, the United States authorities aimed at scaling down the allocations to India and Western Germany in order to give more for the 'U.N.R.R.A. Countries' and Japan. By mid-March the situation in the British zone was so bad that the United Kingdom was constrained to release another 75,000 tons of cereals from stock (some of it barley and whole-wheat flour) even though there could be little hope of replacement.

In April came another stage in the crisis. Mr. Fiorello La Guardia had recently become Director-General of U.N.R.R.A. and had found that grain supplies for the countries for which it was responsible were falling heavily behind requirements even as pruned by the Combined Food Board. He demanded emergency shipments amounting to 300,000 tons during the month of April, and on 10th April a full-dress meeting of the Board was held to consider the request. It reached no definite conclusion on that particular matter, but in the course of the discussions the British member of the Board announced that the United Kingdom was prepared to ration bread if the United States would do the same. That this announcement was immediately made public indicated its 'political' character. It had been made on Cabinet instructions, as a result of representations from the Embassy in Washington; 'we must', the latter had advised, 'avoid a *non-possumus* attitude, and make a constructive approach which will appeal to reasonable people . . . and can be defended *coram populo*'; to which London had on 8th April at first replied sharply 'we appreciate the urgency of the situation but it is unreasonable to expect Ministers to take snap decisions on long telegrams which they have not had a chance to study and which make no concrete proposals'. Unreasonable or not, such a decision was in fact taken two days later, on grounds that still remain a trifle cryptic. The Embassy in Washington had reiterated, on the 9th, the need for some diversions to be made from the United Kingdom import programme—'up to three or four ships this month' for U.N.R.R.A, and others for India and South Africa before 30th June—and suggested that these might be made the subject of bargain with the exporting countries. The Ministry of Food Cereals Division had dubbed these suggestions 'ridiculous' and declared that no more wheat could be spared: on the same day the British Food Mission cabled the news that Canadian farm deliveries were going badly and that shipments to Britain might fall short of expectations by as much as 600,000 tons over the five months ended 31st August. 'How can we agree to any diversion?'—wrote a despairing member of Cereals Division in the margin of a copy of the cable—'As it is we shall have to make further economies'. It may have been at this point that the Division made up its mind that rationing was inevitable and that there was no use going on fighting.

As for Ministers, they appear to have taken the drastic step of offering to ration in the belief that they were forestalling American action to compel them to do so. Whitehall had received secret advices that Mr. Clinton Anderson 'had decided to cut off all United States wheat from British sponsored programmes and thus force us to meet those programmes from Canadian supplies by rationing ourselves. This being so the attitude taken seemed to be the only reasonable one'. The British Food Mission's comment on this rumour—for it can have been no more than that—was that it was 'ridiculous'; that what the Americans wanted to do was to force a stock reduction and that there was no secret about this at all. Indeed, the American side of the Combined Food Board had made their position abundantly clear as early as February 1946, in comments on the British claim for supplies in the first half of the calendar year. Specifically, they had been able to show that the British figures assumed an increase in United Kingdom wheat consumption of 21 lbs. per head in 1946 as compared with 1945, equal to 320,000 tons of wheat in the first half-year, and that it was this increase which accounted for the greater part of the stock reduction over that half-year. Taking into account that quantities of wheat afloat would be greater in June than in January, the British position would in reality be no worse. An increase of United Kingdom consumption, or a maintenance of United Kingdom stocks at the end of December 1945 levels, was, said the Americans, indefensible. Over 90 per cent. of British requirements, at an extraction rate of 85 per cent., were under-written by Canadian shipments and home production. In these circumstances, they argued, 'shipments of wheat by the United States should not be so assigned as to support directly or indirectly the present high stocks in Great Britain at the cost of other claimants whose positions are incomparably more critical. Specifically, we should not ship wheat for consumption in the British occupied zone while Great Britain maintains such high stocks at home'.

It was, perhaps, a pity that this plain-spoken comment did not, apparently, get beyond the British Food Mission, if only to disabuse London of the notion that the Americans were somehow being deliberately unfair. In any case, for the British to ration bread might be, as Mr. La Guardia acknowledged, a 'very sporting proposition', but as a contribution to the shortage existing then and there it was meaningless; the machinery was not ready and even if it had been, any savings could only have a gradual effect. Indeed, the mention of rationing in advance of its introduction was calculated to provoke hoarding and increase flour 'disappearance', rather than the reverse. The United States Administration, which had already raised its extraction rate (though only to 80 per cent.) and was now prepared to make a cut of 25 per cent. in wheat supplies to the mills, rightly claimed that those measures were more effective than rationing in making grain available for export. The Americans were not to be deterred from requesting yet a further contribution from British stocks, and the latter reluctantly agreed to divert 200,000 tons, the minimum acceptable to their Allies, on condition that the United States would not only replace that amount by the end of July, but would underwrite any shortfall in Canadian shipments to the United Kingdom later in the summer. To these terms Mr. Anderson agreed, adding 'We are having to do a great many things on faith these days. My whole commitment to you . . . is based on faith'.

Faith, however, was something that those in the Ministry of Food responsible for cereals had learnt through repeated disappointments to do without. To them, these transactions, in which their precious stocks were traded against American promises, were gall and wormwood. Others might be unconvinced by their claim that the British stock position was already unsafe, might be reminded of the character in the *Bab Ballads* of W. S. Gilbert:

> '. . . *nobody could doubt him;*
> *He argued high, he argued low;*
> *He also argued round about him*'.

Not so themselves, for whom by sheer reiteration a case that had begun by being almost academic had been forged into unshakable conviction. For the breakdown of distribution that now seemed imminent they had no sovereign remedy, certainly not rationing:

> 'Bread rationing', one of them had written in December 1945, 'is no solution because it would produce no saving in practice unless the ration were set at such a low point as to produce a revolution'.

Yet the logic of their own arguments about stocks led them to embrace rationing, as the last desperate measure of a beleaguered garrison, ahead of the time when strangers to the problem, or Ministers, might feel that it was called for. Not since the summer of 1941, when the Ministry of Food mistrustfully and under orders made ready the points rationing scheme, had the preparation of an administrative contrivance been occasion for such premonitions of disaster.

CHAPTER XXXI

The Home-Grown Crop (1): Towards Complete Control

I

At the outbreak of war the Ministry of Food became responsible for the purchase and marketing, but not of course the production, of home-grown wheat. A ready made control organisation, saving only the statutory Rules and Orders, lay to hand in that set up by the Wheat Commission under the Wheat Act of 1932.[1] In order to get the 'deficiency payment' that made up the difference between the average market price for home-grown wheat and the 'standard' price, farmers had to register with the Commission as growers, and to sell their wheat, obtain certificates of any sales from an authorised merchant; these certificates constituted the evidence upon which the commission computed and made deficiency payments. In the register of growers the Wheat Commission had a complete, or almost complete, list of all the producers of wheat in the country: the 2,000 authorised merchants on the Commission's list could readily be turned into approved buyers of home-grown cereals on behalf of the Ministry of Food.[2] Their day-to-day supervision fell to the Cereals Control Board's Home-Grown Cereals Committee.

The Food (Defence Plans) Department had made no attempt at any detailed arrangements for the compulsory purchasing of home-grown wheat, apart from the suggestion that approved buyers should be licensed and should be allowed to purchase under a quota system linked to their pre-war datum business. The original intention had been that the Ministry of Food should be the purchaser of home-grown wheat and that the approved buyers should act as its agents. But in discussion with the trade it emerged that these dealers traded in so many kinds of goods besides grain that it would be impossible for them to be taken over by any one Government Department; nor could the question of their remuneration, if employed as Government agents, be dealt with by any single Ministry. Accordingly it was decided that it would be simpler for them to deal in home-grown wheat as principals, buying from growers and selling to millers (in cases where they were not millers themselves) at prices adjusted so as to

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[1] Above, Chapter XXVIII.

[2] A large proportion of the Authorised Merchants under the Wheat Act were flour or provender millers or makers of compound feeding-stuffs.

give them a margin for the services they would be performing for the Ministry of Food.

As to the price to be paid for wheat under control, there was considerable debate at the outset. The official view, put forward by an inter-departmental Committee just before the war, had been that the 1939 crop and any remaining from 1938 should be sold at the current 'standard price' of £10 a ton (equivalent to 45s. a quarter).[1] At the Cereals Control Board and the Ministry of Agriculture, however, it was thought that £10 a ton would compare unfavourably with the price likely to be realised by imported wheat under war conditions, and that rather than have a fixed price for home-grown wheat, it would be far better to leave the Wheat Act in operation for a time so that growers could get the encouragement of deficiency payments based on the *average* market price. This was agreed to; pending the determination of such an average price, growers would sell millable wheat to approved buyers at a nominal 24s. per quarter and receive thereafter deficiency payments to bring their receipts up to 45s. a quarter, the standard price fixed by the Wheat Act.[2] Until the trend of wartime prices emerged, no standard price was to be laid down for wheat sown at home for the 1940 harvest; nor was any price fixed, as yet, for seed or feed wheat.

It soon became clear that a buying price of 24s. a quarter would not do, for imported wheat was commanding higher prices: growers were being encouraged to sell their wheat for feed rather than milling. The Cereals Control Board suggested that the price be put up to 32s., and despite qualms on the part of the Ministry of Food about the effect on the price of bread, a compromise of 31s. 6d. a quarter (7s. a cwt.) was at length agreed to, towards the end of October. At the same time it was decided, so that farmers who had sold early in the cereals year should not be at a disadvantage compared with those who had held back their wheat, and to make sure of fairness to growers whatever price might be later in the season, that the Ministry of Agriculture should seek to have the Wheat Act amended so as to divide the year into several periods, for each of which a separate rate for deficiency payments could be fixed. The accompanying announcement urged growers to thresh and market their wheat freely during that autumn.

The first Wheat (Prices) Order[3] came into force on 3rd November

[1] Under the Wheat (Amendment) Act (2 and 3 Geo. 6 c. 37) the Standard Price might be altered, on the report of a Committee to be appointed for the purpose, to suit prevailing conditions and would then remain in force for a year (beginning 1st August). No action had been taken under this Act by the time war broke out.

[2] It was agreed that the Wheat Act should be amended so that deficiency payments would no longer be collected from millers, but would be made to growers by the Ministry of Food, who would recover the cost in the price they charged to consumers, who, in this case, would be the millers to whom the wheat was delivered.

[3] S.R. & O. (1939) No. 1527.

1939. It fixed the price of millable wheat sold by the grower and prescribed a *maximum* price at the same rate (7s. a cwt.) for all other wheat, whoever the seller. Remuneration for corn merchants and millers on resale of millable wheat was provided by a scale of statutory additions to cover second-hand sales *per se*—varying upwards with diminishing quantities sold—handling in and out of store, war risk insurance, and granting of credit. The buyer in all cases had to pay transport charges and 'customary sack charges'—the latter a vague phrase that led to trouble in the administration of the Order. Seed wheat was specifically left free of price restriction and thus afforded a loophole for evasion; it is doubtful whether so specialised a trade could have operated within a single uniform maximum price, such as was now imposed on all other sales regardless of the quantity or variety of the grain. It was recognised that the margins fixed were rough-and-ready—'the best that can be suggested at present'—and might lead to anomalies. For instance, a corn merchant who sold direct to poultry keepers or others would be favoured, for he might lawfully make two charges of 9d. a quarter merely for taking the grain into his stock and letting it out again.

It was nearly another month before a control Order was enacted that should put some restriction on the use of wheat and get a steady and adequate flow of it into the mills. The Ministry of Food and the Ministry of Agriculture were at odds about it, the one wanting to get all millable wheat into the flour mills, the other, faced with a severe shortage of maize and other feeding-stuffs, wanting to leave farmers free, at least for a while, to get wheat to eke out other feeds. Thus at a time when the Ministry of Agriculture was advising farmers to keep wheat in stack so that it would be available later in the season, the Ministry of Food was having to provide imported wheat for East Anglian mills that normally would have taken home-grown. The situation was but little eased by the rise in the buying price from 24s. to 31s. 6d., coinciding as it did with an ever-increasing shortage of imported feeding-stuffs. Some large millers who had plenty of wheat offals from imported wheat to offer to farmers for feed, managed to get hold of plenty of English wheat in exchange, but there were loud complaints from smaller millers, biscuit makers (who had to have soft wheat), and corn merchants, that they could not come by supplies. Moreover it did not take farmers long to realise that they had only to call wheat seed wheat to sell it at uncontrolled prices without infringing the Order. As one indignant corn merchant put it, 'practically every lot of wheat that farmers offer is called seed wheat irrespective of its suitability, and it is readily bought at £8 or over per ton'.[1]

There was no dissent in principle from the need for a control

[1] Large firms of millers were letting buyers have offals only in exchange for sales of English wheat, to the indignation of corn merchants who had nothing to barter with.

Order; the delay was partly due to the debate on how much wheat was to be allowed to be sold by approved buyers for stock feeding —eventually set at one-third of their turnover in any given month —and partly to complications over legal drafting. The Cereals Control Board had its own legal advisers, and it was they who had prepared an earlier draft of a comprehensive control and prices Order that had fallen by the wayside. But it was now decided that all Orders issued in the name of the Minister must be drafted by the Ministry's own Legal Department which was at this time overwhelmed with work. Like Lord Devonport in 1917, it could not drive all its buses through Temple Bar at the same moment;[1] not until 23rd November was the Order at length signed[2] to come into force on 1st December. The buyers' permission to dispose of one-third of their wheat freely (i.e. for stock feed) was given by means of an accompanying general licence.[3] Every approved buyer had to make a monthly return to the Ministry of Food, showing the amount of his stocks, receipts, usage and sales of wheat for milling, seed, or other purposes.

The Order had hardly been signed when a question arose about the disposal of seed wheat. The Cereals Control Board had assumed that any wheat sold for seed would be included in the one-third of millable wheat covered by the General Licence, and they had consequently instructed all approved buyers that two-thirds of all the millable wheat they bought or sold must go to flour mills. The Ministry of Agriculture pointed out, however, that there was a separate provision in the Order permitting an approved buyer to sell wheat for seed freely to a registered grower: and although the Board pressed for this loophole to be closed, it was met by allegations of a shortage of seed wheat for next year's crop and could not press the point. The quantity involved—on the assumption that all sales for seed were *bona-fide*—was only some 6,000 tons. To avoid further doubt a new General Licence was issued in January 1940, making it quite clear that an approved buyer could sell any quantity of home-grown wheat for seed in addition to sales of up to one-third of his business in millable wheat in any month for purposes other than milling.[4]

The majority of approved buyers fell in with the requirements of the Order, but there was a certain amount of trouble with a minority, especially in Scotland, where many corn merchants declared that they could not sell two-thirds of their millable wheat to millers, who did not find it suitable for use, and were unwilling to pay the carrying charges for which they would be liable. The Board's Home-Grown

[1] Beveridge, *op. cit.* p. 47.
[2] S.R. & O. (1939) No. 1685.
[3] S.R. & O. (1939) No. 1686.
[4] S.R. & O. (1940) No. 45.

Cereals Committee tried to deal with offenders by means of warnings and visits by outdoor officers, but it was not easy for it to control corn merchants, who declared that they could not withhold wheat from poultry keepers and stock breeders whose animals were at point of starvation unless they could get some home-grown wheat for feed. The Committee was very unwilling to prosecute; moreover, it was informed that the General Licence covering all approved buyers might not be revoked in respect of individuals who did not comply with its wishes.

II

As the shortage of imported feeding-stuffs continued into the New Year, while the wheat import position improved considerably, the Minister of Food sought approval from the Food Policy Committee to make good part of the deficiency in wheat. He was given discretion to vary the proportion of millable wheat allocated to flour milling and to other purposes, and accordingly in March 1940 a new General Licence was issued permitting sellers of home-grown wheat to dispose freely of up to half—instead of one-third—the wheat they had acquired from registered growers in any one month, disregarding quantities sold for seed.[1] The change had little effect in turning the flow of English wheat in the desired direction of poultry feed. Wheat had in fact been coming off the farms during the winter in even smaller quantities than before; whereas at the end of November, 45,000 tons were being marketed weekly, this amount fell to 40,000 tons a week in December, to 30,000 tons in January, and to 25,000 tons in February. In March the average rose to 30,000 tons a week again but fell to 20,000 tons at the beginning of April. The Ministry of Food's estimates assumed that all home-grown wheat not coming forward to market remained on the farms, but it seemed more likely that farmers were feeding their own wheat to their livestock and that stocks remaining on farms by the spring were inconsiderable.

Nevertheless, it is easy to exaggerate the extent of the disturbance that war brought to the way in which home-grown wheat was utilised. A comparison with the immediate pre-war years reveals a remarkable persistence of the existing pattern of disposal. The production of wheat in 1939–40 had been almost identical in quantity with the average of the three previous years, 1,650,000 tons. Millers had taken

[1] S.R. & O. (1940) No. 372. In addition, millers might sell for purposes other than flour milling one-third of the millable wheat they had bought in any one month from approved buyers. The Ministry of Food had already released 40,000 tons of wheat for feed, to be replaced by part of the 100,000 tons of French wheat that had been bought for this purpose.

in 730,000 tons of wheat on an average before the war, but this amount fell in the first war year by 70,000 tons of which 624,000 tons was used for flour milling.[1] On the other hand, about 860,000 tons of home-grown wheat were reckoned to have been used for feed in the first war year, 100,000 tons more than a normal period.[2] Considering the shortage of feed during the first winter of war, this figure seems remarkably moderate. It is not, perhaps, much of an advertisement for the control Order, but compliance with that Order was nevertheless pretty general on the part of those to whom it applied. The millers, by and large, got the two-thirds of wheat marketed they were supposed to; only more was retained on the farms for feed. It was there, and not in the conduct of the approved buyer, that the real marketing problem lay; but the time was not yet ripe to tackle it.[3]

During the spring of 1940 the Ministry of Food attempted to devise a more 'scientific' structure of merchants' war-time remuneration. A costings investigation was undertaken, to ascertain the level of corn merchants' peace-time earnings on handling home-grown wheat. From a study of 12 firms in various parts of the country for the three years preceding the war the Costings Report concluded that 1s. a quarter should cover the services of an approved buyer over the sale of home-grown wheat. No justification was found for the sliding scale of margins for sales of small quantities included in the first Prices Order (except in the case of very small transactions of up to one quarter), and it was pointed out that the 9d. per quarter, allowed for putting wheat in and out of store, arose very seldom, as the wheat was mostly delivered direct from grower to customer. The Home-Grown Cereals Committee (which, of course, was largely composed of trade representatives) felt that the inquiry had not drawn a sufficient distinction between the approved buyer's services as an agent and as a distributor of wheat. It was therefore agreed that a fresh investigation should be made; however, the prices Order had to be amended before the beginning of the new crop year, before the new inquiry could be completed. There was some inconclusive discussion about amending the vexed provision about sack charges,[4] but in the end the only changes made in margins were to omit the permitted increases for sales of small quantities of wheat, and to reduce the charge for war risks insurance from 4d. to 2d. a quarter. The charge for taking

[1] The remainder had gone to provender milling or to breakfast food manufacturers.

[2] The quantities used for seed had not varied, amounting to about 135,000 tons: 24,000 tons was put down to waste in 1939-40, rather more than in the preceding year.

[3] Vol. I, p. 82 ff.

[4] Some farmers in Scotland were charging as much as 1s. 3d. a bag for 'washed manure bags' in which they put their wheat and others were charging 1s. a quarter merely for bagging the wheat. The Committee would have liked to make it optional for the buyer either to provide his own sacks or to hire them at a reasonable charge, or to have a definite price for wheat prescribed that would include sacks.

wheat in and out of store remained; indeed, registered growers as well as approved buyers might now make it.[1]

The consideration of margins on sales of wheat was a domestic matter within the Ministry of Food; the question of the actual price to be paid for the 1940 crop was part and parcel of the food production campaign and the incentives thought necessary to promote it. Out of the lengthy and heated discussions on agricultural prices in the summer of 1940[2] emerged a price for home-grown wheat, both for the crops of 1940 and 1942, of 14s. 6d. a hundredweight. This was, of course, well above the 'standard' price of 10s. a hundredweight embodied in the Wheat Act, and the question arose whether it was worth while, in the changed circumstances, to preserve the system of a standard price, a lower buying price, and a deficiency payment, which now had to come, not out of a levy on flour, but from the Ministry of Food's trading account. Financially there would be some small benefit to the Ministry if the standard price and the buying price were equated, as a deficiency payment would no longer be due on millable wheat sold for feed. But the main argument for the change was that the Wheat Commission staff engaged on administering the payment could be more usefully employed in other parts of the cereals control. With the concurrence of the Ministry of Agriculture, therefore, the Ministry of Food made the standard price of 14s. 6d. a cwt. the fixed price for home-grown wheat under the new Wheat (Prices) Order. Deficiency payments on home-grown wheat disappeared and the Wheat Commission's activities were consequently suspended. The new Prices Order came into force on 1st August 1940.[3]

The question of the control of the new wheat crop had still to be considered. Throughout the summer of 1940 growers had been permitted to sell, if they wished, as much wheat for animal feed as for milling; though by that time the quantities of 1939 wheat coming off the farms were small. The Ministry's Cereals Division, which had taken over from the Cereals Control Board in June 1940, felt that the national peril demanded more rigorous measures with the new crop. It would have liked to secure for flour milling or seed the whole of the millable wheat marketed from the home crop. The case of the specialist poultry keeper who did not produce his own grain could be met by individual licences; any General Licence permitting sales of wheat for other purposes could thus be dispensed with. The Division proposed to license approved buyers individually, believing that this would enable it to discipline them more effectively than hitherto. The proposals for tightening up

[1] S.R. & O. (1940) No. 1394.
[2] Vol. I, pp. 89-91; Murray, *op. cit.*, pp. 94-99.
[3] S.R. & O. (1940) No. 1394.

control were rather too drastic for the Ministry of Agriculture, which had told poultry keepers that they would have to reduce their flocks gradually, but did not expect any noticeable cut until the autumn and meanwhile was not prepared to define a specialist poultry keeper for Cereals Division's purposes. It suggested instead that the General Licence could be amended at once to reduce to 25 per cent. the amount of wheat that an approved kuyer could sell each month for feeding purposes and this figure could be reduced still further when the numbers of poultry were finally brought down by the expected two-thirds.

With this the Ministry of Food had to be content; it thereupon proceeded to tie up the terms of the new General Licence so as to make the control as efficient as possible. On the suggestion of Animal Feeding-stuffs Division, it was decided that the General Licence should require approved buyers to restrict sales of millable wheat, for purposes other than flour milling or seed, either to poultry keepers direct or to licensed feeding-stuff manufacturers, who would have to make a declaration that the wheat was to be sold only to a poultry-keeper or to be used in a compound feeding-stuff for sale as poultry food. This would prevent the use of home-grown wheat in mixtures for feeding pigs. The new General Licence[1] came into force on 2nd September 1940, and the proportions of home-grown wheat that could now be sold for purposes other than milling or seed reverted to the quantities allowed in the previous winter. Apart from sales of wheat for seed, an approved buyer was now restricted to selling no more than 25 per cent. of the total amount he disposed of in any one month for poultry feed. The individual licensing of approved buyers was effected a fortnight later, by an amendment of the Home-Grown Wheat (Control) Order,[2] and on 1st October a revised General Licence[3] restricted approved buyers' sales of wheat for feed to one-tenth of the amount sold for flour milling each month. Thus in four months the Ministry had come a good way towards real control of the home wheat crop. It was true that seed wheat was still entirely free from control both as to quantity and price, and that so far nothing had been done to prevent a farmer from retaining as much of his wheat as he wished to feed his own stock. But, by insisting that nine-tenths of millable wheat that came into the market (apart from seed) should go to the flour mills, the Ministry had probably got as much as it could reasonably hope for, considering the shortage of imported feeding-stuffs and the Government's policy that poultry flocks should be kept in being on a reduced scale to provide some eggs for the population.

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[1] S.R. & O. (1940) No. 1610.

[2] S.R. & O. (1940) No. 1651.

[3] S.R. & O. (1940) No. 1723.

III

Directly the new Prices Order had been issued it became apparent that the abrupt rise in price (from 7s. to 14s. 6d. a cwt.) was going to cause the Ministry of Food considerable embarrassment from a rush of home-grown wheat on to the market. Owing to exceptionally good weather the crop ripened early and growers were moved by a general impulse to get it threshed and sold as quickly as possible. They were prompted both by the desire to get ready cash quickly to help with the expenses of the ploughing-up campaign[1] and by anxiety to have the wheat off their hands in face of air attack and possible invasion.[2] Early in August the problem was raised with the Ministry of Food from two sides; its Flour Milling Advisory Committee wanted something to be done to encourage farmers to keep wheat in stack, as millers would otherwise be overburdened, and the Ministry of Agriculture asked that storage be arranged for millable wheat that millers and corn merchants were unable to take in. The Ministry of Food devised a scheme under which growers were to register their wheat stacks with approved buyers, and millers conclude tracts with growers to buy the wheat when threshed, paying them 50 per cent. of the purchase price upon signature.[3] This, it claimed, would regulate the flow of home-grown wheat to the market and relieve the millers of pressure on their storage space, besides giving growers insurance against the loss of their wheat. But it did not, of course, give any protection against an actual loss of wheat in stack in the vulnerable parts of the country, nor did it ensure that the grain would be ready at the time the miller called for it.

The scheme had a fair reception from the Ministry of Agriculture and from the farming and trade interests; at the Treasury, however, it met with uncompromising opposition. Particular exception was taken to the proposal to pay the farmer a kind of rent—9d. a quarter of wheat for each month that elapsed between the signing of the contract and delivery to the miller. The cost of this might, the Treasury reckoned, reach £500,000 over the year. Moreover, the problem of excessive marketings might solve itself, thanks to the shortage of threshing tackle. It is indeed hard to see how the scheme could have worked out successfully. Millers would have had to buy the wheat in stack and could only have been given a very rough estimate of the amount of grain they would get in each case. They

[1] Murray, *op. cit.*, pp. 102-3, 107-15.

[2] Crops were not at this time included in any Government War Risks Insurance Scheme.

[3] War Risk Insurance on the threshed wheat was to be covered by millers and ultimately by the Ministry of Food.

would have to pay the 50 per cent. on this estimate and the Ministry must have been involved in endless calculations and disputes about the value of the wheat finally received as compared with the initial payment. Moreover, there would have been no way of ensuring that a grower could get the wheat threshed and delivered to the miller at the date the latter wanted it. At Treasury instance the Ministry of Food undertook to examine a scheme of graduated prices as a means of inducing farmers to hold their wheat, but could not quite see how any such system would square with the undertaking already given to the farmers that they would receive a standard price of 14s. 6d. a cwt. for wheat whenever it was sold.

Not merely was a positive proposal for regulating marketing ruled out: the alternative, that farmers be advised to keep back their wheat, and corn merchants, to refrain from buying it, was objected to by the Ministry of Agriculture because it would hinder farmers in financing their increased ploughing commitments. Although the situation was undoubtedly aggravated by the reduction in the amount of millable wheat that might be sold for feed, the Ministry of Food was convinced that the main reason that farmers were rushing their wheat to market was their fear of losing it by enemy air attack while it remained uncovered by insurance. The Treasury was persuaded to agree that wheat and possibly other crops should be included in the Commodities War Risk Insurance Scheme,[1] and that millers should be allowed to recover from the Government any expense for extra storage hired to take in wheat offered to them for sale. On 5th October the Ministry instructed all millers to include at least 15 per cent. of home-grown wheat in their grists in the hope that this would go some way towards relieving congestion on the home-grown wheat market.

All this time complaints had been pouring in of farmers' difficulties in disposing of their wheat; that millers would not take it and that they were only allowed to sell small amounts for poultry feed. These continued even after the instruction to millers to use 15 per cent. of home-grown wheat and the pressure put on biscuit manufacturers, the prime users of soft English wheat, to carry as large stocks as possible. The complaints persisted throughout the autumn in spite of the Ministry's effort to put sellers in direct touch with millers. The trouble was greatest in growing areas like Devon and Cornwall, distant from mills that were naturally reluctant to incur heavy transport charges.[2] In some places, it was said, farmers had threshed their wheat to get the straw and the grain was lying unprotected in bags

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[1] A voluntary insurance scheme for farm crops had been a failure.

[2] Millers were still uncertain about their position over the recovery of expenses owing to the delay in settling their Remuneration Agreement (below, Chapter XXXVI). In peace-time the problem would have been met by paying the distant grower less.

with every chance of speedy deterioration. In spite of the continued difficulty over the disposal of English wheat, the Ministry reduced the percentage to be included in millers' grists to 10 per cent. in the middle of November, and at the end of the year withdrew the requirement that any definite proportion should be compulsorily included. So much Argentine soft wheat had recently arrived as to make its disposal even more urgent.[1]

By the end of 1940, however, Departmental agitation over the excessive marketing of home-grown wheat had died down, as deliveries from farms had shown the usual seasonal decline. In fact, returns from approved buyers showed that they had received 30,000 tons less home-grown wheat in the last five months of 1940 than for the corresponding period in 1939.[2] This might have been considered rather disappointing, even though nine-tenths of the quantity of wheat received by approved buyers was now going into flour milling. But early in the New Year a loud alarm was sounded by the Treasury about the 'reported loss of some 350,000 tons of wheat which had disappeared from farms in this country'—apparently fed to poultry. Presumably the high prices of eggs and poultry were tempting farmers to use their own wheat for poultry feed rather than to sell it. The Treasury demanded an explanation of this loss, and adjured the Ministries of Food and Agriculture to do something to stop it forthwith. However, it turned out that the Treasury had arrived at its alarming figure by comparing totals of the crop reporters' returns drawn up for the Ministry of Agriculture with the figures produced by the Ministry of Food's statisticians for the reports to the Cabinet on the food situation—hardly a case of like with like, for the former were based simply on general impressions formed by the crop reporters when going about the country,[3] and the latter were obtained by subtracting the totals of the approved buyers' returns from the estimate of the home crop made at the beginning of the season. The total from the crop reporters' returns of wheat said to be remaining on farms on 4th December in Great Britain amounted to 524,000 tons, whereas the Ministry of Food's figures gave an estimate of 900,000 tons of wheat remaining on farms on 30th November; it was the difference between these two figures that had upset the Treasury.

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[1] An instruction of 30th November decreed that 35-40 per cent. of Argentine wheat should be included in millers' grists.

[2] Receipts of home-grown wheat by approved buyers had amounted to 164,000 tons in August 1940, 228,000 tons in September, 181,000 tons in October, 108,000 tons in November and 88,000 in December 1940—a total of 769,000 tons for the five months. Average receipts for the same period during the five years preceding the war were about 100,000 tons more than in 1940.

[3] Most of the crop reporters were land agents who sent monthly information on crops to the Ministry of Agriculture: their estimates of stocks on farms and the amount of wheat likely to come forward to market were regarded by Cereals Division as 'very unreliable'.

It was not difficult for the Ministry of Agriculture and the Ministry of Food to expose the fallacy. The former was able to show that the growers' figures 'substantially understate the quantity remaining on farms' and pointed out that with more land under wheat the quantity used for seed would be bound to be higher than in previous years. The latter pointed out that the crop reporters' returns at January 1941 gave a far higher figure for wheat on farms than those of the previous month, and that their statistician's estimate of 900,000 tons contained only one definite element, the figure of millable wheat sold to approved buyers; the rest of the estimate being composed of nebulous items of non-millable wheat sold, wheat used for seed by growers from their own crops, and the amount they had fed to their stock. Whereupon the Treasury fell back on the general thesis that something must be done to increase home production of food: 'we are really all in great danger of being unable to show any return for the vast efforts that everybody has been making'.

The Treasury might be exaggerating, but it was certain that the Ministry of Food would not get anything like 90 per cent. of the millable wheat from the home crop for flour milling. With a fall in wheat imports and a rise in the consumption of bread[1] it was obvious that everything possible should be done to get the maximum amount of the remaining wheat from the 1940 crop off the farms and to stimulate increased production in the following year. At an interdepartmental Conference on Food Production in February 1941 the Ministry of Food advocated increased planting of spring wheat even at the expense of barley and oats, and it was agreed that this should be encouraged on suitable land. At the same time a stricter control on home-grown wheat, to increase the flow to the flour mills, was mooted. Admittedly no reform made so late in the season could succeed in bringing a really substantial addition of home-grown wheat to market, for it was unlikely that more than about a quarter of the millable wheat from the crop was still left on farms. But stricter control might reduce the amount of wheat fed to livestock by the farmers during the rest of the season as they faced the increasing shortage of feeding-stuffs. The Ministry of Food proposed, therefore, that the feeding of millable wheat to livestock should be completely prohibited, that farmers should be required to sell all their millable wheat to approved buyers (except what was required for seed) and that approved buyers should no longer be allowed to sell any millable wheat (again other than for seed) except for flour milling. To tighten control, owners of threshing tackle should be required to make a return of all wheat threshed, so that there would be a check on the quantities coming forward for market and to stop farmers from retaining any of

[1] Vol. I, pp. 166-168; above, p. 527.

their threshed wheat for seed. After some slight demur from the Ministry of Agriculture, these proposals were accepted and swiftly embodied in a new Home-Grown Wheat (Control) Order dated 11th March 1941.[1]

The tightening of control, however, was only part of the Ministry's plan for regulating the supply of home-grown wheat to the flour mills. It not only wanted the wheat but wanted it to come forward, as far as possible, in an even and orderly stream throughout the season instead of in a sudden flood after harvest followed by a diminishing trickle. Nothing could have served its purpose less well than the sudden and abrupt rise of price in the summer of 1940, which encouraged heavy early sales. The first suggestion for a stepped price system to operate throughout the season in order to encourage late sale of wheat came from the Scottish farmers and corn dealers. They proposed that there should be a rise of 6d. a quarter each month beginning in December 1940. Nothing, of course, could be done for the current season, but for 1941–2 a series of proposals was rapidly evolved under the leadership of Cereals Division. A characteristically 'thorough' suggestion from Economics Division that all home-grown wheat should be bought for the Ministry of Food's account[2] failed to gain support, as Cereals Division considered that the Ministry had adequate control of home-grown wheat without it. In addition to a system of stepped prices, Cereals Division proposed a limited resurrection of the former scheme; needy farmers, who had to have ready money early in the season to carry on with, might be enabled to make contracts with millers or corn merchants for sale of wheat in stack, obtaining an advance of 50 per cent. of the total estimated value of the stack and selling later in the season. The Ministry might also have to help millers and corn merchants with storage costs and arrangements for wheat they had to buy early in the season.

Once again, however, the proposal to buy wheat in stack aroused opposition. It was pointed out that this scheme had been proposed to help the millers when they were being inundated with wheat in 1940, and that there was no proof that it would be necessary when the sliding scale was introduced. There was little evidence that the farmers were really in need of ready cash, and in general the banks would be prepared to make an advance to a farmer who wanted to delay his threshing. Accordingly the scheme was dropped. The principle of stepped prices on the other hand was generally accepted, though there was much discussion about the exact scale. The farmers' representatives maintained that at least an extra 3d. a cwt. each

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[1] S.R. & O. (1941) No. 319.

[2] It would have upset the economical trading system in being whereby millers often bought direct from growers, and there was, in any case, only one additional trade link—the approved buyer who was a corn dealer.

month must be offered to compensate the farmer for the wastage of grain held in stack, and officials consequently recommended that the price should begin at 14s. a cwt. for August and September, rising by 3d. a cwt. to a maximum of 15s. 9d. in June. After this scale had been agreed to by the Treasury, the National Farmers' Union reopened the question with the Ministry of Agriculture, pointing out that it had been announced in August 1940, that the standard price for the 1941 crop would be 14s. 6d. a cwt. without any suggestion of a sliding scale. If the scale began at any lower figure the needy farmer who had to sell his wheat early in the season would suffer. The increments proposed were, they said, only just enough to compensate the farmer for keeping his wheat in stack, and if the sliding scale was not introduced the Government would have to pay the cost of storing wheat delivered to market before it could be milled.

The Ministry of Agriculture found this argument acceptable, mainly on the ground that everything must be done to encourage the growth of wheat and that, if the terms were not made attractive, farmers might decide to substitute oats. Though Ministry of Food officials did not agree that it would be a 'breach of faith' to reduce the starting price for the 1941 crop below 14s. 6d. a cwt., Lord Woolton seems to have felt that thus to argue smacked of sophistry, and the choice appeared to lie between swallowing the higher average price and abandoning the stepped scale. After further argument a scale was devised that began at 14s. 6d. and stayed at that rate until December, rose then by 3d. a month to 15s. 9d. in April at which rate it was maintained until the end of June, when it dropped 3d. for July, the final month of the crop year.[1] The average price for the year on this scale worked out at 15s. 1½d. a cwt., a considerable rise above the intended figure of 14s. 6d.

For the 1941–42 season the Ministry of Food intended to perpetuate the stricter control of millable wheat instituted in March 1941; not only millable but 'potentially millable' wheat was now to be reserved entirely for making flour or meal for human food or for seed. The only wheat that growers would henceforward be allowed to feed to their own stock would be wheat certified as non-millable by a local Wheat Committee, and 'tailings', being refuse grain resulting from threshing.[2] Now that all millable wheat was under complete control, any wheat that could be regarded as non-millable had become a valuable asset to the farmer, as this was the only part of his crop that he was still able to use or sell freely. Moreover, there had been nothing to stop him calling any of his wheat non-millable, and there had been every

[1] S.R. & O. (1941) No. 1132.

[2] Tailings were defined in the Order as 'broken, small or immature wheat grains with or without weed seeds, dirt, stones, straw, chaff or other materials separated in the course of threshing wheat'.

inducement for him to do so and sell it for the same price as he would get for sale of millable wheat to an approved buyer. Cereals Division had now determined to bring non-millable wheat under as strict control as possible. Under the control Order of July 1941 *all* wheat sales must be to an approved buyer and the farmer would only be permitted to retain wheat to feed to his stock if he obtained a certificate from a Local Wheat Committee[1] that it was not millable. The price of non-millable wheat throughout the season was fixed at 13s. a cwt., but any grain made millable by treatment would be able to fetch the price of millable wheat less a charge for conditioning.[2]

In addition to the other clauses designed to stop the leakage of wheat into unauthorised channels, wheat might only be sold for seed by an approved buyer or a licensed seed merchant.[3] Further, the threshing returns that had to be made to local Food Offices whenever any wheat was threshed had to show the weight of the tailings as well as the weight of the headcorn, thus providing a check on the quantity of tailings retained by the grower. The records kept in Food Offices from the threshing returns might be used by Inspectors of the Ministry's Home-Grown Cereals Division for comparison with their findings when making visits to farms. The new Order came into force with the beginning of the new crop year, 1st August 1941.

At the end of the second war year the results of all the efforts to get home-grown wheat into the flour mills were hardly spectacular. The millers had received rather more than 870,000 tons of home produced wheat, a figure 250,000 tons higher than their receipts in the previous year but representing only about 53 per cent. of the estimated total yield—a proportion that might have been a little different if the actual figures of production could have been obtained. It was estimated that about 50,000 more tons of wheat were being kept back for seed for the new crop year because of the extensive ploughing up campaign, but a good deal of this amount (set down as 186,000 tons) would be retained by the farmers for use on their own land. It was only possible to make a guess at the quantity used for stock feed. The approved buyers' returns showed that they had bought a little less than 1,200,000 tons of wheat during the crop year, and rather more than a quarter of this amount had been sold for seed

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[1] These committees were originally appointed by the Wheat Commission in 1932 to represent farmers, millers, and corn merchants; usually one committee was responsible for a county. Under the Ministry's Control Orders for Cereals they were to become the certifying authority for classifying wheat as millable, potentially millable, or non-millable.

[2] There was still one hole in the net through which a little wheat could trickle into undefined usage. If a grower had any non-millable wheat to sell to an approved buyer there was no restriction on the latter's disposal of it: it would no doubt be sold for stock feed. It was not expected that such sales would amount to very much and all the wheat involved would have to be certified as non-millable by the Local Wheat Committee. This slight rivulet was therefore allowed to escape.

[3] The Ministry of Food issued individual licences in 1941 to seed merchants who were not approved buyers.

and feed. The Ministry estimated that there had been a fall in the amount of wheat used for stock feed of about 300,000 tons from the previous year and that less than 570,000 tons had actually been consumed by animals in 1940–41. This figure was simply the difference between the firm figures of usage and what was only an estimate of total production. Seeing that about 6½ million tons of wheat equivalent were imported during the crop year 1940–41, the amount of home-grown wheat used in flour mills amounted to about 12 per cent. of the total consumption—or rather more than six weeks' supply.[1] But with the strict control now imposed over the whole crop, and a programme of increased wheat production, far more might be expected from the home crop in the next season.

[1] Vol. I, p. 392, Table II.

CHAPTER XXXII

The Home-Grown Crop: (2) The Period of Full Control

I

THOUGH the ploughing-up programme for 1941–42 aimed at an increase of nearly 2 million acres over the total of the previous year, the amount that could be put under wheat was doubtful.[1] In June the Minister of Food had asked the Food Policy Committee of the Cabinet for an expansion of wheat acreage above all other crops. This would be the best way to safeguard Britain's food position if imports had to be reduced; if they did not, he would be able to maintain the flour extraction rate at 75 per cent. and devote the wheat offals from increased production to stock feeding. The Minister of Agriculture, while agreeing that the acreage sown with wheat in 1941–42 should, if possible, be larger than in the previous year, was unwilling to push the sowing of wheat to the point at which he thought it would lead to uneconomic cultivation and a waste of agricultural resources. Lord Woolton was not in a position to press the point, in view of the 'concordat' he had made with Mr. Hudson in November 1940 and was even then reiterating, after the controversy about slaughter, in which he conceded to the Agricultural Departments the last word on food production policy.[2] Moreover, in return for the agreement that crops for human food must have priority, the Minister of Food had to relinquish the hope of requisitioning any oats from farms.

The Ministry of Food had hoped that the new sliding scales of wheat prices would encourage the orderly marketing of the home crop, at the rate of 130,000 or 140,000 tons a month. But trouble started as soon as the new crop began to come on to the market: the weather had been bad and a good deal of the wheat was damp so that millers were unwilling to take it. At the beginning of the season millers had been instructed to put 10 per cent. of English wheat into their grists, a proportion increased to 15 per cent. at the end of September. It had been expected that millers' stocks of wheat would

[1] Murray, *op. cit.* pp. 153-154 and Appendix Table IV (p. 373). The total arable land in 1939 was 12,906,000 acres, in 1940 14,346,000 acres, and in 1941 16,239,000 acres. The acreage under wheat in these three years respectively was 1,766,000 acres, 1,809,000 acres, and 2,265,000 acres.

[2] Vol. I, pp. 179-180.

be very low when the home harvest began to come in, but such had been the improvement in imports during the early summer that the port mills were 'very heavily loaded with foreign wheat' and reluctant to take in home-grown even to the extent of the instruction. A secondary difficulty arose when new growers of wheat sold to their usual corn dealers, some of whom were not accustomed to operate on the wholesale wheat market and so could not find mills to take it. At length, at the end of October, the flour mills control increased the proportion of home-grown wheat in grists from 15 to 20 per cent. and this solved the problem. The Home-Grown Cereals Division complained, however, that this step should have been taken at the beginning of the season: 'if millers are to be the sole buyers of wheat they must recognise an obligation to take all the wheat offered, to the limit of their physical ability'. Though the sliding price scale was intended to discourage farmers from threshing early in the season, this did not affect the Ministry's duty to find a market for the wheat as soon as it was threshed and before it should deteriorate. There had clearly been a lack of co-ordination between the Divisions who were responsible for marketing and milling respectively; though as in the previous year the difficulties were only transitory.[1]

Early in the autumn small changes were made in the margins allowed on the sale of home-grown wheat,[2] and the decline in import prospects after Pearl Harbour led to a revision of the stepped scale of prices. The Director of Imported Cereals expected imports of wheat to be very low at the begining of the new year, and he persuaded the Minister that there might be some interuption in milling unless there could be an increase in delivery of home-grown wheat so that as much as 40 per cent. could be included in the grist of mills on the eastern side of the country and 30 per cent. in that of the western mills. It was therefore proposed to vary the sliding scale for this purpose; the price would now be 15s. 6d. a cwt. in January, 15s. 9d. for February and March, 15s. 6d. again in April, falling to 15s. thereafter.[3] Farmers would get about the same return for their wheat as before, but they would of course save on storage. The changes were unwelcome to

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[1] Approved buyers' receipts of wheat in September 1941 amounted to 188,000 tons as compared with 230,000 tons in 1940, and in October 1941, to 233,000 tons as compared with 184,000 in 1940. In November 1941, the quantity declined to 172,000 tons and in December to 131,000 tons.

[2] Under the new Order (S.R. & O. (1941) No. 1698) the margin on sale of millable wheat was increased from 2d. a cwt. to 1s. a quarter ($4\frac{1}{2}$ cwt.)—following a Costings Investigation—allowed on the grounds that there had been difficulty over the handling of the season's crop. In addition the extra rate formerly allowed for sale of small quantities was now to be payable only in the case of non-millable wheat as all millable wheat had now to go to the mills and there was no need for extra payments in the case of small parcels. The new rates for non-millable wheat were brought in line with those allowed for other feeding-stuffs.

[3] S.R. & O. (1941) No. 2085.

Home-Grown Cereals Division, which had hoped to be able to give priority to the threshing of oats rather than wheat because of a danger of shortage of seed oats, and thought it would be better to leave wheat in stack as much as possible during the winter so that it might be in condition for threshing when the dry weather came. Its objections, however, could have little weight when neither the Ministry of Agriculture nor the Treasury made any demur. A little more than half the total wheat crop (estimated at just over 2 million tons) was thought to be remaining on the farms at the end of December, and the Ministry of Food aimed to get 600,000 tons for milling in the first four months of 1942.

To this end a joint administrative drive was launched. The Agricultural Departments arranged that threshing contractors should give priority to wheat (and oats wanted for seed), millers were instructed to use the maximum amount of home-grown wheat in their grists, and approved buyers were urged to give all possible assistance in the marketing of English wheat. Steps were taken to mobilise rail and road transport for the very heavy movement of wheat during the remaining winter months, in particular to east coast mills. As a result nearly 600,000 tons of wheat was sold to approved buyers in the first quarter of 1942—more than twice as much as in the same quarter of 1941. Even so a good deal of grain still remained on farms because the growers had not been able to get it threshed; at the same time the millers were becoming overloaded with English wheat and stocks were accumulating with the corn dealers.

Both the Millers' Association and the National Farmers' Union therefore urged the Ministry of Food to extend the period when the peak price for wheat was payable beyond the end of March to promote more orderly marketing. By two successive Orders the price of 15s. 9d. a cwt. was extended first to the end of April and then to the end of May. At the same time the Agricultural Departments made two Home-Grown Wheat (Threshing and Marketing) Orders requiring growers to complete their threshing in England by 31st May and in Scotland by 30th June. All wheat remaining in the farmers' possession had not only to be threshed but offered for sale by the prescribed date; the farmer would be committing an offence by retaining any millable wheat thereafter except by consent of the County War Agricultural Executive Committee. These measures were effective; very little wheat remained to be marketed in June and July when the price fell to the original figure of 15s. a cwt. The total sales for the crop year amounted to 1,645,000 tons, over 500,000 tons more than in the previous year when the crop had been somewhat smaller. It was estimated that 81 per cent. of the 1941 crop was sold, a figure 12 per cent. higher than in the previous year. These figures are only approximate as the exact amount of the crop could not, of course, be ascertained.[1]

Under the Control Order of July 1941, the quantity of wheat tailings that a grower was allowed to retain to feed to his stock might not be more than 5 per cent. of the total wheat threshed. During the autumn of that year the War Agricultural Executive Committees represented that this restriction was having a bad effect on the sowing of wheat, since farmers who grew oats or barley could retain as much of the crop as they wished for their stock, while wheat growers were at a disadvantage. Though wheat growers would, under the Feeding-Stuffs Rationing Scheme, be able to obtain a little imported cereal feed on production of evidence that they had sold wheat, the amount of this would be very small. The Ministry of Agriculture therefore asked that farmers should be allowed to retain ten instead of five per cent. as tailings. The Ministry of Food pointed out that the loss of five per cent. of the crop would mean about 100,000 tons in a year, more than could be spared unless the full 15,000,000 ton import programme were forthcoming. The Treasury was more uncompromising: it would be (it said)

> 'a great pity, after the Agricultural Departments have hammered into farmers the principle that wheat is to be wholly reserved for human food to go back on this and give the appearance of the Government no longer being in earnest about it'.

It would be preferable to allow the import of maize rather than to relax the 'absolute ban on feeding wheat to animals'. The Ministry of Food thereupon retired from its conciliatory position and the five per cent. tailings concession remained unchanged throughout the war period.

II

Of the various measures for economising in cereals imports, taken or proposed in the twelve months following Pearl Harbour, that most affecting home-grown cereals was the 'dilution' of wheaten flour with other grains. The vagaries of 'high-level' policy in this respect have been chronicled earlier.[2] There was, for the greater part of 1942, uncertainty about what diluents—barley, oats, and/or potatoes—would be most readily available or technically suitable. There was a characteristic conflict between the urgent requirements of the war situation and the perfectionist stipulations of scientific

[1] The total amount sold included non-millable wheat, but in the 1941–42 season this must have been very small.

[2] Vol. I, pp. 262-270.

advisers, causing months of delay. Lastly, when dilution, both with barley and oats, was decided upon, there were vexatious problems of priority to be settled. The key to an understanding of these difficulties, as they faced the Division responsible for home-grown cereals, was that the use of oats and barley for flour dilution had not been given precedence over other uses. Lord Woolton had expressly disavowed the policy, urged from time to time by the more uncompromising of his advisers, of requisitioning oats on farms, whether for dilution, or for the needs of oatmeal millers, pit ponies, or urban horses; likewise it had been decided that there should be no further watering of beer, or further restriction on its output. This was tantamount to saying that, in respect of both grains, flour mills should be the residuary legatee. It did not mean that substantial quantities, at any rate of barley, might not be available for him, for the 1942 crop was large and the demand for brewing and other uses known and under control. It did mean that the residue might come in inconveniently late, inasmuch as competition between Ministry buyers and maltsters had to be avoided.

In the summer of 1942, when, against a shifting background of policy, Cereals Division was trying to set up a buying organisation for barley and oats, this inherent problem of phasing demand, that is to say how the organisation should set about its job, does not appear to have been discussed. Debate was confined to the less fundamental question, namely which part of the Ministry should undertake purchase. Those responsible for home-grown cereals wanted to appoint their own buyers for oats, who should however be housed and assisted by the Port Area Grain Committees; and they persuaded the National Federation of Corn Trade Associations to agree. This, however, did not suit Imported Cereals Division, who thought that it would cause 'a worse muddle in the control of the Port Areas . . . than ever before' and wanted Home-Grown Cereals Division to channel its instruction for the purchase of oats through Godstone. Higher authority in the Ministry, however, supported Home-Grown Cereals Division's plan, on the ground that the grain trade had no experience in the purchase of home-grown oats. This decision was not reached until September; it was shortly followed by a somewhat similar argument about the purchase of barley. Neither Home-Grown Cereals Division nor Imported Cereals Division sought a hand in this; they would have been content to have millers buy barley, like wheat, either direct from growers or through other approved buyers. This time it was the flour mills controllers in Cereal Products Division who insisted on a more complicated system. All millers, left to themselves, might not be equally active in seeking barley, or equally fortunate in access to it; this might lead to a lack of uniformity in millers' grists, which would be contrary to all Ministry principles. It was therefore thought better that the barley should be purchased by the officers already engaged in procuring oats, and subsequently allocated, like imported wheat, through the Port Area Grain Committees.

These discussions about organisation, coupled with more technical ones about the form in which oats was to enter the loaf,[1] did not make for dispatch in the procurement of diluent grains. Buying operations for barley, authorised on 30th September, did not begin till November; oats were accumulated slowly but steadily, though dilution with them could not start until the special husking machines, ordered for installation in the mills, were ready. But the main obstacles to more rapid procurement lay elsewhere; in the need to move warily lest other competitive users of barley and oats be upset. It was only towards the end of the malting season, at the end of December, that the Ministry became in a position to instruct approved buyers, as well as 'ultimate users' of malting barley, that they must offer it not less than one-third of their monthly purchases of barley from growers. Moreover, the 'ultimate users', that is to say, maltsters, brewers, and distillers, were not required to do this if it would deplete their stocks.[2] (Earlier Directions that had attempted to exclude brewing from the permitted purposes for which approved buyers might sell barley without first offering it to the Minister had roused such protests from the trade, and from the Ministry's own Brewing Division, that they had had to be amended before coming into effect, on 14th December.)[3] For the marginal supplies taken over from ultimate users the Ministry perforce secured Treasury consent to pay the maximum price for malting barley, 25s. a hundredweight.

From then onwards a sufficient flow of barley became available to meet the Ministry's initial requirements of a five per cent. admixture in the grists, and dilution at length began in mid-January 1943. With the shipping situation worse, as it then seemed, than ever before, the rate of wheat economy this represented now appeared insufficient, and it was decided that as soon as possible a ten per cent. dilution should be enforced. Barley was to be found by adopting an ingenious suggestion from the Ministry's Brewing Adviser, namely that the brewers be asked to use flaked oats instead of flaked barley, to which

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[1] Below, pp. 614-616.

[2] S.R. & O. (1943) No. 14: '. . . the ultimate user shall not be required to offer to the Minister more than the quantity purchased by him from growers for such use during the month in which the offer is made'.

[3] Cf. S.R. & O. (1943) No. 2456 with No. 2541 by which 'brewing' was restored to the list of permitted uses. Had this amendment not been made, those brewers who used flaked or roasted barley in place of malt—a practice deserving of encouragement, as being more economical of grain—would have been unable to continue, as they had no stocks.

The requirement to offer barley to the Minister under these earlier directions did not apply to barley for which the grower had been paid more than 30s. a hundredweight, i.e. to the best malting samples.

they readily agreed. By July 1943 ten per cent. of barley usage for beer was thus being saved. Meanwhile the husking machines for oats at last became available and with manifest reluctance the Ministry's cereals experts began to put it into the grist, at a rate not exceeding three per cent. The full dilution programme had only, however, been going a few months when a dramatic improvement in the shipping situation, coupled with the splendid harvest of 1943, caused the Minister to ask whether the Ministry could not revert to the all-wheaten loaf. The use of oats was discontinued in August; that of barley in December, when it had become clear that supplies of oats would no longer be enough to allow the brewers to have any to replace the barley they had yielded up for bread. Only a few apostles of austerity could be found to lament the end of dilution as untimely; from the procurement point of view it had been a troublesome and—having regard to the time factor—only partially successful expedient. Nevertheless, the aim of saving 300,000 tons of imported wheat had been accomplished, albeit a little late, without seriously inconveniencing priority users of the diluent grains.[1]

III

A more important and less transient problem that continued to vex the Ministry of Food was the orderly marketing of ever-increasing quantities of home-grown wheat. Dry wheat in good condition, produced by experienced growers in the traditional wheat areas, presented little difficulty beyond the occasional over-stocking of millers' stores. The chief worry—and one which naturally got larger as more and more new growers and unaccustomed areas were brought into wheat production—was 'potentially millable' wheat, a category that first won legal recognition in January 1942. When wheat of this class was passed by the local Wheat Committee as fit for flour milling it had, according to the terms of this Order,[2] to be so regarded. Local Committees' standards, however, varied; the possibility of deterioration after the wheat had been passed for milling was very real. Frequently a miller would refuse to accept potentially millable wheat; whereupon the corn dealer would appeal to one of the Liaison Officers of the Ministry, who had been specially appointed to put sellers in touch with potential buyers, to find another miller who would. If he should fail, the help of Ministry Headquarters would be invoked. Colwyn Bay held that 'any wheat is potentially millable

[1] The few thousand tons of rye that were also used for dilution presented no sort of problem.

[2] S.R. & O. (1942) No. 1487. Potentially millable wheat covered both wheat that could be made millable at a cost of 2s. a cwt. and dredge corn containing over 25 per cent. of wheat from which millable wheat could be extracted at the same cost.

provided it is not either mouldy or heated', but this was not the miller's opinion, especially when he could get any amount of wheat in good condition. Some corn dealers reported towards the end of 1942 that they had 'practically to go down on their hands and knees to millers to take wheat' at all. To Ministry criticism that they had not gone far enough afield they had the ready and sometimes angry reply that it was not for them to invade another merchant's territory. If a buyer for potentially millable wheat could not be found, all that could be done was to wait until it had gone right out of condition and then get it passed for feed as non-millable by the local Wheat Committee.

With the drive for dilution and heavy threshing of home-grown wheat in the spring of 1943 it became a drug on the market.[1] The sliding price scale, that had been adopted by the Ministry to encourage farmers to keep back wheat for the spring months, had been only too successful; it was not until nearly the end of the season that the marketing congestion disappeared.[2] The total production of wheat in 1942 was reckoned at over 2½ million tons, an advance of half a million tons over the previous year. Sales of wheat by approved buyers in 1942–43 were over 2 million tons, estimated at 82 per cent. of the crop as compared with 81 per cent. in the previous year. This figure included sales of wheat for seed and of non-millable wheat for stock feed. The quantity of home-grown wheat reaching the mills in 1942–43 was about 1,900,000 tons (including a small quantity of wheat extracted from dredge corn)—about 440,000 tons more than in the previous year.[3] Though there had been a considerable increase in the size of the home crop that year, the proportion used for flour milling was almost unaltered.

Home-Grown Cereals Division had never been satisfied—probably no department in its position ever is satisfied—that the maximum possible amount of wheat was coming off the farms. It had therefore embarked on a survey covering about 220 farms, carried out by some of the Inspectors of the Home-Grown Cereals Division as a test check of the disposal of wheat in the areas unaccustomed to growing it.[4] The first test was carried out in the spring of 1942, the second in January 1943, and the third in the following summer: the last two

[1] It is at least possible that more wheat would have reached the mills if the pressure to thresh barley had been less.

[2] The amount of wheat sold each month varied very little between November 1942 and May 1943, except for a drop in December. Round about 200,000 tons was sold each month. Sales fell in June to some extent but were four times as great as in the same months in the previous year.

[3] The figures for sales to approved buyers and receipts by millers were definite but as before the crop total was merely an estimate.

[4] The Ministry of Agriculture was not over-enthusiastic about the 'Ministry of Food Inspectors making direct contact with farmers on question that might be regarded as the province of the Agricultural Departments', but agreed that the test might be carried out.

covered the same farms, so that disposal of the whole year's crops might be taken into account. The survey threw up incidental facts of interest; it was found that most farmers included in it did not retain as much as the five per cent. of tailings allowed by the control Orders, and that they sold, rather than retained, the greater part of their non-millable wheat. But, as an expert in agricultural statistics within the Ministry of Food itself pointed out in March 1943—the first occasion on which he was asked to comment on the findings—the small size and unrepresentative nature of the sample and the want of rigour with which the investigation was carried out deprived it of all value for comparative purposes on a larger scale. It was thus idle for the Commodity Division to set up its findings of wheat out-turn against the crop reporters' estimates for parish and county yields, find a four per cent. discrepancy, and conclude that either the crop reporters' estimates were too high or that a good deal of wheat had gone to waste. Equally the conclusion that the selected farmers' performance in 1942–3 in making available 87 per cent. of their crops for milling, was an advance on the 83·9 per cent. of the previous year, was scarcely worth setting down on paper. Despite the expert's criticism and some downright observations from the Ministry of Agriculture, pointing out that 'delivery of 83 per cent. of the estimated yield after allowing for seed is a much better picture than was shown in the war of 1914–18', the cereals controllers were reluctant to admit that their inquiry was devoid of significance; their attitude may be summed up in the familiar phrase, 'There must be something in it'.[1] That some waste of wheat occurred on farms almost goes without saying; but this waste was not to be uncovered by statistical means, nor was the pursuit of it as important as the improvement of marketing so that no wheat offered for sale should go out of condition before it could be milled.

IV

At the end of 1941 the Government had decided that agricultural

[1] The defence of the inquiry given by its chief instigator may have some interest for specialists:

'. . . The mathematical basis of the theory of sampling as applied to the multivariate problems met with in agriculture has undergone profound modification in recent years as a result of the work of Fisher and Yates using Latin squares, subsequently modified by Euler and by later workers using the properties of the a-sided hyper-Graeco-Latin squares. . . . this work has demonstrated the fundamental importance of the systematic randomisation of sampling the bearing of which on the factor of variance in results is even greater than that of the size or number of samples. It may be claimed at any rate that the size, number, time, and labour involved in sampling can be greatly reduced by proper randomisation without in any way affecting the degree of precision in the result. . . .'

He did not, however, go on to demonstrate that a sample of one in a thousand farms could be rendered sufficient by 'systematic randomisation', still less that the sample actually taken conformed to that description.

wages must be raised from 48s. to 60s. a week, with a compensatory rise in the prices of farm produce. The appropriate change in wheat prices worked out at 1s. 6d. a cwt., making the price 16s. a cwt. An attempt by the Ministry of Agriculture to add a further 6d. by way of inducement was successfully beaten off by the Ministry of Food on the ground that the major part of the crop was winter wheat and therefore already growing; the matter of stepped prices was left for later decision, together with a number of other points of detail. When discussions on these were resumed in May 1942, the import situation made it necessary to strengthen control of the home-grown crop. 'Potentially millable wheat' was now defined to cover dredge corn containing more than 25 per cent. of wheat (instead of 50 per cent. as formerly), and the use of wheat for seed was to be strictly controlled. The sliding scale of prices was again to operate, beginning with an extra 2d. cwt. in each month from November to January inclusive and 4d. a month thereafter, culminating in a price of 17s. 8d. cwt. in June. The graduations were thus smaller at first but steeper in the spring months than in the previous year, so as to bring wheat to market at the times and in the proportions most useful to the Ministry of Food.[1]

Advantage was taken of the introduction of a new Order to review the margins on the sale of home-grown wheat. The corn merchants had applied to the Ministry for an increase from 1s. to 1s. 6d. a quarter, but a Costings Investigation found that there was no reason why costs of distribution should be greater than before and this claim was disallowed. The dealers' application for an increase to cover War Risks Insurance was accepted, seeing that the price of wheat had risen and that owing to transport difficulties, wheat often had to stay on the farm after it had become the property of the dealer. It was therefore decided to raise the approved buyers' margin from 1s. to 1s. 1½d. a quarter, this sum to include War Risks Insurance.

The new Order came into force on 1st August 1942, but within a month it had to be amended because of changes in the arrangements for farmers' threshing returns. Hitherto these had been made to the local offices of the Ministry of Food, but as the Ministry of Agriculture had now decided to call for threshing returns for home-grown cereals of all kinds it would be more convenient to have the wheat returns sent with the others to the County War Agricultural Committees. The change was made at the end of August;[2] it applied only in England and Wales as in Scotland Agricultural Executive Committees would not undertake the work. The Committees were to

[1] S.R. & O. (1942) No. 1487. The price for non-millable wheat was to be 14s. a cwt. throughout the season so that as the year went on the discouragement for marketing this grade of wheat would be progressively greater.

[2] S.R. & O. (1942) No. 1752.

inform the Ministry of Food's Home-Grown Cereals Division of all cases of excessive tailings.[1]

Apart from one or two minor amendments the Control and Prices Order remained in force throughout the 1942–43 season. In November 1942 an Order was made to bring an approved buyer who was also a grower of wheat into line with any other grower in respect of sales of wheat, and to provide for the use of dredge corn, consisting of barley or rye with 25 per cent. wheat, for milling.[2] A few months later it was found necessary to make another amendment because of the difficulty over transport charges. In place of the limit of 2d. a cwt. allowed for transport of wheat from the farm to the mill or other place of storage, any reasonable transport charges would be payable, provided that the approved buyer gave the ultimate purchaser of the wheat a written certificate to show that the charge had actually been paid.[3]

V

Except for a tightening of control now extended right down to non-millable wheat, there had been little change in the method of distribution of home-grown wheat since the beginning of the war. Not for the first time, however, there were some people in the Ministry who asked, early in 1943, whether it would not be to its advantage to become the sole buyer of home-grown cereals. They argued that the freedom given to the approved buyer to keep to his pre-war channels of trade was uneconomical as dealers could compete with each other for supplies and there was no rationalisation of transport. Moreover, when it came to dilution of flour, the Ministry became the 'residuary legatee', for brewers and maltsters were allowed to buy the best of the barley and oat millers the best of the oats. A further point was whether it was really necessary to keep all the approved buyers, to the number of 3,500, in business. The Commodity Division, however, pointed out that the brewing industry and the oat millers had had first pick of the barley and oat crops because it was Ministry policy that they should do so, and that, if it was thought necessary at any time to alter the arrangements, this could be done without making any drastic change over the marketing of grain. If the Ministry became sole buyer of home-grown cereals it would have to use the approved buyers to make the purchases; it was doubtful if

[1] Most of the County War Agricultural Committees appointed threshing officers to maintain records of the threshing returns and to keep an eye on the owners of threshing tackle. These officers maintained close liaison with the Inspectors of Home-Grown Cereals Division.

[2] S.R. & O. (1942) No. 2272.

[3] S.R. & O. (1943) No. 480.

it would get better service than it did at present, when the buyers had the profit incentive to get hold of the maximum quantity of grain. With this reply the critics had to be content.

The Agricultural Departments had hoped to regard the 1942–43 season as the peak period for production of crops for human consumption and to be able to put more emphasis on the production of livestock thereafter.[1] But with the import situation still uncertain the Ministry of Food requested that farmers be asked to grow the maximum amount of bread grains, especially wheat, in the following season.[2] The actual wheat acreage in the 1943–44 season remained high, amounting to over 3,200,000 acres, but it fell short of the peak production figure of 1942–43 by over a quarter of a million acres. A slight increase in the sowing of barley was no compensation for the fall in wheat acreage as dilution had been abandoned long before.

Prices for the current crops, those marketed in 1943–44, remained unchanged. In order to encourage growers of wheat and rye on marginal land, however, it had been decided that this year part of the farmer's remuneration should be by way of an acreage payment of £3 an acre, with a corresponding reduction of the price of millable wheat from 16s. to 14s. 6d. cwt. The Ministry of Food proposed to re-enact, *mutatis mutandis*, the sliding price scale which had worked well in 1942–43. The price for the month of July, however, was raised as the farmers had requested, so as to encourage the grower to keep some of his wheat until the new crop was coming along and to compensate him for the loss through vermin and drying of wheat in stack.[3] One or two other changes were made for the new season, including an increase in the margin for potentially millable wheat from 2s. to 2s. 6d. a cwt. to give a greater incentive to millers to accept damp wheat for conditioning. The allowance for handling wheat in and out of store was also increased from 2d. to 4d. a cwt. as an inducement to dealers to take wheat into store and so reduce gluts at mills.

Before the control Order was put in its final form one further question was raised by the Ministry of Agriculture, which was much exercised to prevent a farmer, who had let wheat get out of condition through negligence or in order to have the benefit of it to feed his own livestock, from enjoying the fruits of his crime. War Agricultural Executive Committees might, it was thought, be empowered to order the farmer to sell the wheat; but (the Ministry of Food pointed out) it would be very difficult to enforce a requirement to sell, for 'the price cannot be fixed and there is a difficulty about requiring

[1] Murray, *op. cit.* pp. 204-208.

[2] Murray, *op. cit.* pp. 219-236. The Agricultural Departments' programme for a further ploughing up of 700,000 acres of pasture for the 1944 harvest fell short by 100,000 acres, and the actual acreage under crops was little more than in the previous year because over half a million acres previously arable were put down to temporary grass.

[3] The fall in price in July was to be 2d. cwt. instead of 6d.

any particular person to buy'. Under the existing Order the Local Wheat Committee, whose certificate had to be obtained before a farmer could regard his wheat as non-millable, could withhold permission for the wheat to be fed to livestock. The Wheat Committees, however, unlike the C.W.A.E.C's, had not sufficient knowledge of farmers and their ways to decide in any case whether wheat had become non-millable through negligence. It was therefore decided that whenever a Wheat Committee felt suspicious about the wheat that it was asked to certify as non-millable it should issue a conditional certificate only; the owner would have to obtain the consent of the Agricultural Executive Committee before he could use the grain for stock feed. Quantities of wheat of under half a ton and cases where the wheat was deteriorating so quickly that only an unconditional certificate would save it from utter waste were to be excluded. The Order came into force on 1st August 1943, and continued unamended throughout the crop year.

The wheat harvest of 1943 was not only abundant but in good condition; over the first three months of the season, approved buyers' receipts were over half as much again as in the previous year, and stocks of wheat in mills were at a maximum. The Ministry had taken warning from previous years and had increased the proportion of home-grown wheat in millers' grists to over 50 per cent. This was almost the peak of usage if the quality of bread was to be maintained; the Ministry of Agriculture had to be asked to do what it could to get threshing slowed down, especially in the north-east of England, so as to prevent a very ugly position if a 'surplus of deliveries over possible usage' were to occur. At the end of November the position was eased slightly by the removal of barley from the loaf, and in general marketing difficulties were nothing like so serious as they had been in the preceding season. This was partly due to the better quality of the crop, with far less falling in the dangerous 'potentially millable' catagory. The main trouble was in getting threshed wheat away from the farms quickly; in many places it lay around in the open deteriorating rapidly, especially in wet weather. The Ministry of Food had now been able to open a number of silos for storage of home-grown wheat, but most of these were in the east and south of the country, and the chief trouble was in the north-eastern counties. Throughout the year sales of wheat month by month continued at a high rate and over the whole year the total passing through the hands of approved buyers exceeded 2,950,000 tons[1], or 86 per cent., the highest proportion on record out of a record harvest.

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[1] This total included some wheat sold for seed, but the total amount so used, including seed retained by farmers for their own sowing, amounted to a little less than 300,000 tons. Wastage of wheat in the 1943-44 season was rather higher than in previous years, owing to the large crop.

VI

In the autumn of 1943 the Government decided that the war-time system of guaranteed prices and assured markets should be extended to cover the immediate post-war period, defined in January 1944 as covering the years 1944–47. Though no general rise in agricultural prices had been allowed on account of the 5s. a week increase in farm wages awarded in November 1943—a decision that evoked loud accusations by farmers of a breach of faith[1]—some small amendments were made for the 1944–45 season. The maximum price of malting barley was reduced by a further 2s. 6d. a cwt. as the Ministry of Agriculture considered that some farmers were still sowing it in preference to wheat, and it was no longer required for flour. The basic price of wheat remained stationary, but a higher proportion than before was to be given as acreage payment (£4 instead of £3); the sliding scale was adjusted further in favour of the later months of the season, ranging from 13s. cwt. in August and September to 15s. 4d. in June and July—a change that won general approval from farmers and the trade.[2] The stability of grain prices reflected the conviction of the Agricultural Departments that the limit of crop expansion had been reached and that there was need to rest much land and begin the rebuilding of the livestock population. Despite the improvement in the shipping situation and the enormous stocks of wheat on hand, the Ministry of Food persisted in viewing any diminution of acreage with misgiving.

The 1944 grain harvest was disappointing, for the weather broke early, and, except in the south of England, where most of the harvest was in by the end of August, grain had to be harvested in a wet condition. The Ministry of Agriculture had already prevailed on the Ministry of Food to agree that farmers should be allowed to keep 10 per cent. of the tailings from the barley crop (instead of 5 per cent. as previously) to help them in feeding stock, and to improve the quality of the barley when sold. They now asked that this concession should be extended to wheat, for the millers would then receive it in much cleaner condition than if only 5 per cent. tailings were removed. The cereal controllers did not like this suggestion, which would mean that they would lose 5 per cent. from good wheat as well as from bad; in any case they thought the main trouble was likely to

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[1] For an account of the circumstances of this decision, see Murray, *op. cit.* pp. 211-217.

[2] No change was made in the payment for potentially-millable wheat, but prices for non-millable grain were reduced to a range between 10s. 6d. and 12s. 6d. a cwt., according to season, to keep it in proper relation to potentially-millable wheat. The only other change of any moment made in the new Order (S.R. & O. (1944) No. 791) was the requirement that where the wheat had been artificially dried before sale the seller should so notify the buyer.

arise from the sprouting of whole parcels of wheat that had been harvested wet, and a better way to ease the situation would be to allow a farmer to sell wheat as non-millable without first getting a certificate to that effect from the local Wheat Committee. A certificate would still have to be obtained on a second sale by an approved buyer or other dealer as well as by the farmer himself if he wished to feed the wheat to his stock.

This change was made at the beginning of October,[1] but it did not suffice. There was a lot of sprouted wheat about, most of it on the borderline between potentially millable and non-millable; farmers were grumbling at not getting a full price for such wheat, and millers who bought it as potentially millable were getting the Area Flour Officers to condemn it so that it could go into compound feeding-stuffs. All this was giving much extra work to the mills as well as reducing the amount of wheat available for the grist. Home-Grown Cereals Division therefore proposed that the Ministry's Purchasing Officers should buy doubtful wheat, in places where the mills could not deal with it, and allocate it direct to compound feed manufacturers as non-millable wheat fit for use in feeding-stuffs.[2] The draw-back to this scheme was that it might result in a considerable loss of wheat for milling. Some non-millable wheat was disposed of in this way, but the problem of marketing millable wheat that contained a certain amount of sprouted grain still remained, and it was not until the early summer of 1945 that steps were taken to deal with it. Complaints had been coming in from various parts of the country, in particular the north-east of England and Scotland, that growers could not dispose of their wheat either to millers or to the Ministry's silos. Arrangements had therefore to be made for the Purchasing Officers to buy wheat containing a small proportion of sprouted grain and to put it into Ministry store until it could be allocated to a miller or compound feed manufacturer.[3]

The milling quality of the 1944 crop was so poor that the proportion used in grists had had to be reduced to 40 per cent., and there was no possibility of increasing this ratio while the crop was being used up. There was thus an end of season glut of home-grown wheat, and in June 1945 the Ministry perforce undertook 'to purchase all millable and potentially millable wheat for which farmers cannot find a market'. Storage space was so short that the Ministry decided to send 50,000 tons of the old crop wheat to Europe for Relief so as to

[1] S.R. & O. (1944) No. 1149.

[2] Sale of wheat by approved buyers to the Purchasing Officers would have to be sanctioned in advance by the Ministry's Wheat Officers (usually millers, appointed by Cereal Products Division as Liaison Officers to deal with difficulties over the marketing of wheat).

[3] The Minister of Food had to face a certain amount of criticism in the House of Commons over farmers' difficulties in disposing of wheat.

make room for the 1945 crop. Some of it still remained unsold at the end of July, and the Ministry had to extend the high price payable for wheat in that month until the end of September. It was not until then that the Ministry was able to stop direct purchase of home-grown wheat. The compound feed manufacturers were the chief gainers, especially from wheat that had gone out of condition entirely, and that was released to them in the ratio of three times the nominal value of their buying permits. The total quantity of wheat bought by the Purchasing Officers was well in excess of 100,000 tons. It was to be expected that in such a year a smaller proportion (an estimated 79 per cent.) of the harvest would be sold. Total receipts by approved buyers fell by upwards of half a million tons, though the crop itself was put at about 300,000 tons below the record figure of 1943. The difference—which it must be repeated was no more than an estimate—had presumably been fed to animals on the farm. But for the diligence of the controllers, the results must have been much less satisfactory.

The main influence of the bad autumn of 1944 was to be felt, not in the results of that harvest, but in the acreage sown for 1945. When the cropping programme had been under discussion in the spring of 1944, the Agricultural Departments had warned the Ministry of Food that the mammoth sowings of the last two years could not continue and that some relaxations must be expected. Nevertheless they had been willing to issue county quotas for as much as 2,900,000 acres, and thought it possible to get more. In the event, however, the land sown to wheat fell by nearly one million acres, three times the fall the Agricultural Departments had reckoned on, and the yield, though still above the long-term average, was down for the third year in succession. Moreover, the amount of non-millable wheat, that could only be fed to stock, was but little lower than in 1944. Net receipts by millers in 1945–6 were under 1,400,000 tons, half what they had been two seasons earlier. This pattern was to be repeated in subsequent years; the two and a quarter million acres sown for the 1945 harvest proved to be the maximum that could be obtained, at any rate in the conditions laid down by the Agricultural Departments and accepted by the Government: no compulsory cropping directions and no extra inducement to sow wheat rather than barley. In the two lean years of bread rationing, 1946–7 and 1947–8,[1] the acreage was even lower, and in the second the yield was also abnormally low, so that millers' receipts were only a little above 1,000,000 tons. Even a partial reversal of policy, agreed on for the crop to be harvested in 1947[2], by which wheat prices were put up by 2s. 6d. a hundredweight and a countervailing reduction made in

[1] Below, pp. 712-715.

[2] It had been intended to issue compulsory directions in 1946–7, but in view of the bad weather and the poor harvest it was decided to spare growers the extra vexation.

the guaranteed price for malting barley, had had no evident effect on sowings. The position improved in 1948, the year bread rationing was abolished, mainly because the yield exceeded one ton an acre for the first time since 1942.

The difficulties of the home-grown cereals control were very different in these immediate post-war years from what they had been during the peak harvests of 1942, 1943, and 1944. The problem was no longer the orderly marketing of what, in one way, might be termed an over-abundant crop; it was rather a reversion to the crisis, hand-to-mouth measures of 1941–2, when home-grown grain was wanted to fill gaps caused by the irregular arrival of imports. A new technical complication had also made its appearance, the extensive use of combine harvesting machines, which solved the problem of delays in threshing only to produce a new one—an influx of wet grain which in former times would have been left to dry out in stack before threshing. Thus a glut of wheat in the early autumn of 1945 had been followed by scarcity. In 1946, with summer stocks of wheat abnormally low, the Ministry of Food actually sought to bring as much of the home crop on the market in August and September and had the price schedule adjusted accordingly. When the weather defeated this aim, and stocks of imported wheat fell still further, the Ministry, at the suggestion of Mr. Anthony Hurd, M.P., altered its price schedule a second time so as to give a bonus for deliveries in January 1947, and thereby secured an increase of perhaps 100,000 tons over the prevailing rate: 220,000 came in that month, compared with 84,000 in December and 120,000 in February. This manoeuvre, however, can only have been successful at the expense of deliveries later in the season when, as it turned out, the stock position was even worse, with only three weeks' supply of bulk wheat and three of flour at one time. By the next season the use of combines had increased still more, and the harvest, a poor one, was almost all brought forward in the early autumn—almost one-third of it in the first six weeks, which was even more than the Cereals Division had wanted. The amount of English wheat included in the grist, ranging from 30 to 35 per cent. at the beginning of the season, was down to 10 per cent. by the New Year. No amount of price manipulation could have counteracted the influence of the new technique of harvesting, which, had it come in during the earlier years of war, must have posed well-nigh insoluble problems of marketing and storage for the cereals control.

CHAPTER XXXIII

The Control of Milling and the Fortification of Flour

I

At the outbreak of war arrangements for the control of the flour mills were in train. The Cereals Control Board[1] appointed a Flour Mills Control Committee with jurisdiction over milling, flour transport and storage, and even flour prices. The Committee included representatives of the three big milling concerns and of two smaller milling companies, a Civil Servant as liaison with the Ministry of Food proper, and, as Chairman, a former high official of the Wheat Commission. Milling interests therefore predominated.

Six months earlier the Food (Defence Plans) Department had decided not to take possession of the flour mills in war-time and that it would be sufficient to require them to 'comply with the directions' of the Minister of Food.[2] The Control of Mills Order[3] therefore required every miller to make an immediate return of the capacity of his mill; milling would be restricted thereafter to mills for which such a return had been made and that were licensed for cereal production. The Control Order specified the conditions under which the mills would have to operate, when licensed, in respect of the kinds and quantities of cereals and cereal products to be produced, the management of the mill, the regulation of employment therein, and deliveries of cereals and cereal products both into and out of the mill. The accompanying general licence[4] obliged all millers to sell at the prices fixed by Order and to produce only straight-run flour unless authorised for other production.[5] By confining production to straight-run flour, which meant that all the wheat received in the mills for grist was used in one stream and that the production of

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[1] See Chapter XXVIII, above.

[2] This decision was taken in spite of the precedent of the First World War when the taking over of the mills by the Food Controller had been regarded as 'the corner stone of cereals administration'. There is no evidence to show that the line taken by the Food (Defence Plans) Department was in any way influenced by the 'shadow' Cereals Control Board.

[3] S.R. & O. (1939) No. 1037.

[4] S.R. & O. (1939) No. 1039.

[5] Straight-run was defined in another Order (No. 1036) governing prices as 'flour produced by running together all the flour streams of a milling plant which is set to separate as flour not less than 70 per cent. of the total weight of clean wheat which is the feed to the break rolls'.

graded flour came to an end, the Cereals Control Board was following the precedent of the First World War.[1] Substantial economies could thus be effected in time and labour at the mills. The question of the extraction rate of flour had been considered by the shadow Cereals Control Board some time before war began, when it had concluded that, because of the need to maintain feeding-stuffs supplies and the likelihood that the importation of maize would be curtailed, 'there was much to be said for not lengthening extraction at the outset'. This opinion was accepted by the Food (Defence Plans) Department without question, and extraction was fixed at the normal level of 70 per cent.

When informing every miller that the Control of Mills Order came into force on 3rd September, the Cereals Control Board declared that the Food Department had 'taken control of the undertaking of every person who by way of trade produces any cereal products by milling'.[2] Millers, however, were left a great deal of freedom in running their businesses. Though they were required to 'mill flour to capacity', the running time of mills was not immediately prescribed and no attempt was made to interfere with their general working. Millers were left to operate their own transport vehicles and no restrictions were placed on the volume of their trade—in fact they were asked to 'make deliveries of flour as freely as possible to customers'. At the outset millers' purchases of home-grown wheat were uncontrolled except for a ceiling price of 24s. a quarter (paid 'at farm').[3] Imported wheat would henceforward be supplied to millers by the Port Area Grain Committees, who were instructed to accept orders from millers without distinction. The Port Area Committee, on notification by Imported Cereals Division of the arrival of a grain ship, either allocated the wheat to a mill or mills at the port—when the grain was usually unshipped directly to the mill—or arranged for warehousing grain—in which case the Committee was responsible for delivery to an inland mill. The millers had to supply weekly returns to the Port Area Grain Committees of their stocks of wheat and their 'unfilled grain storage capacity' as a guide for allocation. The millers paid the Port Area Grain Committees for the imported wheat they received according to invoices covering the cost of the grain, freight, and any delivery charges incurred. Before the war the price of flour had been determined by the current prices of wheat and it was supposed by the Cereals Control Board that this practice would continue.

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[1] *Royal Commission on Wheat Supplies, First Report* 1921, Appendix 15 (Cmd. 1544).

[2] Circular FMC 3, sent to each miller with copies of the three Orders and a General Licence was the first of a long series of instructions sent out first by the Cereals Control Board and later by the Cereal Products Division of the Ministry of Food. FMC 3 gave detailed explanations of the three Orders and was described by a milling potentate as 'excellent in every way: even the most brainless of millers ought to be able to understand it'.

[3] Above, pp. 556-557.

As, under the Wheat Act, millers had to make quota payments on their flour production, full information had been available through the Wheat Commission to the Food (Defence Plans) Department of the flour milling capacity of the country. Out of the total of 440 mills producing flour, 128 were situated at the ports and these produced 70 per cent. of the entire national output. In the ten years preceding the war the greater part of the milling industry had banded itself together in a 'Millers' Mutual Association' to rationalise flour production and to prevent excess milling. Each member of the Association had been given a datum production figure (based on his current output), which, if exceeded, entailed a 'stiff monetary penalty'. Under rationalisation the three giant milling companies had improved their relative positions in the industry by buying up a number of mills, closing some down and in one or two instances opening others in advantageous positions.[1] By 1936–37 the production of flour in the United Kingdom had been reduced to little more than 3,800,000 tons a year. Just before the war production was tending to rise again, but had not reached 4,000,000 tons a year. About two-thirds of the entire industry was in the hands of the three great companies, and as these were strongly represented on the Cereals Control Board (and later in the Ministry of Food) administration of the milling control worked smoothly. The comparative freedom left to the mills during the war was no doubt to some extent at least due to the influence of the millers among the Ministry's cereals advisers, but the fact that so large a proportion of the industry was in the hands of the war-time administrators themselves, made for ease in the carrying out of instructions.

As so large a part of milling capacity was in the ports there was no doubt that the industry would be exceptionally vulnerable, and before the war the shadow Cereals Control Board had given a good deal of attention to the possibility of bringing into use unused milling plant inland. The Board estimated that the mills as a whole had been running only to 82 per cent. capacity in 1938, even reckoning by normal peace-time working hours, and that by increasing running time to the maximum the output of the mills could be increased by about 40 per cent. There was therefore a large reserve of capacity and this could be further increased by using some of the small inland provender mills for flour milling during the war period. Even if a number of the port mills were put out of action by the enemy it should be possible to make the loss good.

One of the main tasks of the milling control would be to prescribe the composition of the grist. A beginning had been made by the cutting

[1] Most of the closed mills had been dismantled but a few, known as the 'silenced mills', were left with their equipment and these were brought into commission again by the Ministry of Food during the war (see below, pp. 743-744).

out of graded flour in favour of straight-run, but it soon became necessary to give millers further instructions so as to conserve supplies where wheat stocks were running low. At the beginning of the war farmers had held back from threshing and for a short time during September the use of English wheat was confined to biscuit manufacturers. Within a few weeks disturbance of shipping on the long sea routes had made for a shortage of Argentine wheat, and millers were advised to use 40 per cent. of Manitoba wheat in the grist.[1] Stocks of wheat fell rapidly during the autumn, and the Cereals Control Board was constrained to instruct mills to raise the extraction rate for flour from 70 per cent. to 73 per cent., even though this would mean a loss of 10 per cent. of wheat offals at a time when the feeding-stuffs position was even worse than that of wheat. However, 5,000 tons of wheat a week could be saved by increased extraction, and the change was made at the end of October. The millers on the Board, however, threw their weight against raising the extraction rate further—they thought it would be 'unwise to resort to a measure which must discolour the loaf'. It is instructive to contrast this first rise in the extraction rate, made by a simple decision of the Cereals Control Board and put into effect by executive measures on its own initiative, with the exhaustive discussions on the subject that took place within the Ministry of Food at later stages of the war.

II

Though graded flours and brand names had been abolished at the outset of control, millers were allowed to continue to make self-raising flour and 'speciality flours' for brown bread, provided that these had as high extraction as straight-run flour and that their prices were not increased in relation to the basic price allowed for straight-run flour. There was thus no restriction on the manufacture of brown, wholemeal, and wheatmeal flour.

Before the war recommendations about the prices that bakers should charge for bread were made by the Food Council.[2] The price of flour was determined according to the current prices of wheat used in the millers' grist; that of bread was related to the flour price in accordance with a scale that had been drawn up by the Food Council. In August 1939 the price of straight-run flour in London had been 19s. 6d. per sack of 280 lbs.; delivery charges from the

[1] By this time English wheat was coming along well and all restrictions in its use for flour milling were ended.

[2] The Food Council was a voluntary body set up as a result of the report of the Royal Commission on Food Prices (1925) and attached to the Board of Trade. The recommendations of the Food Council were advisory, and were usually followed in the London area, but they were by no means always observed elsewhere.

mills had been payable by the buyer. By adding 1s. 6d. a sack for delivery charges and a further 1s. because the straight-run flour that the miller was required to produce under the terms of the General Licence was of better quality than the basic flour on which the Food Council's recommendations were made, the price written into the Flour Prices Order[1] became 22s. a sack. No sooner had this price been fixed than the Cereals Control Board wished to have it raised because increased prices of wheat were forcing the millers to produce flour at a loss. Within three weeks they were asking for a second Prices Order that would put the price of flour at 28s. 6d. a sack. The price of Manitoba wheat had risen from 34s. 6d. to 36s. 6d. a quarter, while Argentine and Australian wheat was costing 27s. 6d. to 29s. 6d. Taking the cost of manufacture and millers' other expenses into account, it was costing them 27s. 9d. to produce a sack of flour.[2] To raise flour prices, however, might mean that the cost of bread would have to be increased, which no one in official circles wanted so early in the war because of reactions on the Cost of Living Index. Under the Food Council's scale the price of bread should remain at the same level between certain limits in the cost of flour, but, when the latter approached the top of any range, bakers were apt to put their prices up anyway. Before the end of September the bakers had themselves approached the Minister of Food (Mr. W. S. Morrison) asking for a revision of the Food Council's scale because of increased costs.[3] Without consulting the Cereals Control Board, the Minister agreed that the price of the quartern loaf might rise from 7½d. to 8d. by the end of September. At the same time it was agreed that the Food Council should cease to function and that the Ministry of Food should take over its activities and work out new scales to relate the prices of bread to flour. The Cereals Control Board was informed by the Ministry that no further concession would be made to the bakers until a costings investigation had been made.

By early November the millers were complaining that they were running at a continual loss because of the rise in the price of wheat and other increased expenses. Wheat prices were likely to rise still higher when the new freight rates came into operation, so that the proper level for flour would be 32s. a sack.[4] The Board therefore recommended that the price of bread should be 9d. for the quartern loaf, but this was unacceptable to the Government, which preferred a

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[1] S.R. & O. (1939) No. 1036.

[2] In addition millers were still making quota payments under the Wheat Act, running since the war started at 4s. 6d. a sack. Prices of home-grown wheat had also risen—from 24s. to 31s. 6d. a quarter.

[3] The bakers had applied for a revision of the scale because of their higher costs following the adoption of minimum wage rates in the trade.

[4] This price was exclusive of quota payments, which had now been reduced to 3s. 6d. a sack because of the rise in the price of home-grown wheat.

'temporary' subsidy until it should have reached agreement with organised labour on war-time wages policy.[1]

The price of flour therefore remained at 22s. a sack. Meanwhile the cost of wheat to millers was rising steeply, for the Ministry had come to the end of the stocks it had requisitioned at the beginning of the war and was using up its emergency stocks, so that most of the grain going into the grist was part of new and expensive purchases.[2] The Ministry therefore obtained Treasury consent to pay the millers a rebate of 10s. 6d. a ton on all the wheat they had bought since the beginning of the war; it was, however, estimated that this rebate might not cover the full extent of their losses.[3] The rebate had to be increased several times during the autumn and winter of 1939–40, and by the beginning of March stood at 22s. 6d. a quarter on imported wheat and 8s. on home-grown.[4]

When, early in the summer of 1940, the Government decided to suspend operation of the Wheat Act[5] and put the Wheat Commission into cold storage, an adjustment was needed in the flour prices Order. Up to this time millers had been able to pass on to the buyer quota payments amounting to 3s. 6d. a sack over and above the maximum price of 22s. As the Wheat Commission's staff were to be taken over for other administrative duties by the Cereals Division of the Ministry of Food, it was logical that the Ministry should itself pocket the 3s. 6d. by way of an addition to the maximum price and a corresponding reduction in the millers' rebate, and this was accordingly done.[6] Except in so far as the suspension of the Commission made for saving in administrative expenses, there was no real change in the expense of the flour subsidy, which even after this nominal reduction was running at about £3,000,000 a month by July 1940.

Speciality flours gave a little trouble in administration. In the original Order of 1939[7] prices of these flours were fixed at the rate

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[1] Vol. I, p. 100; R. S. Sayers, *Financial Policy*, p. 64.

[2] In addition to the other factors making for higher costs of flour production, prices of feeding-stuffs had been fixed at low levels and consequently millers could not recoup any of their losses by raising the price of wheat offals (S.R. & O. (1939) No. 1324).

[3] It was estimated early in December 1939 that millers were actually losing between 12s. 4d. and 12s. 9d. a ton on their current flour production, though some of the larger millers who could produce more economically might be losing less.

[4] When a new Flour (Prices) Order (S.R. & O. (1940) No. 407) was made in March 1940, the price of straight-run flour was left unchanged at 22s. a sack. The opportunity of making a new Order was taken to clear up various administrative points that had arisen. Provision was now made for licensing Flour Factors and the permitted increase in the case of the sale of speciality flours was now defined as a maximum price, to encourage millers to sell more cheaply where they could. The sale of imported flour was excluded from the provisions of the Order, as this was all owned by the Ministry and distribution by Port Area Grain Committees could be governed by instructions.

[5] By virtue of the Agriculture (Miscellaneous War Provisions) Act 1940. See above, p. 561.

[6] S.R. & O. (1940) No. 640.

[7] S.R. & O. (1939) No. 1036.

for 'National straight-run' plus an addition of 'the customary difference' between the cost of flour of the quality of straight-run and of the speciality flour immediately before the war. The Order thus provided for a fixed price for each brand of speciality flour, but in the instructions sent to millers they were told merely not to exceed such a price. In fact several of them charged less and exposed themselves to complaints of undercutting from competitors. Firms making self-raising flour exclusively, which were neither controlled nor able to receive the rebate on sales of straight-run, voiced[1] the suspicion that the undercutting was thus being subsidised by the Ministry. The Flour Mills Control Committee of the Cereals Control Board was rather naturally—considering its membership—not inclined to take any action: 'the Ministry is not really concerned with the price cutting aspect of the matter'; and, indeed, the suspicion was not something that could be verified without lengthy investigation. All that was done was to bring the revised Order of March 1940[2] into line with millers' practice by inserting the words 'not more than' before 'the customary difference'.

The uncontrolled millers making speciality flours were not wholly at a disadvantage at the outset of control. Self-raising flour was made from soft wheat and when the whole grist consisted of home-grown grain millers were able to continue with a 70 per cent. extraction, whilst the National straight-run was lengthened to 73 per cent. The makers of brown and wholemeal flour were free to use what wheat they liked for the grist. Originally every miller of speciality flour had been expected to obtain a licence to manufacture, but some of them failed to do so, and in August 1940 the Ministry issued a General Licence[3] covering all such millers who had been in business at the outbreak of war. It severely circumscribed their activities; self-raising flour must henceforth be made solely from National straight-run and a minimum of 80 per cent. extraction was fixed for 'proprietary brown flour'. Millers might only continue to use trade names for these particular kinds of flour. However, they still had some freedom to charge prices below the maximum.

III

Once the War Cabinet had authorised the thirteen weeks' minimum reserve of wheat and flour, the Cereals Control Board went all out

[1] In particular Spillers continued to charge 20s. per gross of 1 lb. bags of one brand of self-raising flour and 30s. for another, though other firms were selling self-raising flour at 23s. to 25s. per gross of 1 lb. bags. The Self-Raising Flour Association thought that 20s. could not be an economic price.

[2] S.R. & O. (1940) No. 407.

[3] S.R. & O. (1940) No. 1570.

to build up the depleted stocks. Millers were instructed to run their plant to a maximum of 144 hours a week and they were asked to keep four weeks' supply of wheat at the mills. The Port Area Grain Committees were to store as much imported flour as they could and there was a diligent search for storage accommodation for it.[1] In addition millers were encouraged to hold as much 'security flour' as they could. Though the Treasury agreed that they should be paid an advance of 20s. a sack for all the flour they were storing, stocks were only built up slowly, and in the middle of March the Cereals Control Board issued a formal instruction to run mills to the maximum capacity until the security reserve was complete.[2] By this means the total reserve stock of a quarter of a million tons of flour was built up by the end of April. To encourage millers to hold more in reserve than the '400 hours grind of wheat' they had been asked for, they were not to be called upon to pay immediately for any additional supplies of imported wheat that they took in from the Port Area Grain Committees.

Hardly had the reserves reached the desired level than the fall of France obliged the Cereals Control Board to take emergency measures to try to safeguard millers' stocks in case of attempted invasion. Millers in all the seaboard counties from Northumberland to Sussex were told to reduce their deliveries of flour by one quarter, this to be sent 'so far as possible to areas west of their mills,' to be kept as an additional reserve. The deliveries were to be made up from western mills.[3] All mills were to continue to run 'full out' so as to increase their reserve stock of flour by a quarter of their average output each week. It proved difficult to find enough storage for these new reserves, and for imported flour that was being moved out of the ports.[4] Further efforts were made to disperse security stocks of flour held by millers near the coast between Norfolk and Sussex by moving them inland, and, at the end of June, the coastal belt[5] to be cleared of reserve stocks of flour was extended from the north-east tip of Scotland right round the coast to Cornwall.

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[1] It was proposed to build up an additional stock of 200,000 tons of flour by this means in the mills, together with 50,000 tons of imported flour, making a total of 250,000 tons as the Security Stock.

[2] In February 1940 Mr. J. Arthur Rank expressed the view that the Board had set the millers 'an impossible task' over the accumulation of flour stocks because of the heavy costs of storage.

[3] Alternatively millers in the east might deliver the full 100 per cent. to their customers provided that they arranged to store 25 per cent. of this amount of flour supplied from western mills.

[4] At the same time the Port Area Grain Committees were trying to get wheat away from the ports as quickly as they could though some millers were not willing to take it; they were believed to be taking in stocks of provender instead of wheat because of the impending scarcity of the former.

[5] For the coastal belt, see Vol. II, pp. 290-297.

There was a good deal of difficulty about finding storage for flour, as the Ministry frowned on attempts by the millers merely to move their stocks into bakers' premises. Flour was being stored in 'village halls, farms, empty shops, garages, cinemas and even empty houses', some more suitable than others.[1] By the end of July it was decided not to attempt any further increase in millers' reserve flour stocks which now approached 225,000 tons. Millers' reserves in the coastal belt (excluding London, Portsmouth, and Plymouth) were to be moved inland and stocks of flour in mills in this area were to be brought down to 1½ weeks' usage. The Ministry had now decided to build up an additional security flour stock of its own sufficient for two weeks' consumption. This was to be milled entirely from imported wheat so that it would keep; it would be turned over every six months, when it would be mixed with millers' current production.

IV

The military disasters in the early summer of 1940, and the prospect that curtailed imports would seriously reduce food supplies, brought the question of bread to the fore. The Government had already recognised that existing deficiencies of calcium, iron, and vitamins in the country's normal diet would increase; unlimited supplies of bread, however, were a *sine qua non*, and it was thought imperative that the bread should be as nutritious as possible to compensate for the want of other foods. Lord Woolton had hardly taken office as Minister of Food when he found himself obliged to come to some decision about the composition of bread. He was (he wrote) 'torn between two sets of advice'. The scientists and medical men wanted high extraction 'wheatmeal' bread to be established as the National loaf; on the other hand, a strong body of opinion, including the millers and the representatives of organised labour, maintained that it would be most unpopular to deprive the country of its traditional white bread. The former argued that the high extraction rate made for economy in the use of wheat and that wheatmeal contained Vitamin B_1 and iron, both necessary to health and both relatively lacking in the white loaf. The latter pointed to the strong preference of the community for white bread and the good keeping qualities of white flour, most important now that the Government was to hold large food reserves in case of interruption of imports.

[1] The Ministry's Director of Warehousing, who was doing his best to help over storage, comforted the Cereals Division by promising to try not to put flour into unsuitable buildings: 'naturally', he wrote, 'all garage floors etc. will be cleaned as far as possible before the places are put into use'.

In face of these arguments the Food Policy Committee decided in July 1940 to continue the production of bread from 73 per cent. extraction flour, but to add to this flour synthetic Vitamin B_1 and a calcium salt to make up for dietary deficiencies. At the same time bread of 80 per cent. extraction flour was to be made and sold at the same price as white bread and there was to be a publicity campaign to extol its nutritive value. Sale of the new 80 per cent extraction loaf at the same price as the white loaf would make for useful competition with the branded brown breads (*Hovis*, *Turog* and others) whose makers had had an advantage since the beginning of the war over the producers of branded white flours who had all been obliged to turn over to production of straight-run flour.[1]

Behind the decision of the Food Policy Committee lay several years of research, sponsored by the milling industry, into the possibility of introducing Vitamin B_1 (aneurin) into flour. Already in April 1939 an *ad hoc* company had been set up to acquire Vitamin B_1 from the fine-chemical manufacturers, Roche Products Limited, and distribute it to members of the millers' trade association; a factory was to be built for this purpose at Welwyn Garden City. These activities had apparently been suspended at the outbreak of war, and it was now proposed to revive them under the aegis of the Ministry of Food, which accordingly set up a Flour (Vitaminisation) Advisory Committee of milling experts, scientists, and medical men, and prepared a draft Order[2] enabling it to take over, if it thought fit, the manufacture of aneurin for incorporation in flour. Before this could start, the Roche Products factory would need to be completed: but progress on it was slow. Roche Products were thought, rightly or wrongly, to be dragging their feet about it, and partly for this reason, partly in order to have some insurance against air attack, the Ministry opened negotiations with two other firms.[3]

The mass manufacture of the vitamin was, however, only the first stage in the process. A 'master mix' of aneurin and white flour would have to be produced for use by the millers, and their trade association undertook to put up a flour concentrate factory for this purpose. The millers themselves would need mixing machines for adding the 'master mix' to white flour. The Flour (Vitaminisation) Advisory

[1] It was originally intended to require millers of speciality flours (whose privileged position under control had evoked some criticism) to put the new 80 per cent. flour on sale also. But the Ministry's trade advisers pointed out that much of the speciality flour was of 90 per cent. extraction and some of the millers making it would not be able to make 80 per cent. extraction flour. Accordingly a General Licence (S.R. & O. (1940) No. 1570) was issued in August allowing all millers who had been producing speciality flour of 80 per cent. extraction or more at the outbreak of war to continue to do so.

[2] The Order was not made until February 1941 (S.R. & O. (1941) No. 183).

[3] May and Baker Limited and Glaxo Laboratories Limited. From preliminary estimates it appeared that these firms would be able to produce aneurin more cheaply than Roche Products.

Committee suggested that the Ministry should provide these; Ministry officials thought the millers might very well buy them for themselves, especially as fortification of bread would not necessarily end with the war. However, the manufacturers of the machines were unwilling to embark on production without some guarantee from the Ministry, and so Treasury authority for a bulk order was obtained. The millers were expected to pay for the machines as they received them.

Progress on all these points was slow. It was not easy to get labour and materials for the concentrate factory, and the breakdown of an essential part of the machinery at the Roche factory delayed the start of production there until June 1941. However, this was not of great importance, as the mixing machines would not be ready for the mills before that date.[1] In the meantime the Flour (Vitaminisation) Committee thought it would be a good idea to make an experimental test in fortification. It would be carried out in South Wales, an area where malnutrition had been rife, and it was hoped that the inhabitants might demonstrably benefit.[2] Nevertheless, the scheme was 'chiefly intended to test the milling procedure and arrangements for distribution of the concentrate' and for this purpose arrangements were made for the concentrate to be prepared at a factory at Wellington (Somerset) whence it would be distributed to ten mills in South Wales. From this beginning the scheme would be extended gradually throughout the country as supplies of the concentrate became available.[3] Unfortunately Vitamin B_1 could hardly survive in self-raising flour, and it was not possible to segregate in advance at the mills flour that would be thus used; hence most of the flour used in home baking would be fortified in vain.[4]

Towards the end of 1941 the Ministry decided that a company should be incorporated to be responsible for the manufacture and distribution of aneurin. Flour (Accessory Factors) Limited began to operate in December 1941. The Company was to be responsible for manufacturing its own aneurin on behalf of the Ministry and for

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[1] It was hoped that all imported flour would be suitably fortified as the Canadians were preparing to supply aneurin to their mills for mixing, and the Australians declared that their flour had a very high Vitamin B_1 content because of the sunshine in which it was grown. Owing to the delayed production at home it was intended to buy some supplies in the United States. Some aneurin was later supplied on Lease/Lend terms.

[2] The Medical Research Council was invited to observe the result of vitaminised flour on groups of consumers, but was very doubtful of the possibility of getting any positive results.

[3] There was much faith in the immediate efficacy of vitaminisation. For instance it was arranged that supplies of the concentrate should be sent to Malta for the benefit of the men in the victualling yard, though it was not possible to meet the Admiralty further by arranging for fortified bread to be made available at an early date for all trawler crews.

[4] The aerating ingredients of self-raising flour destroyed the vitamin. The same result followed the use of baking powder in cooking.

producing the concentrate and arranging for its distribution to millers. It had also to procure calcium or any other ingredient that the Ministry might decide to put into flour and to see that these reached the millers. The company took over, for the duration of the war, the concentrate factory and contemplated putting up a factory of its own to make aneurin.

Meanwhile, after a slow start, Roche Products Limited were increasing production rapidly with a spectacular reduction in costs,[1] due to improved processing. Between the 1st of June and the end of 1941 the firm made over 900 kg. of aneurin, of which over 700 had been sold to the Ministry of Food.[2] But after all this activity the quantity of flour that had actually been fortified in 1941 was little more than 315,000 tons. By March 1942, indeed, more than one-third of white flour was said to be being fortified, but there was still a way to go before the process would have been complete. In the event, the Government's decision then to raise the extraction rate of flour to 85 per cent. brought it to an abrupt end. Bread of 85 per cent. extraction flour would contain twice as much Vitamin B_1 as it had been intended to put into the white loaf. But the Ministry of Food had encouraged Roche Products Limited and the other companies to expand their production of aneurin and it could not simply leave them in the lurch. It decided to let the firm down lightly by taking aneurin from them at the current rate of 400 kg. a month until the end of 1942. It would also have to take in quantities it had ordered from the United States and this, with the consignments from Roche and the quantity already in stock, would give it a 'reserve supply of 7,000 kg. for which some useful purpose would have to be found'. It was, of course, rather early to talk of post-war bread policy, but if there was a return to white flour the stock would enable fortification to be carried out for at least a year; some of it alternatively might be exported to the Middle and Far East, which would surely be in great need of vitamins by that time.[3] At the same time the two other producers would be told to abandon the project for vitamin factories and the Ministry would not proceed with its own plans. The concentrate factory at St. Albans would be rented by the Ministry for such purposes as it might serve.[4] Flour (Accessory Factors) Limited was to

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[1] The firm's original estimate had been at the rate of 4s. per gramme of Vitamin B_1 but this was reduced to 3s. 4d. per gramme (as the price to be paid by the Ministry) following a costings investigation. A second investigation showed such a reduction in costs that the Ministry would only have to pay 1s. 3d. a gramme for the first quarter of 1942 and 9d. per gramme thereafter.

[2] During the same period Glaxo Ltd. had produced nearly 9 kg. and the Ministry had imported over 500 kg. from the United States.

[3] Another use was the manufacture of vitaminised chocolate for the Forces and for Relief.

[4] It was used for storage and its laboratories for research.

continue to administer another scheme—that for introducing calcium into flour.[1]

V

Following the decision to add calcium to flour a series of laboratory and baking tests was carried out to see which form of it would give the best results. The choice lay between calcium phosphate, acknowledged by the scientists as the best medium, calcium lactate, and calcium carbonate; but the first was ruled out on grounds of expense and inadequate supply, the second by shortage of milk. Calcium carbonate in the form of 'creta preparata' could readily be obtained from refining ordinary chalk and so was cheap and plentiful. Its disadvantage was that it might tend to make bread dough ferment, especially in the long fermentation barm process common in Scotland. If this happened 'rope' was likely to form in the bread and its keeping quality would be poor.

In February 1941 the Scientific Food Committee had been talking in terms of an addition of 8 ozs. of calcium carbonate to each 280 lb. sack of white flour and a 'small quantity' to wheatmeal flour. But there was a good deal of controversy, both among the scientific members of the Flour (Vitaminisation) Advisory Committee and elsewhere, about the advantages of adding calcium to bread and a further series of experiments was undertaken to determine the optimum quantity from the technical standpoint. These, though not entirely conclusive, seemed to show that though there was no tendency for bread to ferment when 8 ozs. of chalk were added per sack of flour, bread made from this flour quickly became dry. On the other hand, the loaves remained moist for a longer period when only 3 ozs. was added. The milling representatives on the Flour (Vitaminisation) Committee were strongly of opinion that no more than this, which

[1] The Ministry decided not to revoke the Vitamin Control Order as it might become necessary later on for it still to be in control of supplies and of the materials for manufacture. However, licences for the manufacture of Vitamin B_1 were withdrawn from the three firms so that they would only continue production for medical purposes. It did not prove unduly difficult to come to agreement with Roche Products Limited on the financial aspects of the scheme, since the Company itself had provided the capital to extend its factory, special expenditure of wear and tear of the plant had been taken into account in the prices paid by the Ministry to the firm for the product, and under the terms of the Finance Act of 1941 the Company would be able to recoup itself for losses that could be attributed to war conditions. It was true that Roche' contracts with the Millers' Mutual Association had been broken when the Ministry took over control of the production of aneurin, but it seemed doubtful whether in any case the millers would have continued after the war with their scheme for introducing Vitamin B_1 into flour; new processes being actively investigated in Canada and the United States made it probable that white flour would be produced after the war in which the vitamins and other valuable properties of the wheat grain would be preserved in the actual process of extraction.

would bring the calcium content up to the 'natural standard of wheatmeal', should be done; if it were considered necessary to give the public larger doses of calcium other foods, such as skimmed milk powder and green vegetables, should be used. The Flour (Vitaminisation) Committee therefore recommended that 'the addition of creta should be limited to 3 ozs. per sack' until such time as the Scientific Food Committee, which was also taking expert advice, should make a further pronouncement.

In May 1941 the Scientific Food Committee was advised by its experts[1] that 7 ozs. of chalk should be added to each sack of white flour and 14 ozs. to each sack of wheatmeal. Experiments had shown that the presence of *phytic acid* in wheatmeal bread tended to inhibit the absorption of calcium into the human system and consequently twice as much would need to be added to this flour as to white flour. At the same time the fears of some of the medical profession and the laity that the addition of calcium to bread would be injurious to invalids, especially those suffering from arthritis and kindred diseases would (it was hoped) be allayed by the dictum of the Ministry's Special Diets Advisory Committee that no harm could come to 'patients suffering from any type of disease' from eating fortified bread. In August the Scientific Food Committee expressed itself satisfied that the addition of 7 ozs. of chalk to white flour and 14 ozs. to wheatmeal flour would be enough to compensate for a lack of calcium in the diet that would otherwise be injurious to the nation's bones and teeth. They pointed out how very small was the proposed addition.

The Ministry of Food's own scientific and medical advisers, however, still thought that it would be unwise to add more than 3 ozs. of calcium to the sack of white flour or any at all to wheatmeal. They held that it was 'not a sound principle to reinforce one food to an unnatural extent in order to make good the deficiencies of other articles of the diet. The chief aim should be to remedy the defects by improving the character of the diet'. Following the opinion of some American experts, they 'favoured restoration where white flour is concerned, but no fortification'. As for wheatmeal, the Minister had already committed himself in praise of its advantages; it might

> 'create an unfortunate impression with the public to announce, after so much publicity for the health giving properties of "National wheatmeal", that it had been found necessary to reinforce the loaf with chalk in order to bring out its full food value. If the story got abroad that wheatmeal flour contains a harmful substance [phytic acid], the influence of which must be corrected by the addition of a "chemical" [chalk], the effect might

[1] The Accessory Food Factors Committee of the Lister Institute and the Medical Research Council.

well be to "kill" long extraction breads in the public mind for many years to come'.[1]

Sections of the public and of the medical profession would still be nervous of the artificial addition of calcium to flour, however small the quantity, and it might be 'psychologically and perhaps also politically unwise to add these quantities [i.e. those recommended by the Scientific Food Committee] of chalk to flour'. It would be better to rely on dried milk powder (now being imported on Lend/Lease) for supplies of calcium. If necessary this might be added to the loaf.

In face of these conflicting views the Minister of Food decided to stand by his assertion that wheatmeal bread was 'a perfect food'. He was sceptical about the scientists' phytic acid discovery[2] and unconvinced that the whole population needed more calcium. He told his colleagues that the addition of calcium to flour had gone far enough [i.e. by adding 3 ozs. to the sack of white flour] and that it would be impolitic to put it into wheatmeal flour; 'the whole strength of our advocacy of this flour lies in the fact that it is a highly nutritive natural product'. The Food Policy Committee invited the experts to meet and produce an agreed recommendation, but nothing emerged beyond an unimpeachable statement about the risks of calcium deficiency inherent in a war-time diet with an inevitable preponderance of cereals.

Now, however, lay officials in the Ministry of Food, deprived of any firm lead from those best qualified to give it, began to wonder whether Lord Woolton's position was really tenable. The merits of the argument about phytic acid were not, perhaps, very clear to them, but it did seem logical to put all flour on the same basis; and the Ministry's Scientific Adviser himself conceded that there 'might be considerations other than scientific ones which make it desirable to treat all flour similarly'. It was pointed out to Lord Woolton that the reputation of calcium as a valuable addition to flour might be discredited if it were put in white flour and not in wheatmeal; conversely wheatmeal might be discredited if it alone were not fortified. But,

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[1] The phytic acid occurred in the bran and germ of the wheat grain.

[2] 'I understand' wrote the Minister, 'that the recent researches of Chance [i.e. McCance] and Widdowson, conducted over a period of five days, have satisfied the Medical Research Council that wheatmeal bread doesn't give as much calcium to the system as white flour: we are, therefore, advised to add calcium both to white flour and to wheatmeal flour. I propose to reject this advice. I am not competent to judge on its scientific value, but clearly the Ministry of Food cannot hope to maintain public confidence in wheatmeal bread if one moment it recommends it as the perfect food and later says that it is deficient in a constituent that some people regard as of vital importance'.

He added: 'it is not part of the business of the Ministry of Food to become the vehicle for putting into operation scientific theories until they have obtained general medical approval'.

not to go too far, 3 ozs. only should be added to each sack of flour. The Minister agreed to change his line, but he was anxious to avoid any further discussion at the Food Policy Committee, which he regarded as 'a natural stadium for the scientists'. He persuaded the Lord Privy Seal and the Minister of Health (rather reluctantly in face of the strong scientific support for a larger addition) to agree to his proposal as a provisional measure, to be revised if any signs of general calcium deficiency appeared. Arrangements were now made to introduce chalk into flour gradually throughout the country without any undue publicity; but before any effects could have been seen, the Government's decision to lengthen flour extraction to 85 per cent. was made and the whole subject was reopened. The Ministry of Food recalled that it had been scientific opinion all along that wheatmeal flour needed more chalk than white flour and it was suggested that this 'might be 7 ozs. per sack'. Some indeed felt that the Ministry should 'go a reasonable way towards satisfying the Medical Research Council requirements'—say by an addition of 10 ozs. of chalk to the sack. While the scientists were debating the question, the Minister of Food cut the ground from under their feet by arranging with the Minister of Health that he would add 7 ozs. to the sack. The decision was quietly announced in April by means of an inspired question in the House of Commons.

There was an immediate attack on the decision, chiefly in correspondence in *The Times* and *The Lancet* from a section of medical opinion that had consistently opposed the addition of 'chemicals' to food. It may fairly be said to be based on sentiment rather than science. A more telling point was made by arguing that if each individual needed a specific amount of calcium each day it was most unwise to put it into a food of which some people ate three or four times as much as others.[1] It was no sort of answer for the Ministry's scientists to produce calculations purporting to show that the addition of 7 ozs. of chalk per sack would suffice to provide the *average* consumer, together with what he might expect to get from milk, cheese, and water of 'average' hardness, with a calcium intake approaching the optimum.[2] Nevertheless the prognosticators of clinical disaster from excessive calcium ingestion were off the mark because they had failed to recognise what it was the Ministry had done—namely, to add no more chalk to wheatmeal bread than would be necessary, in the expert and still uncontroverted view of the Medical Research Council, to neutralize the extra phytic acid it contained. In other words, in respect of calcium, bread-eaters had now been put back

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[1] See especially I. Harris, *The Calcium Bread Scandal*, London, 1942.

[2] T. Moran and J. B. Hutchinson, 'Calcium in the Adult Diet'. *Chemistry and Industry*, Vol. LX., No. 41 (October 1942).

where they started. It is doubtful whether this was generally realised among those responsible for the decision which would, of course, but for the high claims that had already been made for the high-extraction loaf, been wholly defensible by the straightforward argument that the change to universal wheatmeal bread might otherwise have been nutritionally damaging.

Supplies of calcium carbonate of the required standard[1] presented no difficulty, as what is commercially known as whitening, powdered chalk from the quarries in various parts of the country, was found to serve the purpose.[2] More troublesome was ensuring proper mixing into flour at the mills, particularly the smaller ones that had no proper mixing equipment. At these there was persistent trouble in getting a steady ratio of chalk to flour and specimens of the latter showed wide variations in chalk content. The problem was exacerbated when a modicum of imported white flour was added to wheatmeal before despatch from the mill.

Self-raising and speciality flours likewise presented difficulties. It was not thought advisable to add chalk to the former as it would upset the acid-alkali balance and manufacturers were advised accordingly; those who did not mill their own flour, but merely blended the raising ingredients with plain flour bought from the millers, had to make do with the calcified product. The question of speciality flours was left open for some time, but early in 1944 their makers were told that the addition of calcium was optional.

All this was carried out by means of instructions issued to the millers and no mention of fortification was made in any Statutory Rule and Order. Thus the Ministry was able with the minimum of publicity to get calcium into wheatmeal bread 'district by district throughout the country until all such flour on sale will be so treated'.[3] By August 1943, when the addition of calcium to National wheatmeal flour became compulsory, 95 per cent. of the mills were already doing so.[4] In spite of changes in the extraction rate of flour the ratio

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[1] i.e. that laid down for Creta Preparata in the British Pharmacopoeia specifying maxima for the traces of arsenic and lead that could be accepted. At least 97 per cent. of the substance had to be pure chalk—$CACO_3$.

[2] In the South of England the chalk was prepared by the wet or elutriation process, whereby the chalk was freed from impurities by washing, while in the North, where the chalk was much harder, the dry process was used in which the chalk after being ground to a powder was put in to a separator through which a current of air was passed to separate the particles. Both systems were found to be satisfactory.

[3] Millers were instructed that 'Creta preparata (calcium carbonate) is a permitted ingredient in National flour in accordance with the definition of 'National wheatmeal' in the Flour (Control and Prices) Order, 1941.' The definition in this Order (S.R. & O. (1941) No. 1291) was to the effect that National wheatmeal . . . of 85 per cent. . . . clean wheat . . . includes any such flour to which had been added any substance authorised by the Minister to be an ingredient of National wheatmeal.

[4] By this time arrangements had been made for the millers to buy their own supplies of calcium from the producers, and Flour (Accessory) Factors Ltd., wound up.

stayed at the same level throughout the war period.[1] The initial agitation about the introduction of calcium into flour died away except for an occasional outburst.

Once fortification of flour had been accepted, it was natural that the scientists should look around to see whether any other deficiencies in the diet could be made good by the same method. The war-time diet was considered to be deficient in iron, riboflavin, and nicotinic acid; and research was undertaken at the St. Albans laboratory of the Research Association of British Flour Millers (taken over by the Ministry of Food 'for the duration') to estimate how much of these substances would be required, what their effect would be on other ingredients of flour and how they could best be introduced. When the extraction rate was raised to 85 per cent., the quantities of all three substances contained in flour were noticeably increased and though it was thought that phytic acid might affect the iron availability of the wheatmeal bread, the intake in the normal diet was considered to be satisfactory and the idea of fortifying bread with any of the three substances was not put into practice.[2]

VI

The introduction of dried milk powder into flour was less vulnerable to criticism—since milk powder was not a 'chemical'—but was a matter of expediency rather than policy. Dried milk powder was being imported from the United States on Lend/Lease arrangements and the Ministry was being urged to take larger quantities than it was able to distribute directly to householders. During the year July 1942 to June 1943 Milk Products Division expected to have some 30,000 tons surplus to requirements, and suggested that to add this to flour (at the rate of about 2 lbs. of powder to the sack) would be the best way to use it up. The scientists to the Ministry thought that such an addition would not affect the quality of bread adversely, but they were not especially enthusiastic about it as the calcium content of the milk powder was inconsiderable in comparison with the chalk already in course of being added. The proposal had to be put to the

[1] The amount was doubled—from 7 to 14 ozs.—in August 1946, on the advice of the Standing Committee on Medical and Nutritional Problems (*not* the Special Diets Committee of the Medical Research Council, as the House of Commons was told on 2nd August 1946 (H. of C. Deb., Vol. 426, Col. 296).) The occasion for this change was the temporary raising of the extraction rate to 90 per cent: it was maintained, however, until flour was decontrolled at the end of August 1953, when 14 oz. creta preparata to the sack was made a compulsory addition for milling *all* types of flour (S.I. (1953) No. 1282). Whole wheat flour, illogically but in deference to the proponents of 'natural' foods, remained exempt

[2] There was some anxiety when the extraction rate was lowered first to 82½ per cent. and then to 80 per cent. because this would deprive the flour of some of these ingredients (below, pp. 616-620).

Treasury because the addition of the milk powder to flour would mean putting the flour subsidy up on paper by about £2,000,000 in a year.[1] The Treasury, though admitting that there was a reasonable case for putting milk powder into bread and so ensuring that the whole population would get the benefit of its food value, questioned whether these unnecessary imports were a sensible use of shipping. Moreover, not all flour mills had the necessary mixing machinery. The large port mills, which supplied half the country's flour output, had; but it would take some time to equip the 300 smaller mills and they might argue that it was up to the Ministry of Food to provide the necessary capital. The Ministry pointed out that the position did not differ from that over Vitamin B_1, when the millers had been expected to provide the necessary mixers at their own expense. The Treasury, however, insisted that the Ministry would have ultimately to pay the millers back for whatever expense they were put to to install the necessary machinery and that it therefore ought to think very carefully whether it would be its long term policy to put milk powder into flour. The Ministry, now fortified by Ministry of Health support, thereupon assured the Treasury that 'so far as can reasonably be seen we should continue to include in our import programme sufficient to enable us to add at least 2 lbs. per sack to flour'.[2]

The introduction of milk powder into flour began in January 1943, and was generally referred to by the useful word 'enrichment' rather than as fortification. As only half the flour supply could be enriched initially it was decided to make no public announcement for the time being. By February, 165 millers were putting milk powder into their flour so that most of the supply was enriched.[3] The makers of self-raising flour asked to be allowed to omit the powder from their product as they were not satisfied that it would not affect its keeping qualities. The milk powder, if properly stored, was expected to keep in good condition for a year or more, but there could of course be no guarantee that all self-raising flour would be kept under suitable conditions until sold. Its makers were therefore advised that they might henceforth use 'M' flour, a variety produced for manufacturing purposes only, from which the wheat germ was excluded so that it would keep for a very long period, and the inclusion of milk powder in this kind of flour was made optional.

By March 1943, the supply position for milk powder appeared

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[1] As the Ministry was getting the milk powder for nothing, there would be an equivalent offset on the trading account of Milk Products Division.

[2] The Ministry managed to avoid raising the question directly at the Lord President's Committee.

[3] Arrangements were made for the distribution of the dried milk to the millers to be made by the Port Area Grain Committees who were already supplying them with flour. Before distribution the powder was stored in depots by Milk Products Division. The addition of milk powder was never actually made compulsory.

to be so favourable that the Ministry began to consider whether the amount included in flour could not be doubled, to 4 lbs. per sack. But within a few months the position was entirely changed. Supplies from the United States, which had previously covered 90 per cent. of usage, were likely to fall, and owing to the Ministry's energy in seeking out uses for milk powder when a glut of it appeared likely, there was now a row of claimants for priority on future consignments,[1] ranging from 'calf-starters' to chocolate and sugar confectionery. Even if imports remained at the existing level—and this was unlikely—demands would entirely overrun stocks before the end of 1944. It was decided that the amount put into flour must be cut and, as the Scientific Advisers were of opinion that less than 2 lbs. to the sack would be of little nutritive value, it was decided to restrict its use in flour to a section of the country. By confining its use to mills north of a line drawn from Bristol to the Wash, half the population of Great Britain, but over two-thirds of the heavy workers, could be provided with the enriched flour. Millers in the rest of the country were quietly informed that no more milk powder would be issued to them after the end of October 1943.

This discrimination did not continue for long; Milk Products Division very soon informed Cereals Division that there would be no more milk powder for distribution to millers after the end of March 1944. By April enrichment with it had ceased completely. The withdrawal of milk powder was again treated as a very confidential matter; in fact, it crept in and out of flour without the slightest publicity. Towards the end of 1944 a fresh accumulation of stocks provoked a move to get it put back again, but by this time the flour mills control was so worried about the labour position that no proposal involving extra work in the mills could be tolerated.

[1] Usage of milk powder in the United States had been increasing, particularly by adding it to flour.

CHAPTER XXXIV

The Control of Milling: The Change to Wheatmeal Flour

I

In the summer of 1940 the Food Policy Committee had decided that flour of 75 per cent. extraction should continue alongside a new National wheatmeal flour of 80 per cent. extraction that it was hoped would prove acceptable to the public. However the National wheatmeal flour that millers, early in 1941, were instructed to produce was of 85 per cent. extraction and not of 80 per cent. as originally recommended by the Scientific Food Committee. The change had been made because the Scientific Advisers and the cereals experts in the Ministry of Food all agreed that the millers could not produce flour of 80 per cent. extraction that would contain enough of the wheat germ to supply the amount of Vitamin B_1 that was required. 85 per cent. extraction flour was, moreover, nearer to the 'wholemeal' flour, usually of 90 per cent. extraction, already produced by millers.[1] The new loaf was announced by the Minister in the House of Lords in December 1940; it would be everywhere on sale alongside white bread and at the same price, but the Minister declared that he was 'loath to consider that it is in the interests of the more successful prosecution of our war effort that I should insist on the public having no choice in the matter but to eat wholemeal bread'. Consumption of high extraction bread was only 8 per cent. of total usage and the Minister hoped that with the introduction of National wheatmeal flour this ratio would be considerably increased. Millers were advised that they must have supplies of the new flour available to meet demands from bakers and that the 85 per cent. was a minimum extraction rate. Bakers for their part had to declare when applying for subsidy that they were making wheatmeal bread for sale at the same price as white. A publicity campaign in praise of wheatmeal bread was begun.

During the early months of 1941 it was touch and go whether the extraction rate would have to be raised; bombing had wiped out the

[1] The only way in which 80 per cent. extraction flour could be made to contain the requisite ratio of Vitamin B_1 would be by adding a proportion of the wheat germ to it during production. There would be considerable difficulty not only in obtaining sufficient quantities of the germ but in its admixture with the flour at the smaller mills.
There was also the aesthetic argument that an 85 per cent. loaf that is 'definitely brown' was preferable to an 80 per cent. loaf of a 'dirty grey'.

excess milling capacity of pre-war days and the demand for flour had risen by one quarter since the beginning of the war. As a result the mills could only produce 92 per cent. of current requirements and the gap had to be filled by extra flour imports at a time when shipping was scarce.[1] Cereals Division put forward strong and repeated arguments during March, April, and May 1941 in favour of the change, which must have come but for the cessation of enemy air raids. This, for the moment, vindicated the view of higher authority that it would be best to defer the change while the rest of the diet was so poor.[2] As the Minister himself put it, 'the present food supply is a dismal diet and wheatmeal bread will make it appear more dismal'. The extraction rate was, therefore, put up by only another 3 per cent. to 75 per cent.;[3] in the meantime it was hoped to wean the public on to wheatmeal. But it was generally suspected in the Ministry that the millers were attempting to undermine the Ministry's propaganda in favour of the new loaf by maintaining that it was not as good a food as white bread.[4] The Minister therefore called the leading millers together and told them bluntly that if they did not produce enough wheatmeal flour to satisfy the demand that was increasing because of the propaganda he would have to cut off white flour altogether. He had had a lot of letters from people who could not get the new wheatmeal loaf from their bakers; the bakers told him that they could not get the flour from the millers and the millers replied that the bakers were not asking for it. The new wheatmeal flour had been in production since the beginning of February, but by the end of March only 132 millers were producing it, and the total quantity available after two months' production was not more than 1 per cent. of the total quantity of flour milled. The millers thereupon undertook to produce as much 85 per cent. wheatmeal flour as was needed to

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[1] Flour imports had had to be stepped up from 34,000 tons a month to 45,000 tons. Besides permanent destruction of the mills there was some temporary disablement and the mills were only able to produce 92 per cent. of requirements by increasing their running time. The larger mills running three shifts daily were working at 135 hours a week in February and this was increased later to between 140 and 145 hours, an absolute maximum.

[2] Vol. I, pp. 167-169.

[3] In practice this was often expressed as 76 per cent. since that was the exact ratio of extraction from clean wheat on which statistical calculations were made, whereas the millers had to reckon the extraction rate on the basis of uncleaned grain because some of them had no means of weighing the wheat before it was put in the first break rolls. National straight-run flour was defined in the Flour (Prices) Order, (S.R. & O. (1940), No. 407) and in subsequent Orders as a percentage of the 'total weight of all the products of the milling together with the weight of all screenings, seed and dust extracted during the process of cleaning the wheat'. The extraction rate was consequently defined in the Order under which the change was made (S.R. & O. (1941) No. 533) as 75 per cent.

[4] Articles were published in the milling trade papers denigrating the wheatmeal loaf. The millers were thought to be afraid that if National wheatmeal bread became popular it would cut out the proprietary brands of brown bread on which the millers had spent large sums for advertisement and might even replace white bread permanently to some extent, leaving the millers with redundant equipment that they had put in to produce white flour.

meet the demand and not to put out any criticism of the new flour, on the understanding that the Ministry would not declare in its propaganda that wheatmeal flour was superior to white.

After this, production of wheatmeal flour did increase to some extent and by July it reached 4,000 tons a week—a small enough amount considering that total consumption was above 100,000 tons weekly—and remained at that level until the end of October. Its introduction was attended by a crop of controversies, medical, scientific, and technical. Millers had been advised at the outset that the 85 per cent. extraction of flour might either be straight-run or a mixture of white flour and fine wheat feed. In either case the coarse bran of the grain was to be excluded. Some of the wheatmeal flour produced was unsatisfactory, especially when the second method was used, the main defect being that it would not keep. A sample of flour from every miller in the country was examined at the St. Albans research laboratories; it was found that two-thirds of the millers were producing satisfactory wheatmeal flour and that the unsatisfactory samples (mainly from small millers) in general contained too much bran. It appeared that three quarters of the wheatmeal flour that was being produced was satisfactory. Though these results were reasonably good, and could be expected to improve as the Ministry kept a watch on the less efficient millers, it could not be denied that wheatmeal flour did not keep as well as white flour, especially during the summer months when its moisture content was high. However, it was hoped that wheatmeal flour would have a storage life of several months if it could be kept in a cool place free from infestation.

During the autumn of 1941 the Ministry was much exercised about a fresh scientific assault on wheatmeal bread. Dr. Norman Wright, Director of the Hannah Dairy Research Institute, published in August an article with the challenging title 'Wheatmeal Bread or Milk',[1] in which he sought to show that, having regard to the lower digestibility of wheatmeal compared with white bread, and the fall in milk supplies that would result from the loss of offals, a rise in the rate of extraction would lead to a fall in the total calories and protein available to the nation. The article was seized upon by the millers and made the occasion for fresh representations to the Ministry; and there was a small stir among the scientific supporters of wheatmeal, reflected in a spate of articles[2] as well as in Ministry correspondence. As always in any matter connected with bread, a good deal of rather unscientific warmth was generated.

[1] *Chemistry and Industry*, Vol. LX, p. 623 ff. See also comment in *Milling*, 6th September 1941.

[2] e.g. Margaret D. Wright, 'The Nutritive Value of Bread': *British Medical Journal*, D. W. Kent-Jones and A. L. Bacharach, 'The Nation's Food—Cereals as Food', *Chemistry and Industry*, Vol. LX, p. 823 ff.: A. L. Bacharach, 'Our Bread and Milk', *Chemistry and Industry*, Vol. LX, p. 791 ff: H. A. Krebs and K. Mellanby, 'Digestibility of National Wheatmeal', *The Lancet*, pp. 319-320 (14th March 1942).

However, from the practical point of view, it was immaterial whether Dr. Wright or his eager critics had the better case. Even if the change to wheatmeal were not nutritionally advantageous on balance, there could be little doubt that it would save a great deal of shipping; and by the mid-winter of 1941–2 this was what mattered. In February 1942 the millers made a final bid for a compromise by advocating the introduction of an 80 per cent. extraction flour that would have the advantage of including a good proportion of protein while having better keeping qualities than 85 per cent. extraction flour.[1] But the shipping position did not now permit of any compromise and in March 1942 the War Cabinet, after much debate, decided that the milling ratio must now be put up to 85 per cent.

Orders were immediately drafted to bring the change into effect. Under these orders millers were prohibited from producing white flour after 23rd March, though they could continue to use up their stocks by delivering them to bakers in the proportion of one part of white flour to three of wheatmeal. From 6th April bakers were prohibited from producing white bread and after 20th April any remaining stocks of white flour could only be used by bakers and other makers of flour products provided that one part of white was mixed with three parts of wheatmeal flour.[2] All speciality flours still being made would have to be of not less than 85 per cent. extraction.

Millers were instructed to adjust their manufacture to 85 per cent. flour at once and any who had not been able to do this by 22nd March had to stop production altogether until they had made the change. Because of the doubtful keeping qualities of wheatmeal flour millers were asked to try to produce it with a lower moisture content than their previous National straight-run flour. It was hoped that the introduction of universal wheatmeal (now to be known as National flour) would mean an improvement in its general standard and an end of complaints. These had been largely occasioned by the 'synthetic' 85 per cent. flour composed of white flour and bran, which would now come to an end along with white flour.[3]

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[1] Such flour would contain a high Vitamin B_1 content and little of the irritant fibre contained in the outer bran.

[2] S.R. & O. (1942) No. 451. Under a further Order (*ibid.* No. 438) a 'standstill' was placed on the price of flour and flour mixtures to prevent stocks of white flour being sold at a higher price than that already current. The Flour (Restriction on Use) Order (S.R. & O. (1942) No. 452) enforced the minimum of 75 per cent. of National flour in all flour mixtures from 20th April 1942.

[3] The Ministry of Health Standing Committee on Medical and Nutritional Problems had shown anxiety about the quality of National wheatmeal flour, in particular about the loaf made from white flour with added bran, and had urged that a standard product should be prescribed giving a single specification for wheatmeal. But the Ministry of Food considered that the existing definition in the Flour Orders, that National wheatmeal meant flour of 85 per cent. extraction including the maximum quantity of wheat germ but none of the coarse bran, was a sufficient specification and that it would be impossible to introduce 'a standard recipe for National wheatmeal loaf', considering the wide variety in baking practice throughout the country. The system of examining sample loaves from selected areas in rotation at the Research Laboratory would, however, continue.

The change-over to high-extraction flour was made in a fortnight; at the outset the millers 'accomplished the alteration simply by diverting into the flour sack certain selected streams in the mill which normally would have passed to wheat feed'. The parts of the grain now included in flour consisted mainly of the wheat germ and fine bran. The saving in wheat from the change amounted to something like 15,000 tons a week. The change might have led to a reduction in requirements of imported flour had it not been for the doubtful keeping qualities of wheatmeal. These necessitated the greater part of the flour reserve being held in imported white flour that could be relied on to stay in good condition for a year or more. It was consequently decided that out of the total flour stock of 600,000 tons, 400,000 must be in imported white flour. This would form the country's reserve stock and the 200,000 tons of wheatmeal would be regarded merely as working stocks. The reserve stock (representing roughly four weeks' consumption) would have to be turned over regularly so that none of it went out of condition. The only reasonably economical and equitable way of distributing the white flour was to issue it to the mills for incorporation into National flour for delivery to bakers. But it was not easy to arrange that all mills should receive the same proportion of this flour, as the reserve stocks were widely distributed throughout the country, some as distant as the Orkneys and Shetlands. The distribution would have to be at varying levels since the aim was not to keep flour in stock for more than a year, and at the outset nearly half the reserves were over a year old. The first distribution to millers was made in May and as this was likely to be heavy they were not given definite instructions as to the proportion to be added to their wheatmeal flour; they were also given the option of issuing it to bakers in the proportion of three sacks of wheatmeal to one of imported flour.[1]

The country had to some extent been prepared for the introduction of compulsory wheatmeal flour. In addition to the Ministry's efforts to create public demand for the bread and their insistence that millers and bakers should have supplies ready to meet it, a minimum of 25 per cent. of wheatmeal had been supplied in all Army Commands and R.A.F. Stations; public hospitals and institutions were taking at least half their supplies in this form, and steps were taken to make sure it was available in British Restaurants and school canteens.[2] In spite of these efforts, consumption by the general public had not risen above 4 per cent. of total flour usage up to the end of February 1942. On the whole, compulsory wheatmeal was

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[1] Some white flour was issued for special purposes such as manufacture of baby foods and use by the Forces in hot climates.

[2] Wheatmeal bread had also been 'exclusively used' in prisons throughout England and Wales.

accepted without either much enthusiasm or much complaint.[1] The bakers had some antipathy to the new loaf because of their anxiety about the keeping qualities of the flour; the public, it was said, accepted the loaf 'without much grumbling', though there were complaints that the bread quickly became stale and that the flour was not very satisfactory for cooking.

The Ministry consistently strove, with the aid of technical experts on milling, to improve the quality of the flour. A new milling procedure was devised that enabled the indigestible fibre content in the bran to be reduced, while leaving the Vitamin B_1 content unchanged and preserving additional 'floury matter' that had formerly escaped into wheat feed.[2] Experiments were also made to determine the keeping qualities of flour of varying moisture content; it was found that a 14 per cent. moisture flour would keep for 9 months provided that it was stored in a cool dry place.[3] The public, it seemed, responded to the improvement in the quality of flour by eating more of it than they had done when it was first introduced. By the end of 1942 consumption was back to about the same level as it had been a year earlier.[4]

II

By this time it had been decided that wheatmeal flour must be 'diluted' with barley and oats. There had been delays, partly technical and partly administrative, in putting the decision into effect, so that dilution did not begin until January 1943. The delay was welcome from the point of view of flour quality as it would give millers time to perfect their 85 per cent. extraction flour before they had to dilute it. In the autumn of 1942, however, the question arose whether the extraction rate should not be put up a little more; a rise to 87 per cent.

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[1] There had been a good deal of correspondence in *The Times* in the early months of the year pressing for the immediate introduction of compulsory wheatmeal bread, but this came largely from long-standing advocates of wholemeal.

[2] The process was thus described: 'The fibre figure has been reduced to ·5 per cent. or even as low as ·4 per cent. (as compared with ·9 per cent. previously). The new milling procedure generally entails a fifth break, an extension of the scratch system for the use of fluted rolls on the last reductions. Additional floury matter is scraped or rubbed off the stocks which normally go to wheat feed, and by this means the branny particles are largely eliminated from the final 85 per cent. product'.

[3] Flour of 15½ per cent. moisture content would keep for only two months. A temperature of 60 degrees fahrenheit was recommended. The moisture of the flour tended to rise when a high proportion of home-grown wheat was included in the grist. If the flour was too moist it was likely to lose weight when kept.

[4] The consumption of flour had averaged 96,000 tons a week between October 1941 and January 1942, and had risen to an average of 107,000 tons a week in February and March 1942, when stocks of white flour were being bought before the introduction of wheatmeal. Average consumption between April and September 1942 was under 93,000 tons a week, after which it rose to 98,000 tons.

would mean a further saving of 8,500 tons a month in wheat imports. To maintain good quality bread at this high-extraction rate it would be advisable to mix 10 per cent. of imported white Canadian flour with the National flour. In any case the Canadian flour had to be put into use continuously to turn over the reserve flour stock. Up to this time millers had had the option of mixing imported flour into their grist or delivering it to bakers as they received it.[1] Hence it had been impossible to get uniformity in the composition of National flour or in bread since bakers who obtained white flour unmixed might use it in varying ways. There had already been some protest from the Canadian millers that the mixing of Canadian with National flour 'extinguished the identity' of the former; and the Canadian Government, which had taken the matter up with the Dominions Office,[2] had been told that admixture of Canadian flour with National flour at the mills at present optional, might have to be made compulsory if the milling ratio were raised above 85 per cent. The Lord President's Committee, however, showed some apprehension about the digestibility of 87 per cent. flour and deferred a decision pending expert medical advice. By the time the Ministry of Health's medical advisers had reported that they had no objection to an 87 per cent. extraction loaf provided that it had an admixture of white Canadian flour, the Minister of Food had changed his views. As the flour was so soon to be diluted with oats and barley he did not want at the same time to take any further risks on quality by raising the extraction rate. Moreover it was thought to be tactically unwise to reduce requirements of imported wheat gratuitously and so invite a reduction in the import programme. Rather should a further rise in the extraction rate be kept in reserve against dire extremity.

The Ministry throughout had been much exercised about the quality of bread to be made with diluted flour. A series of baking tests was carried out from which it appeared that a 'reasonable' loaf could be made with as much as 20 per cent. of barley in the flour, but that once there was more than 2½ per cent. of groat flour (i.e. flour made from husked green groats) in the mixture the loaf tended to be small and hard and to go stale quickly.[3] It was also found that flour of 85 per cent. extraction wheat with 10 per cent. barley dilution made a better loaf than 90 per cent. extraction wheaten flour alone. The original proposal to dilute only to the extent of five

[1] Deliveries to bakers had to be made in the original bags showing the origin of the flour.

[2] The protest had been instigated by the National Association of Flour Importers who had always been extraordinarily sensitive over anything that they thought might affect their future trading prospects.

[3] The bread was improved when lard was included in the dough and some bakers used their allocation of lard to improve their bread rather than to make cakes and pastries.

per cent had to be modified, now that dilution had begun so late, if the Minister were to carry out his original undertaking to save 300,000 tons of wheat imports. These technical findings therefore underpinned the decision to raise the rate to 10 per cent., while at the same time instructing millers not to put more than 3 per cent. of oats into the grist.[1] In point of fact supplies of the diluent grains (including rye) did not prove sufficient for a 10 per cent. dilution and the percentage varied between 7 and 9. Experience bore out the experimental findings. At first, when only barley or rye were included, there were few complaints about bread quality: but the inclusion of groats, even in small quantities, at once led to trouble. It could have been tolerated better if the grist had also contained a sufficiency of Manitobas, but in the spring and summer of 1943 a high proportion of the grist was weak home-grown wheat, the flour was consequently lacking in gluten, and some of the bread was therefore of poor quality. There were complaints from various parts of the country that the loaves were small and soon became musty and that the crumb was soggy. Indeed, the chief effect of the inclusion of oats may well have been to convince the Minister that *all* dilution should end as soon as possible; though the removal of barley was actually determined on supply grounds.[2]

Groats was taken out of flour in August 1943; after November the proportion of barley was gradually brought down: to 7½ per cent. in November, to 5 per cent. early in December, and to 2½ per cent. a fortnight later. Dilution continued at this rate for a few months, but had ceased altogether by the end of March 1944 except in districts where rye was still forthcoming where it continued to be put into the grist at the rate of 2½ per cent.[3] Up to the end of September 1943, it was estimated that 284,000 tons of imported wheat had been saved because of dilution. The saving had been increased by perhaps another 25,000 tons in the next six months so that in all somewhat less than three weeks' supply of imported wheat had been replaced by diluents. Conceding for the sake of argument that this economy could not have been secured at least in part by running down stocks, the whole procedure seems both complicated and expensive.[4] To

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[1] Very little publicity had been put out about dilution but when it was increased to 10 per cent. the public were informed of the change, and comforted with the assurance that it would be hardly noticeable owing to the success of the experiments in baking.

[2] Above, p. 577.

[3] Dilution with rye at the rate of 2½ per cent. was compulsory in the eastern parts of England for five months at the end of 1944. Its use came to an end in March 1945.

[4] It was estimated that the cost of putting barley into flour amounted to £2,500,000 for every 100,000 tons and £1,200,000 for every 100,000 tons of oats, so that it had cost rather more than £8,000,000 to use barley and oats as diluents. (It should, however, be noted that the effective rate of extraction from oats might be 20 per cent. or less, allowing for the weight of husk. That from barley was about 70 per cent.) The husking machines only used for so short a time cost £50,000 and there was a further item of £1,200,000 for losses in selling milling barley, purchased for dilution, at the price for animal feed.

make use of an unexpected barley surplus was sensible, and despite the marketing difficulties it entailed, technically sound. The use of oats represented such an enormous expenditure of money, time, and effort, in relation to any possible saving of wheat, that it is difficult to understand how it can ever have been thought worth while. One is tempted to conclude that the example of 1917, when dilution was resorted to through sheer want of wheat, afforded too weighty a precedent. Cereals Division, at any rate, never contemplated a repetition of the oats experiments even in the dark days of 1946.

III

Even before dilution was ended the Ministry of Food had begun to think about the kind of flour that should be produced after the war. Experiments were made at the St. Albans laboratory aimed at producing white or near-white flour that would contain a sufficiency of the nutrients present in wheatmeal without recourse to fortification. Such a flour—known as 'Canada Approved'—had been produced in Canada two or three years previously, and the British Service Departments were now showing an interest in it. Lord Woolton, who was extremely anxious to improve the quality of National flour, took great personal interest in these experiments; a visit to St. Albans so impressed him that he gave instructions that the work should be speeded up, in the hope that the new type of bread might be brought into use early in 1944. In this way, argued those in the Ministry who were anxious to retain the nutritional advantages claimed for wheatmeal bread when the shipping crisis that had forced it on a reluctant public should come to an end, the expected post-war clamour for a return to white bread might be sidetracked. People might (it was hoped) come to prefer an 'off-white' loaf of 80 per cent. extraction.

It was proposed to reduce the extraction rate in two stages, with a half way house at 82½ per cent., so as to dispose of the extra offals for animal food. The first reduction would, moreover, involve no technical milling problems, and could be made at short notice pending the completion of the St. Albans experiments. By March 1944 these were said to be going well: an 80 per cent. flour had been produced that 'could definitely come within the category of white bread', though still containing four-fifths of the Vitamin B_1 present in 85 per cent. flour. Continued shipping shortage had delayed the initial move, but by April 1944 there seemed to be good prospects of getting the extra wheat imports (200,000 tons over the rest of the calendar year) if the extraction rate were reduced to 82½ per cent. on the 1st May and to 80 per cent. a month later. The new Minister of

Food (Colonel Llewellin) therefore prepared to put the case before the Lord President's Committee.

Now, however, a fresh scientific objection was raised. The proposals had gone forward on the assumption that Vitamin B_1 was the only nutrient in flour of which account need be taken. In the past few months, however, the Ministry's advisers had begun to feel some uncertainty about others, notably iron, in which wheatmeal flour was outstandingly rich compared with white. Surveys by the Medical Research Council appeared to indicate—though the evidence was as yet incomplete—that nutritional anaemia, the result of iron deficiency, had decreased since wheatmeal had been made compulsory. A fall in extraction from 85 to 80 per cent. might almost halve the iron content of National flour and might, it was thought, make fortification of it with an iron salt desirable. In any event the proposal would have to run the gauntlet of the Standing Committee on Medical and Nutritional Problems, whose medical members would be difficult to convince. The Minister agreed to this course being taken, but (he added) 'I should like the necessary delay reduced to the minimum'.

The Standing Committee on Medical and Nutritional Problems turned the question over to an *ad hoc* Sub-Committee for examination. The majority of its five members clearly felt that there was no case for reducing the extraction rate and were persuaded only with difficulty from putting their views on general policy into the report. On the specific point of iron the calculations put before them were indeed reassuring compared with the earlier fears, inasmuch as the difference between 85 per cent. and 80 per cent. flours was of the order of 10 per cent. rather than nearly 50 per cent. and a reduction to 80 per cent. would still, it now appeared, leave the average national intake of iron substantially above the pre-war level. The Sub-Committee pointed out that 'the fraction of the grain lost to human food in dropping the extraction to 80 per cent. is particularly rich in nutrients' and that the increased supply of offals would yield only a 'fractional' nutrient return in the form of milk, eggs, or bacon.[1] The force of this argument, however, entirely depended on the total supply of nutrients then available; sixteen extra eggs a year, at a time when the non-priority consumer could count on getting no more than thirty a year, would have been no mean contribution to an acceptable war-time diet, even were it not accompanied by a more palatable loaf. And, in fact, the Sub-Committee went on to say that lowering the extraction to 80 per cent. would, provided the quality and quantity

[1] The calculations on this point tended to exaggerate the loss of nutrients very slightly, by assuming that the amount of *wheat* available for milling would remain the same as before. But it had always been part of the Ministry's proposal that extra wheat should be imported as necessary to make up this loss; indeed, if people should be tempted to eat more of the 80 per cent. flour than of 85 per cent.—as well might be the case—their demands would be met.

of 1943 food supplies were maintained, not 'appreciably lower the nutritional state of the nation'.

This judgement might seem to constitute sufficient, if, as one Ministry of Food official put it, 'grudging' endorsement for the proposal. But the medical men on the Sub-Committee had added a rider to the effect that they were reluctant, except for 'very strong' reasons, to reduce the 'margin of safety' that 85 per cent. flour provided. As one of them put it, this was 'the optimum figure suggested by the M.R.C. and endorsed by the Bragg [i.e. Scientific Food] Committee'.[1] He saw the change as the first move down a slippery slope leading to a reinforced 70 per cent. flour after the war. It was as if his profession would gloss Blake's lines to read '. . . among the dark Satanic flour-mills'. In point of fact, 85 per cent. flour had been an expedient suggested by the experts in the Ministry of Food to get round the technical difficulties of producing an 80 per cent. flour, originally recommended by the Scientific Food Committee in June 1940, with a sufficiency of wheat germ.[2] Now that the St. Albans experiments promised to remove these obstacles to 80 per cent. flour, the Ministry found it disconcerting that they should be looked at askance by the doctors.

A powerful rearguard action was now attempted in the Standing Committee on Medical and Nutritional Problems itself. Its medical members tried to hedge their acceptance of the sub-committee's report with numerous observations and recommendations, most of which concerned wider issues of policy.[3] Doubts were cast on the prospect of maintaining 1943 standards of diet; a reduction in the rate of extraction was held contrary to British undertakings at the Hot Springs Conference[4] and impolitic in face of recommendations about the extraction rate in liberated territories; and evidence from public-opinion surveys that most people would welcome a return to whiter bread was dubbed 'unconvincing'. Lastly, they proposed to recommend that the whole question should be referred to the Scientific Food Committee, which had been virtually in desuetude for more than a year.

On learning that the Standing Committee's report might be on those lines and might be put directly before the Lord President's

[1] That the Standing Committee had come to regard 85 per cent. flour as the optimum is evident from their earlier opposition to a raising of the extraction beyond that point.

[2] Above, p. 608.

[3] One, which did not, and which was to crop up again at the Conference on the Post-War Loaf, seems to the writer to reflect something more than natural caution about a staple food—a belief that wheat is in some special way a providential food for man: '. . . in addition to the nutrients of known value . . . high-extraction flour may contain other nutrients which may well prove to be of value'. On the face of it, one would suppose that an unknown nutrient in flour might be detrimental, like phytic acid—or the poisonous element in manioc—instead of useful. On the other hand, the Committee may simply have been referring to elements whose value was suspected but not as yet verified.

[4] Vol. I, pp. 360-362.

Committee, the Minister of Food reacted strongly and decisively. It was one thing for the Committee to pronounce on the nutritional aspects of the question, though even here, as it seemed to Colonel Llewellin, the scant reference to the St. Albans experiments in the Sub-Committee's report amounted to 'semi-concealment' of the truth. It was quite another for it to make excursions into policy: '. . . I hold very strongly that these are matters for Ministers. . . . it is not for that Committee', he told the Ministry of Food representative on it, 'to say that we are departing from the recommendations of the Hot Springs Conference, nor to speculate as to what food supplies I shall be able to provide . . . '

In face of this determination and an equal firmness from the Ministry of Agriculture (which was, of course, concerned for the rebuilding of the livestock population), the opposition retreated; the Standing Committee's report to the Minister of Health omitted the more objectionable policy observations, though it still gave less credit than the Ministry of Food would have liked to the work of the cereal scientists at St. Albans. Though the Minister of Health doubted whether the reduction was opportune, he did not press the point at the Lord President's Committee, which on 4th August approved Colonel Llewellin's proposals. The extraction rate would come down to 82½ per cent. in October 1944, and to 80 per cent. the following January; the Ministry of Health would be consulted about the specification of the new-style flour.[1]

The change[2] was to have been announced in the quietest possible manner by means of a written reply to a question in the House of Commons, but in the end the Minister preferred merely to issue a statement to the press to the effect that the alteration would 'in due course have the result of producing a whiter and better quality loaf with no appreciable loss of nutritional value'. It was further explained that the change would reduce the amount of bran in the loaf but would leave in the bulk of the wheat germ. The millers were adjured to maintain the vitamin content of the flour, and, to make sure that the standard was kept up, an elaborate series of tests on sample loaves

[1] As the change to 82½ per cent. would not come into effect until the last quarter of the year, the Ministry of Food was able to draw on stocks for the extra 40,000 tons of wheat that would be needed up to the end of December, so that the question of additional purchases of wheat would not arise until 1945. Over that year imports would have to be increased by 330,000 tons of wheat and most, if not all, of this would have to come from Canada. The Treasury wanted the Ministry to try to obtain part of the extra wheat from the United States on Lend/Lease terms, but considering the difficulty it was having in getting flour from the Americans (see above, p. 546) this prospect was not very hopeful.

[2] It had been hoped that the change could be made without any announcement, leaving the public to realise gradually that the bread was getting better, but it was soon realised that the change in the extraction rate would have to be prescribed by Statutory Order and this could not be expected to pass unnoticed. The Statutory Order (S.R. & O. (1944) No. 1088) laid down that National flour must contain the maximum quantity of wheat germ, but no coarse bran, and be of 82½ per cent. extraction after 1st October.

was begun at the St. Albans laboratories. Examination of the first samples showed considerable variation both in quality (as shown by colour and baking results), percentage of fibre, and content of Vitamin B_1, calcium and the other nutrients. Over the seven weeks up to the end of November covered by the tests only 54 per cent. of the loaves graded for baking quality could be regarded as 'good' or 'fairly good'—the rest were 'fair' or 'poor'. This rather unsatisfactory result was thought to be due mainly to the high percentage of home-grown wheat in the grist, following a wet harvest which produced wheat of high maltose content that made a very doughy loaf. Under 40 per cent. of the loaves contained calcium at the required rate of 7 ozs. to the sack of flour, but 85 per cent. had the requisite proportion of Vitamin B_1. As expected, the quantity of iron and riboflavin in the new flour was less than in 85 per cent. wheatmeal, but the content of nicotinic acid and protein was higher. There was a satisfactory reduction in the proportion of fibre.[1] The general colour of the loaves showed a 'marked improvement' in bread of 85 per cent. flour and, except for the results of the baking tests due to transitory circumstances, the general position was encouraging.

In general the new loaf was welcomed, but some officials felt that the lack of publicity given to the change had left the false impression that the Ministry had been pushed into its policy by the millers. It was decided to avoid this error when the second stage was reached, and the change to 80 per cent. extraction flour was ushered in by the Minister with a carefully prepared Press Conference statement. The Minister first referred to the history of National wheatmeal flour and threw bouquets to everyone connected with it—the millers, the milling engineers, the scientists, and the bakers. All were commended for their endeavours to improve this flour; but it was made clear that it had been the Minister's intention to get back to a white loaf and that he was able to do so because it was now possible to introduce 80 per cent. extraction flour 'without appreciable loss of any important nutrient', thanks to the research work carried out at the Cereals Research Station at St. Albans. The loaf would become whiter only gradually as stocks of old flour were used up, but there would be 'a further decrease in the coarse[2] fibre content' and an increase in the amount of bran for feeding-stuffs. Except for the substitution of 80 per cent. for 82½ per cent. extraction, there was no change in the definition of National flour in the new Flour Order.[3]

There is no doubt that millers and bakers alike were delighted

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[1] The high values for protein and nicotinic acid were due to the high proportion of Manitobas at this time in the grist.

[2] A reference to fibre as 'indigestible' was cut out in deference to the Ministry's Honorary Medical Adviser and in defiance of the known facts.

[3] S.R. & O. (1945) No. 1. This was a consolidated order, covering all aspects of flour control.

at the second decrease in the extraction rate and vied with each other to produce something as near white flour as possible. In this they were helped by a rise in the admixture of imported flour in the grist—to 15 per cent.—at the beginning of February. But in the pursuit of whiteness many millers were grinding flour containing less Vitamin B_1 than the Ministry's minimum. In fact, the first batch of samples tested at St. Albans showed that 60 per cent. of the loaves were below the standard of ·8 international units per gramme. Millers were therefore reminded again that they must include the 'vitamin-rich' wheat germ in the grist even at the expense of colour; after which the samples showed an improvement.

On 28th February the champions of the wheatmeal loaf initiated a House of Lords debate on the new bread policy. They wanted the restoration of 85 per cent. extraction, as 'the minimum compatible with the maintenance of the health of the people'. Several Peers recalled the days when Lord Woolton, 'on the side of the angels in this matter of national health', had made 'a great contribution to the health of the people of this country' by introducing 85 per cent. wheatmeal as the standard breadstuff. It was suggested that the Ministry of Food had omitted to take adequate advice from the Special Diets Committee of the Medical Research Council[1] and the Scientific Food Committee before making the change. Lord Woolton himself, now Minister of Reconstruction, replied on behalf of the Government endorsing what had been done and rebutting accusations of insufficient consultation. The supporters of wheatmeal asked at least for an assurance that 80 per cent. extraction would be the end. But Lord Woolton would go no further than to undertake that the Government would not reduce the extraction rate below 80 per cent. until we are satisfied that it 'will not be detrimental from the nutritional point of view'. With this his questioners, though 'very far from happy at the position', had to rest content.[2]

IV

Though the Lords debate produced nothing new, it did give a fillip to the discussions on the post-war loaf that were on the point of opening. These had been initiated by the millers and other traders in cereals who wanted to discuss 'what restrictions, if any, should

[1] The Special Diets Committee, in fact, was concerned only with advising on the food needs of persons suffering from specific diseases.

[2] H. of Lords Deb., Vol. 118, Cols. 168-218. The principal critics of the Ministry of Food's policy were Lord Teviot, Lord Horder (the Honorary Medical Adviser to the Minister of Food whose advice Colonel Llewellin had rejected), Lord Hankey, and Lord Balfour of Burleigh.

be imposed on flour manufacture in the post-war period'. The Ministry of Food welcomed the idea with zeal, being sure that 'nothing but good could come from a discussion' with the industry; and it shortly developed into a round-table conference with the Ministries of Food, Agriculture, and Health, and the Medical Research Council on the official side, and the millers, bakers, flour importers, and the Co-operative Movement on the trade side. It was announced that the object of the Conference would be 'to assist the Departments in advising Ministers on post-war flour and bread policy and in particular on any regulations which may have to be made after war-time control ends'. The purpose was put in a rather more forthright manner to the Conference at its first meeting when its members were asked to 'aim at clarifying a complicated subject, in order both to guide Ministers in their decisions on post-war policy and to remove misunderstanding and prejudice from the public mind'.

At the time the rate of extraction was reduced from 85 per cent. it had been agreed between Departments that a standard should be prescribed for the nutrient content of flour, and this seemed a suitable focus for the Conference's discussions. The nutrients for which it was thought a minimum should be laid down were Vitamin B_1, iron, riboflavin, and nicotinic acid; there was no need to mention protein as it was sufficiently present in all types of flour, nor calcium, unless the post-war Government should decide to 'use bread as a vehicle for securing a higher national consumption of calcium'. The millers at the Conference questioned whether it was necessary to make flour the agent for supplying so large a proportion of the national requirement of the nutrients in question, but were met by the argument that the country might after the war return to pre-war conditions under which the poorer classes would be largely driven on to bread as their main diet. A scientific Sub-Committee was appointed to work out the specification for flour and produced within weeks an agreed statement of the minima of the four nutrients that should be called for.[1] But, as was to be expected, no agreement was forthcoming from the Conference on how these minima were to be achieved—whether by fortification of a low extraction flour, on the lines worked out by the milling industry before the war, or by reliance on 'the natural constituents of the wheat berry', a point to which some medical members attached great importance.

A second technical Sub-Committee (including milling representatives) was now set up to advise on the regulations that might be made to enforce any specification. It concluded that a whole system of centralised testing would have to be set up to see that the specification was observed; the Public Analysts would have to be brought in to do

[1] The quantities, to each 100 grammes of flour, were ·24 mg. of Vitamin B_1, ·14 mg. of riboflavin, 1·6 mg. of nicotinic acid, and 1·65 mg. of iron.

this work. The Sub-Committee was, however, highly doubtful whether a regulation stipulating a defined extraction rate would be feasible. Flour from different types of wheat varied in nutritional quality and in appearance; even under war-time control the extraction rate could only be policed by regular measurement of the 'end products' and calculation of the percentage of offals and screenings; it could not be deduced merely from simple inspection of the flour. After the war, in the absence of control, the only way to discover it would be by a minute examination of the millers' books that would hardly be practicable. The Sub-Committee reserved its opinion on the possibility of enforcing a rule that flour should not be reinforced with synthetic vitamins, until it was known whether it was possible to differentiate in the final product between natural and added substances. The Sub-Committee remarked, however, that if reinforcement were prohibited about half the home-grown wheat produced would be 'incapable of yielding the required minimum', and this would put the country miller at a disadvantage. Moreover, imported flour might also be reinforced. The advocates of 'natural', *i.e.* high extraction, flour were thus thrown on the defensive; unless they could devise analytical means to show how identical vitamins and minerals had got into flour, there was no possibility of suppressing its fortification, once control had come to an end—except by abandoning the whole proposal to make bread the vehicle for specific nutrients. Such was the strength of their convictions that they professed themselves willing to support the 'permanent continuance of control of the flour mills' in order that the public might be ensured of having what they thought best for it. No ground thus existed on which the two sides could make recommendations that were at once unanimous and constructive; the issue of high extraction *versus* fortification had to be shelved, pending further research which each side hoped would establish its position beyond doubt. The conference recommended unanimously that the existing National (i.e. 80 per cent) flour—which came up to specification in every respect—should continue for the time being—a course that the Government was likely to have to follow for several years on supply grounds. Apart from this, all that it could show for six months' labours was an agreed, though necessarily arbitrary, minimum requirement for iron, Vitamin B_1, and nicotinic acid in flour.[1] These were accepted by the new Labour Government in November 1945.

Shortly afterwards the world cereals crisis broke. In February and March 1946 the extraction rate had to be raised by stages to 85 per

[1] At the eleventh hour it had been decided to omit riboflavin, as even 85 per cent. extraction flour was a very poor source of it compared with milk, eggs, and meat. This fact had been known at the time of the original proposal, in 1940, to fortify white bread with aneurin, but appears subsequently to have been overlooked. It left 80 per cent flour in an unassailable position.

cent; in May, to 90 per cent. In September, with bread rationing in operation,[1] the rate reverted to 85 per cent, and it continued at that level till August 1950, latterly on account of the dollar shortage. Control of flour mills, largely for the same reason, lasted until the summer of 1953.

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[1] Below, pp. 710-715.

CHAPTER XXXV

The Subsidies on Bread and Flour

I

When in December 1939 the Government, for tactical reasons of war-time wages policy, had started to subsidise the price of bread, the means used had been the nearest to hand: a rebate to millers on their flour sales.[1] This enabled the price of bread to be 'frozen' at the customary levels, more or less in relation to the Food Council's voluntary scale. But it was, of course, a subsidy to all flour users, not merely bread bakers; and even so it did not constitute in itself a guarantee that bread prices would remain wholly stable. Already in the autumn of 1939 the Ministry had had to vary the Food Council's scale in order to take care of a rise in bakery wages. When in August 1940 the War Cabinet formally committed itself to subsidising 'essential' foods, but at the same time allowing 'luxury' foods to find their own price level,[2] it was natural that officials charged with putting this policy into effect should take a long searching look at the flour subsidy, which so manifestly contravened the principle. Within the Ministry of Food the possibility of limiting the subsidy to flour used for bread making was examined during the early autumn and regretfully dismissed as impracticable: 'the milling industry', the Ministry was advised, 'could not operate' a dual pricing system, and it would be simpler if bakers themselves were enabled to claim a rebate.[3]

In December 1940 the Interdepartmental Committee on Food Prices, which had already gone on record in favour of the comprehensive subsidisation of the Cost of Living Index, reviewed the problem in face of a threat that rising costs of baking would shortly enforce a rise in the cost of the quartern loaf—from 8d. to 8½d. in London and the South of England and a corresponding amount elsewhere. The price in the North, where an 'enriched' bread containing an appreciable amount of fat was commonly sold, was already 8½d. or more, and 8½d. was the 'average' figure used in computing the Index. A costings investigation had shown that this would still be 'a fair price for ordinary bread even in areas where bread is

[1] Vol. I, pp. 99-100; above, pp. 592-593.

[2] Vol. I, pp. 182-3.

[3] The Wheat Commission of the First World War had decided that two prices for flour would be impracticable, but—probably illegally in the light of the Wilts United Dairies case (Vol. II, p. 177)—had charged biscuit manufacturers a levy on the flour they used.

most expensive'. The Index might therefore be kept stationary by dispensing with enrichment and setting a uniform national price; but the northern bakers would naturally dislike this and the Ministry was not yet ready to enforce it on supply grounds. The only alternative was a bread subsidy and for this the Treasury representatives on the Interdepartmental Committee were ready and indeed eager. The administrative qualms of the Ministry of Food were overborne and it was agreed to recommend that bakers, as a temporary expedient, should be given a rebate of 4s. a sack of flour (equal to ½d. on the quartern loaf), on all the bread they continued to sell at 8d. during a period of three months beginning on 1st December 1940. (This additional rebate would have the advantage, from the point of view of the Exchequer, that it would cost 4 million pounds a year less than if it had been given on all flour.) Lord Woolton himself favoured a bread, rather than a flour, subsidy, and promptly accepted the recommendation; two days later, on 19th December, he announced it in the House of Lords.[1] The Minister admitted that the plan would 'entail a certain amount of work in producing a return of the number of loaves sold at the price', but it would be worth it to 'keep down the cost of living for an article that is essential to the national diet'. Nothing was said of the Cost of Living Index.

This hasty decision was received in Cereals Division (especially by the Finance Officers who had not been consulted about it) with some misgivings. There were thought to be about 25,000 bakers and anything from 10,000 to 20,000 of them might wish to apply for the subsidy. They would have to make returns of the number of loaves sold each week at the prescribed price; but many were not in the habit of keeping records and would find it irksome to fill in the forms, however simple. The Division had no machinery in being to run such a scheme and had not even had the opportunity of evolving a form for the presentation of claims which would, moreover, be retrospective. Hence considerable delay over payment of the rebate to the bakers was unavoidable.[2] Nor were difficulties confined to details of administrative routine. Thus the bakers wanted a 1 lb. loaf sold at 2½d. to qualify for the subsidy, on the grounds of its 'diminished yield and very high cost of distribution', and were indignant because the Ministry would not allow subsidy to be claimed on the larger sizes unless the 1 lb. loaf were on sale at 2½d.—except for a temporary concession up to 25th January 1941. The bakers nevertheless accepted

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[1] H. of Lords Deb., Vol. 118, Cols. 182-190. Lord Woolton had told the bakers' representatives on 18th December.

[2] 'In ordinary circumstances [wrote a senior official] the administrative arrangements would have been worked out, at least in broad outline, before a public statement was made. That was not possible on this occasion and Cereals Division pointed out, before the decision to pay bread subsidy was taken, that one of the difficulties to be faced was that some time must elapse before a first payment could be made'.

this ruling, only to reopen the question as the 25th of January approached; in particular they claimed that Lord Woolton's announcement in the House of Lords that the subsidy would be paid on a quartern loaf sold at 8d. had been an 'unconditional statement'. As the end of the initial period of three months was already in sight and the exact interpretation to be put on the Minister's words was arguable, the Ministry relented on this point, agreeing that subsidy might be paid on each weight of loaf separately provided that the baker sold it at the stipulated price during the remainder of the original scheme (but no longer): this period had, however, to be extended first to four months and then to later dates, finally arriving at the beginning of 1942, to allow time for negotiations to take place on the permanent subsidy that was to follow. As a preliminary to these, a Standstill Order on bread prices was made early in February fixing them at the rates charged on 2nd December 1940.[1] So too when the Ministry sought to 'restrict the subsidy to bread sold by retail as loaves' omitting bread sold by caterers as part of a meal, the trade insisted that no shopkeeper who ran a joint business as caterer and retailer of bread could possibly differentiate between the two types of sale.[2]

Even more troublesome was the Scottish 'pan' loaf, which normally weighed 1 lb. 12 oz. and so might only rate for subsidy if priced at 3½d. However, it usually contained fat and sugar, and sometimes malt and syrup, and the Scots maintained that it would be 'a gross injustice to their country' if they were not permitted to sell it at 4d. and to claim the subsidy. By long established Scottish practice, they said, the 1 lb. 12 oz. pan loaf, as authorised by statute, sold at the same price as the 2 lb. 'batch loaf'. In spite of a telegram from the Scottish Bakers to the Minister declaring themselves 'adamant' that in their own and in the public interest pan loaves should qualify for the subsidy, the Department, fortified by the evidence of a costings investigation that, though the cost of the extra ingredients in the pan loaf was a halfpenny per quartern higher than for batch bread, it was perfectly possible to produce it at 3½d., was adamant also. To make an exception in favour of Scotland would be unfair to bakers in England and Wales.

II

In April 1941, the Ministry began at length to consider a permanent

[1] S.R. & O. (1941) No. 150.

[2] Even J. Lyons & Co. Ltd., regarded by the Ministry as a 'firm probably as likely as any in the country to have accurate records', assured it that they had found it impossible to find out what proportion of their goods was sold over the counter and how much on the catering side of the shop.

scheme for subsiding bread *instead* of flour, with the object of reducing the cost. Flour consumption had been rising continuously since 1939 and by 1941 the subsidy on it was running at the rate of £45 million a year. Only three-fifths of flour usage was for bread, so that £18 million a year might be saved to the Exchequer if there was no subsidy on the remainder. The Ministry had no doubt, moreover, that the low price of flour was encouraging its illicit use in the feeding of livestock.

The millers[1] could not be expected to administer a differential scheme by selling flour at two prices according to its ultimate usage. So the Ministry would have to run the scheme itself and this meant dealing with up to 25,000 bakers—as compared with 400 millers.[2] The inevitable staff additions would, it was hoped, not exceed 150.

As the price of flour as well as that of bread entered into the Cost of Living Index, the Ministry had to consider how best to manipulate both. Unsubsidised flour would sell at 47s. a sack (instead of 25s. 6d.) which would mean nearly 1d. per lb. more on the 7 lb. bag sold retail. Such a rise would send the Cost of Living Index up by 2·21 points.[3] The best way to offset this would be by a proportionate fall in the bread price and to this end the Ministry proposed to enforce certain economies on bakeries. The types of loaf that might be produced had been restricted since August 1940; but the Order[4] had not been altogether effective. It should be possible to limit the shapes of loaves still further, and wrapping and slicing bread might well be prohibited so as to save expense as well as labour that might be employed on war purposes. The use of fat in bread baking, even though this improved its keeping qualities, might be limited or abolished entirely; door-to-door deliveries might be confined to three days a week. The savings to be expected from all this might amount to as much as 6s. a sack of flour, but—it was thought—they could not be secured fully unless the price of bread was standardised throughout the country. (The existing Standstill Order allowed previous differences to continue: there was reason to believe that bakers in the north of England were robbing their ordinary household loaves of their due proportion of fat so as to continue making enriched bread for sale at a higher rate of profit.) Cereals Division recommended

[1] A diffierential price for 'manufacturing' and 'domestic' sugar had proved workable (above, pp. 86-91), but the distribution of sugar, unlike that of flour, was regulated by a permit system.

[2] In the first 8 weeks of the temporary scheme only 6,000 bakers had put in claims; many apparently preferred to keep their higher prices and to forgo the subsidy.

[3] Each rise of 1d. on the 7 lb. bag of flour raised the Cost of Living Index by ·34 points and the food index by ·56 points.

[4] By S.R. & O. (1940) No. 1457 the only types of bread allowed were the tin loaf, the oven bottom loaf, the sandwich loaf, and, in Scotland, the batch loaf and the pan loaf: all these except the last had to weigh a pound or an even multiple thereof. The only other types permitted were Vienna bread in 8 oz. loaves and rolls of 2 ounces or less.

that the price of bread should be fixed everywhere at the rates at which the temporary subsidy was payable—8d. the quartern, 4d. the 2 lb. loaf, and 2¼d. the 1 lb. loaf. At the same time, the subsidy on bread should be fixed at 11s. 9d. a sack and the flour subsidy reduced to 7s. 9d. This would mean raising the cost of flour ex mill to 39s. 3d. a sack. The resultant saving in annual subsidy would be over £17 million; the net effect on the Cost of Living Index would be a rise of only ·6 points. The raising of the price of flour would of course be to the disadvantage of home bakers of bread, but these were said to be decreasing in number (even in the north of England) and it 'would be difficult to defend retaining an extravagant form of subsidy in order to assist a small section of the population'. This recommendation was put forward because to go the whole hog in removing the flour subsidy would mean pricing the quartern loaf at 7½d. If it were left at 8d. there would be no change in the 'ruling prices in most of the important industrial centres', while the 7s. 9d. subsidy remaining on flour would soften the blow to the home baker.

There was some feeling, both at the Interdepartmental Committee on Food Prices and elsewhere, that these proposals made bread too cheap compared with potatoes; nevertheless, the 8d. loaf was generally accepted. Even .6 of a point on the Index, however, was too much for the Treasury, and the Committee was therefore led to recommend that the price of flour be put up by only 7s. 9d., to 33s. 3d. a sack. This would leave a subsidy of 5s. 9d. payable to the baker (as against the existing 4s. od.), with a continuing 13s. 9d. of flour subsidy. These changes, in the name of the Index, completely altered the balance of the original proposal, in which the primary saving was to have come through removing the subsidy from flour and the economies to be made by bakers had been secondary. Now the first objective had been whittled away until the major part of the prospective gain to the Exchequer was to come from squeezing the bakers to the tune of 6s. od. a sack, the difference between the increase in flour prices and the increase in bread subsidy. Moreover, the squeeze was to apply to all bakers and not merely to those who had found it worth while to accept the former subsidy and the conditions that went with it.[1]

Nevertheless, there seem to have been few qualms about the possibility of putting the plan into effect. What did give higher authority pause was the effect on the home baker. Though the Cereals Division had assured Lord Woolton that 'home baking is confined almost entirely to Yorkshire and the north-west coast [of England] and amounts only to only 2 or 3 per cent. of total production in the United Kingdom', the Minister asked how these figures

[1] Incidentally, the deterrent against feeding flour to animals, which had been one of the Commodity Division's motives in promoting the plan, had been largely whittled away also.

could be reconciled with the Division's own estimate that over 5½ million sacks of flour a year were now used in home baking as compared with 25 million sacks by bakers for bread. 'If', he said, 'this consumption of 22·8 per cent. is confined to a limited area of the north, the proposal would act very unfairly on the cost of living of those areas, and it appears to me to be unjust unless the price of flour retail were to be adjusted to meet it'. This last suggestion was not feasible; it would have been impossible to differentiate between retail sales of flour for bread making and for other uses. The Department assured the Minister that the decline in the supply of yeast to households showed that home bread making had been and was declining and that probably not more than 20 per cent. of the flour bought for household use went for this purpose. Trusting that no political storm would arise in Parliament about injustice to the northern housewife, the Minister at length accepted the scheme in its entirety.

When the proposals were put to the Ministry's Bakery Trade Advisory Committee, its criticism turned mainly on whether the economies of 6s. a sack could be realised by the majority of bakers. The Ministry had supposed itself to be allowing some latitude for varying trade practice and circumstances, and for the time the economies might take to be realised, when it set this figure, for the investigations of the Director of Costings had put the savings at 9s. 6d.[1] But it was told, with particular emphasis from Yorkshire—the home of expensive enriched bread—and the London co-operative bakeries—whose turnover had fallen as a result of evacuation and who claimed to be losing money already—that a saving of the magnitude proposed was out of the question. Certainly it was clear from the costings investigation that bakers' costs varied very greatly. An average figure for mid-1940 of 35s. 11d. a sack in England and Wales (excluding the cost of flour) concealed a range from 28s. 9d. to 42s. 9d. and this from a small sample of which the majority (50 firms out of 83) were plant bakeries. The mere prescription of a uniform price for bread, without a cut in the margin, was thus calculated to hit some bakers hard: and it was *prima facie* unlikely that those with high costs were those able to accomplish the largest economies per sack.

Nevertheless, the attitude of the majority on the Advisory Committee was not hostile to the scheme, and it appeared that assent might be secured by minor concessions. The Ministry agreed that the price of small loaves should be twopence-halfpenny instead of twopence-farthing—which would not affect the Cost-of-Living Index—, that the date for the introduction of the schem eshould be

[1] Split up as follows: 'shapes and weights', 1s. 0d.; limitation of deliveries, 3s. 0d; abolition of machine and shop wrapping, 1s. 6d; reduction in the use of oils and fats, 1s. 0d.; savings due to increased output and increased yield, 3s. 0d.

postponed from 11th August, when it had been originally hoped to bring it into force, and that there should be a fresh costings investigation after three months. But the bakers' leaders, particularly some of those representing the big plant bakeries, continued to make play with the difficulties of the small man, and they persuaded the Minister to agree to a temporary modification of the scheme; for the first three months, the subsidy would be 7s. 9d. a sack, the full amount by which it was proposed to put up the price of flour. The bakers would be left to meet by economies 4s. od. a sack, the equivalent of the old subsidy. The subsidy of 7s. 9d. would be subject to retrospective adjustment in the light of costings, but a further cushion would be provided in the form of a temporary subsidy of 1s. 6d. a sack for three months, in lieu of the windfall profit some bakers might have made on their stocks of flour when the price was put up. At the same time the Minister decided that he would not impose a restriction on bread deliveries to three days a week by Order; it was up to the individual baker to make the economies that seemed to him fit. Not very consistently, the wrapping and slicing of bread by bakers was to be prohibited.[1]

These and other small concessions appeared to satisfy the Advisory Committee, and there were those in the Ministry who thought they had gone too far and that 'the bakers are making a pretty hard bargain'. But when the scheme was at length made public at the end of September, to come into force on 6th October, it was at once evident that the Advisory Committee had wholly misjudged the temper of their constituents. There was what the Ministry later termed a 'revolt' amongst the small master bakers, affiliated to the National Association of Master Bakers. A stormy mass meeting of delegates from 242 local Associations in England and Wales was followed by a hail of several hundred telegrams to the Minister imploring him to receive a deputation. On 2nd October Lord Woolton did so, and learned that the trade at large had been unaware of what was coming, since the Advisory Committee members had considered themselves sworn to secrecy. The deputation insisted that the small family baker, using perhaps eight sacks of flour a week, could not possibly carry on under the new Order. Their representations were convincing enough to secure a postponement of its price provisions

[1] The draft Order to this effect had a rough time at the Ministry's Orders Committee and would probably have been held up could it not have been represented as a decision from higher authority. Orders Committee could not see who would benefit except the inefficient baker; wrapped bread kept better than unwrapped and therefore discouraged waste; to end ready slicing would transfer waste from the shop to the home. As for forbidding the wrapping of bread in shops (as distinct from by machine in the bakery), this would, said the Committee, be not only unhygienic but 'verging on the ridiculous' so long as the shopkeeper was free to wrap other foods that might need it less. This last stricture was accepted by the promoters and only machine-wrapped bread was prohibited.

while officials hastily sat down to consider means by which the marginal baker might be enabled to continue. Their first proposal was for a special subsidy to bakers using less than 200 sacks of flour a week, which would have brought in all but the largest plant bakeries; but the plant bakers objected that this would be 'splitting the industry', and suggested instead a sliding scale of subsidy payable to all bakers on a limited number of sacks; and this was eventually agreed to. The subsidy, which was intended to last only three months pending a costing investigation, would be at the rate of 4s. a sack for the first hundred sacks a week, 3s. on the second hundred, and 2s. on the remainder. It would of course be in addition to the refund of 7s. 9d., but the bakers would now keep their stock profits instead of getting 1s. 6d. a sack for three months in lieu.[1]

These concessions evidently went far beyond the financial merits of the bakers' case, in that they gave so much away to the plant bakers; indeed, many of these might gain more from savings on wrapping and slicing than they lost by the lower effective rate of subsidy they would now receive, so that they would be better off than their small brethren. An official *post-mortem* compared what had happened with the fiasco of the initial egg scheme three months earlier, and attributed both to the Ministry's having tried to do too much, too quickly: in each case an essential item in the plan—the egg subsidy and the rise in flour prices—had had to be kept dark till almost the last moment. 'The baking trade had only two or three days in which to absorb the details of a novel and somewhat complicated financial scheme. Naturally every baker looked at it from his own point of view . . . Those individuals who thought they were going to be ruined protested. A situation was thus created which was filled with danger to the national interest'. To say that the Ministry's tactics had been faulty, however, was to tell only half the story. Just as there were serious objections of principle to the egg scheme,[2] so the bread subsidy scheme had throughout taken too little account of the family baker;[3] his grievances against it would have been no less valid had he had three months' notice of what was to happen. In consequence the whole body of traders had been enabled to take advantage of the situation.

The advantage continued for a considerable time, for the costings investigation was not complete until the end of April 1942, and the Ministry had to obtain Treasury sanction to extend the 'temporary' subsidy indefinitely. The Director of Costings now admitted that

[1] Furthermore, bakers in sparsely populated areas or places where the population had been reduced to 60 per cent. or less of the pre-war figure might be licensed by the Divisional Food Officer to charge an extra halfpenny a quartern loaf.

[2] Vol. II, pp. 78-9.

[3] This was partly at least the trade's own fault for not being able to produce figures.

his earlier findings, on which the Ministry had gone forward with its plans, had not been backed by really adequate evidence of the expenses of the small bakers, particularly those (amounting to more than half the trade) who used less than five sacks of flour a week. Many of these could not make economies by abolishing services they had never performed. Nevertheless he was convinced, after further investigation[1] that 'at the 8d. price the small baker can still make a fair profit', i.e. of 4s. a sack on large loaves and 6s. on small. Further, he pointed out that the small bakers almost always made profits by the sale of flour confectionery and other goods incidental to their trade in bread, and that so far scarcely any bakers, even in evacuated areas had made less than in the pre-war years: 5,000 small bakers had not even troubled to claim the subsidy. In the light of these findings the temporary subsidy and the concessions to bakers in sparsely populated or over populated areas should cease. Indeed, if (as was probable) it were ascertained that bakers could get a higher yield from the new wheatmeal flour than previously, the level of the flour subsidy (7s. 9d. a sack) should be reconsidered.[2]

Though the Commodity Division could not quarrel with these forthright recommendations, it was a little nervous of a recurrence of the agitation of the previous autumn and hoped to be given 'some latitude to facilitate a peaceful agreement with the Trade'—perhaps to the extent of £500,000—to 'mitigate any hardship to particular classes of bakers' on the withdrawal of the temporary subsidy. Indeed, the trade were by no means disposed to agree with the findings of the Costings Investigation; they continued to maintain that the working master baker would not be able to live on the terms proposed by the Ministry. The Ministry thereupon obtained Treasury consent to 'spend £500,000 if necessary to purchase peace', and offered the bakers' representatives a new subsidy of 2s. a sack, on flour used for bread making, on the 'first eight sacks of any baker's weekly output'. This should provide for any baker who ran a bakery single handed. The master bakers still declared that this was unacceptable, but—assured that the co-operatives and plant bakers would not support the small men—the Ministry stood firm. On 18th June it was announced that the temporary subsidy would cease within a week and that the only concession, apart from the continued refund of the whole amount by which flour had been put up in the autumn, would be the 2s. payable on the first eight sacks—provided their product was sold at 2d. per lb. Moreover, this payment would come to an end in September unless investigation (which the trade was to undertake) showed that all bakers could not make a reasonable profit without it.

[1] Complete statements of baking costs and expenses of distribution and management had been obtained from 265 small bakers and 136 large bakers gathered from all parts of the country.

[2] This level had originally been intended to prevail for only three months.

Although some hotheads still talked in terms of mass protests and telegrams to the Minister, the prevailing temper in the trade was now very different from what it had been in the autumn. One useful result of the 'revolt' had been the appointment by the National Association of Master Bakers of a leading firm of accountants—Deloitte, Plender, Griffiths and Co.—to co-operate with the Ministry in the preparation of costings. As a result the decision of June 1942 had been based, in effect, on agreed figures and only their interpretation was a matter of dispute. The bakers and their advisers contended that, in computing the costs and profits of a baker who did not employ a paid manager, a notional figure—2s. 6d. a sack was suggested—should be allowed on the cost side as a 'management allowance' for the proprietor, in addition to the notional wages of himself and his family as bakery workers. The Ministry regarded this as a 'fine debating point of precious little substance' and inquired sardonically what management the small baker did for this half-crown: 'I got no reply, except on the basis that the big man got it so why not the small . . .' But both sides were now anxious to have an end to controversy and establish an agreed price structure for bread, so that future adjustments in the bakers' margin could be related solely to changes in costs. In November, when the further investigation was completed—the extra 2s. on the first eight sacks having been continued until the end of the year—the National Association was constrained to admit that the case for the indefinite continuance of the grant had not been made out. As a *quid pro quo* for dropping this point, they asked the Ministry to agree that in subsequent investigations a management allowance should be made. The effect would be that when considering whether a change in the margin was due, the Ministry would have a lower figure for the average net profit of the trade—which was always its starting point—than would otherwise be the case.

The Director of Costings was loath to concede the point and was even prepared to go so far as to increase the standard profit margin from the Food Council's 4s. a sack to 6s. a sack rather than do so. But the administrators thought otherwise: 'we may well be on strong ground so far as strict logic is concerned, but our debating position is extremely weak. It is not possible, in my view, to persuade the small baker who does not employ a manager that he is only entitled to the wages of one of his own hands'. They felt it wise to give the National Association 'a token concession' that would enable it 'to announce that it had won a momentous victory on behalf of the trade'. Accordingly this was done; but the accountants' views were respected in that the Association's suggestion of a predetermined allowance on the basis of 'sackage' was turned down; each case would have to be considered on its merits.

III

Until the summer of 1941 the sole control over *flour* prices governed sales by millers, licensed factors, and flour importers,[1] and the price on resale was free. The proposal to have a uniform bread price, however, had as its logical corollary a uniform price for flour at all levels; work on an Order began in July 1941, when the introduction of the bread scheme was thought to be imminent. To allow time for a costings investigation the Cereals Division proposed and the Orders Committee reluctantly agreed to a standstill Order on current prices; but in the end the bread scheme was so long delayed that the Order was not needed and the Division was able to proceed on the basis of a Costings Report. This exhibited a wide variation of price from district to district as well as between different types of flour.[2] The price, of course, varied to some extent according to the quantity bought at any one sale. For pre-packed flour[3] (including a high proportion of self-raising flour) the variation, though considerable, was less than for flour bought in bulk by retailers.

The Ministry's retail price scale would have to accommodate both pre-packed flour and flour packed by the retailers themselves. Under the Flour Order, there were already permitted charges for the former.[4] For flour packed by retailers, taking the price they paid for flour at the new rate of 33s. 3d. plus 9d. for non-returnable jute bags, the Division proposed to allow them a gross margin of 25 per cent. additional to their packing costs. This would put the retail prices of flour at 2d. per lb. (for sales of over 70 lb.) 2¼d. per lb. thence down to 6 lb., 2½d. per lb. for smaller quantities down to 1½ lb., and 2¾d. per lb. on even smaller sales. Self-raising flour would sell at 3½d. per lb.

As the information on which these figures were based came merely from replies to a questionnaire sent to retailers, and no thoroughgoing investigation had been made, the Director of Costings was chary about them, especially the proposed 25 per cent. margin on a pre-packed commodity where the retailer's service was so slight. Nevertheless the Margins Committee approved the scale, and the

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[1] S.R. & O. (1939) No. 1036, (1940) Nos. 407 and 640, (1941) Nos. 533 and 1291. See above, pp. 591-594.

[2] In the case of National straight-run flour received in bulk by retailers, prices on resale varied between 1·28 and 2·43 pence per lb. and the retailer's margin between 9d. and 29·3d. per sack of 280 lb.

[3] *i.e.* flour packed in large and small bags at the mills or by the licensed factors for sale to retailers.

[4] Under S.R. & O. (1941) No. 1291 these varied (for sales of flour in non-returnable bags) from an additional charge of 9d. per sack (280 lb.) for 140 lb. of flour to 16s. per sack for flour packed in units under 1½ lb: 10s. per sack was payable for units of 3½ lb.

Order came into force on 6th October 1941.[1] The average margin between the first-hand price of flour and the retail prices worked out at just over 21 per cent. It was not thought necessary to provide for a 'separate margin for wholesalers since most of them were already receiving remuneration for distributing the product' as licensed flour factors; in practice the retail margin might in fact sometimes be shared between the wholesaler and the retailer. In any case the margin appeared to the finance interests in the Ministry to be so bountiful that they accepted it only on the understanding that a further Costings Investigation should be undertaken so that the 'appropriate retail price might be calculated with accuracy'.

Though maximum retail prices for flour had now been fixed, the selling prices in many places remained below the maximum. When, in the early months of 1942, the extraction rate of flour was raised to 85 per cent., the Ministry decided that steps must be taken to prevent sales of retailers' remaining stocks of white flour at increased prices. Accordingly, in March 1942, it revoked the Flour (Maximum Retail Prices) Order and replaced it by a new Current Prices Order to freeze prices of flour of all kinds at the rates paid at the end of January.[2]

At the same time Cereals Division was obliged to look into the question of double margins that had for some time been exercising the Ministry.[3] To a proposal that a scheme for denying multiples a double margin should be applied to flour, the Division replied that except when imported it was at no stage owned by the Ministry and traders in it could not be regarded merely as the Ministry's agents. Though it would be feasible for millers to 'apply some sort of rebate from multiples' and collect this for the Ministry's account it would be stretching the principle too far to apply it in cases of traders (including flour millers) who deal partly in Ministry goods and partly in their own products'. In any case the flour price structure did not provide specific profit margins for wholesalers. The Double Margins Panel replied that 'the scheme should be applied on the basis of a notional wholesale margin'. Such a margin, thought Cereals Division, might be put at 2s. a sack; if this were added to the first-hand price, bringing it up to 35s. 3d., in order to pare most of it off from the multiples, the effect would be to increase the price of flour 'up to the limit of the maximum price' and this rise might well affect the Index—all for the sake of the ten per cent. of flour output that passed through wholesale channels. It would also entail elaborate arrangements for recovering the rebate through the millers (perhaps involving adjust-

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[1] S. R. & O. (1941) No. 1530. National straight-run and National wheatmeal flour were both subject to the same maximum price scales. Prices for speciality brown flours were not fixed.

[2] S.R. & O. (1942) No. 438.

[3] Vol. I, pp. 105-110.

ments in their remuneration agreement in consideration of this service for the Ministry) and, for pre-packed flour, through a warren of packers, Co-operatives, and manufacturers. These arguments were effective. The Double Margins Panel decided that 'in view of the difficulties of recovering part of the wholesale margin on finished products through an adjustment of the selling price of raw materials', those commodities 'not owned by the Ministry in their final form should be excluded from the operation of the scheme'. This definition[1] eliminated not only flour but biscuits, cereal breakfast foods, and oatmeal.

IV

In the summer of 1942 the Treasury, faced with a prospective fall of six points in the Cost of Living Index because of the exemption of utility clothing from purchase tax, asked that some food prices be put up in compensation.[2] After some casting around for candidates the Ministry hit on a scheme for putting the price of bread up to 9d. a quartern (thus avoiding a farthing in the price of the 2 lb. loaf), but leaving flour untouched. This would have eliminated the bread subsidy altogether—a pleasing prospect to the Treasury, as it would save both the £8 millions being paid out to bakers and the work of 70 persons administering it. But it left no elbow room within the Index structure for another cherished project, namely encouraging potato consumption by reducing their price. If this were to be done—and despite Lord Woolton's own scepticism about its worth he approved it—the compensatory rise would have to go on flour; nothing else was available at the moment. An increase of 1½d. on the price of the 7 lb. bag would be roughly equivalent to the 1d. rise in the quartern loaf. This meant a 5s. rise on the sack of flour, and an equivalent bread subsidy.[3]

A further opportunity to get rid of the bread subsidy occurred in the first half of 1943, when the Treasury, and Lord Keynes in particular, pressed very strongly for the price of the quartern loaf to be put up to 10d., partly to offset a further fall in clothing prices and partly because it might ease a transition to the expected level of post-war

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[1] A double margins scheme was already in operation for sugar, which fell within this definition.

[2] Vol. I, pp. 188-193.

[3] The actual retail bread prices enforced from October 1942 were 9d. for the quartern loaf, 4½d. for the 2 lb. loaf, and 2¾d. for the 1 lb. loaf. As for flour, the average rise of 1½d. on 7 lb. had to be distributed as best might be among the various units sold, and the result was that sales up to 3 lb. of flour now cost 2¾d. a pound, thence to 20 lb. bags cost 2½d. per pound, while the price of large bags up to 1 cwt. was 2¼d. a pound. S.R. & O. (1942) Nos. 1916, 1917, 2120.

wheat prices. Agreement was actually reached between the Chancellor and the Minister of Food that this should be done; but it encountered strenuous and in the end decisive opposition from Mr. Bevin, the Minister of Labour, who thought 10d. an 'artificial' price and could not see why the margins allowed to millers and bakers could not be reduced as an alternative. The Lord President's Committee decided that sugar should bear the Index rise instead and an ingenious plan for abolishing the bread subsidy and squeezing the retail margin on flour had to be set aside.

Cereals Division had long felt itself handicapped for want of detailed knowledge of retailers' profits on flour. There was a general feeling that the margins set in 1941 had been too generous, but it was difficult to establish this in the absence of definite information about millers' costs for packing flour and the proportions of pre-packed and bulk flour handled by retailers. The proposal to confine sales of pre-packed flour from May 1943 onwards to units of 1½ lb., 3 lb., 6 lb., 12 lb., and 24 lb. was expected to lead to economies in packing costs, and the Director of Costings was asked to make a comparison of retailers' pre-war and current margins with a view to reducing the latter. There was no time for a thoroughgoing costings investigation, but the Director of Costings produced figures purporting to show that the retailers were enjoying gross profits of between 17½ per cent. and 24 per cent. on their sales of pre-packed flour and between 25 per cent. and 35 per cent. on sales of flour that they packed themselves. In Cereals Division itself an even higher figure—38 per cent.—was cited, and it was thought that the time had come to put up the first-hand price of flour by 2s. 9d. a sack, which would keep it in line with the 10d. quartern loaf and get rid of the bread subsidy at the same time, while keeping the retail price of flour at the former level. In this way the retailer's profit on his selling prices would fall to between 14 per cent. and 18 per cent. according to the weight sold, which was about the pre-war figure. It was unlikely, however, that the trade would accept those rates unless it could be shown that packing costs had fallen on standardisation; and when the Director of Costings looked into the question he found that these costs had in fact risen, partly because some of the new standard sizes had to be packed by hand instead of machine, and partly because the cost of the new sizes of cotton bags worked out higher per sack of flour than before. Nevertheless the plan might have been persisted in but for the decision not to raise the price of bread, and it was to be given another airing in the spring of 1944. This time it was a question from Exchequer and Audit Department about retailers' margins that set off the inquiry. The Director of Costings still maintained that the Trade could stand a reduction of 2s. 9d. a sack in the total margin, but the Commodity Division dissented; he had (it said) taken as the 'pre-war' basis for his calculations a period when the price of flour—thanks to the depression in world wheat prices—had been abnormally low.[1]

At the same time, mid-1944, Cereals Division took another look at the possibility of getting rid of the flour subsidy altogether, or confining it to flour used for bread. Although makers of flour confectionery and biscuits were thought to be making 'abnormally high profits', the Division argued that differential prices for flour could not be imposed 'as it is not known at the time the flour is sold to what use it will be put'. To abolish the subsidy altogether and replace it by a bread subsidy would save the Exchequer £17½ million a year but put the Index up by more than two points, which did not suit the Treasury's book just then. The Treasury had itself suggested a scheme by which bread subsidy would be financed out of a levy on flour used for biscuits and confectionery;[2] bakers who made these would, so to speak, hoist themselves up by their own bootstraps. But this the Division rejected; it could not be worked with 50,000 flour confectioners 'mostly keeping inadequate records'. As for biscuits, it would not be fair to single out one section of flour users for a levy.

The Division was therefore driven back on to the former proposal of a cut in margins by way of a rise in the price of bulk flour, which would have no effect on the retail price except in so far as it ended or reduced sales below the statutory maxima. But there were still objections to making as large a cut as the Director of Costings had originally endorsed, and after some discussion a rise of 1s. 9d. a sack was agreed upon. The bread subsidy was accordingly adjusted from 5s. to 6s. 9d. In order that holders of flour stocks should enjoy the minimum windfall profit and no opportunity for speculation, the price was raised without notice on 1st October 1944, the day when the extraction rate was reduced from 85 per cent. to 82½ per cent. As for biscuits, they were in future to bear no subsidy at all; an amount equivalent to it would be recovered from manufacturers by Treasury Charges Order. The saving to the Exchequer on this item alone amounted to £1,500,000 annually.

No further change was made in the first-hand price of flour during the war or the years immediately following, and in consequence the amount paid out in subsidy continually rose with increases in world wheat prices; by 1947–8 it was £62 million, more than double the figure of 1944–5. The Division reckoned that about one third of the cost could have been saved if the subsidy could have been confined

[1] The Director of Costings advocated introducing a differential first-hand price for bulk flour, claiming that the retailer was making 'unduly high profits' by putting it up in cheap paper bags instead of cotton bags used by millers and flour packers and also because he did not have to employ labour and machinery expressly for the work. The Division contended that any extra profit would be reduced now that the 3 lb. bag of flour (the most popular size) was to be put up in paper bags universally.

[2] Flour confectionery, biscuits, and other flour products were not at this time included in the Cost of Living Index.

to flour for bread baking and for use in the home; but the administrative difficulties were too great.[1]

V

The later history of the bread subsidy consists mainly of a long and inconclusive argument about small bakers' margins of profit. Throughout 1943 the National Association's own sample figures, prepared by Deloittes, showed an average profit above the Food Council's figure of 4s. od. a sack, and even in 1944, when rising costs were eroding their profits, the majority of sample bakers were said to be able to reach this figure. By this time, however, price control had been introduced for cake and flour confectionery[2] and the bakers' profits on this account alone were said to have been reduced by one-third. Towards the end of 1944 Cereals Division, under considerable pressure from the trade, was beginning to wonder whether the time-honoured figure was not too low, yielding as it did a profit of less than 6 per cent. on the selling price of a 2 lb. loaf. It was said that conditions were not altogether comparable with those before the war and that, more especially, the Food Council's margin had excluded the discount from the nominal flour price—amounting on an average to 1s. 6d. a sack—that bakers had been able to obtain before the war. The Division proposed, and got the Ministry's Margins Committee and the Treasury to agree, that the standard profit on 2 lb. loaves should henceforth be taken as 5s. a sack. This would entail a rise in the subsidy, or in the price of bread, provided it could be shown that bakers' margins were below this figure on the average. But the latest figures from the National Association showed an average of 4s. 6d. a sack profit; those of the plant bakers averaged 1s. 6d. higher, and though the latter produced only 25 per cent. of the country's bread supply so that a simple average between the two groups would not be fair, a weighted average still came out at a trifle above the standard figure. Cereals Division would still have liked to raise the margin by 1s. 3d. a sack, largely on the plea that the costings figures were incomplete—they excluded co-operative bakeries—and out of date, but was overruled by higher authority on the ground that to depart from the evidence of costings would be a dangerous precedent. The trade was told in April 1945 that it would have to produce more evidence.

That evidence would be forthcoming before long no-one seems to have been in doubt; already the possible consequences—a dearer loaf

[1] It had been suggested at one time that retailers should get a rebate on sales of 'de-subsidised' flour; but this was ruled out as impossible in the absence of any proof of sale, such as a ration coupon would have provided.

[2] Below, pp 689-694.

or an increased subsidy—were being explored with the Treasury and the Ministry of Labour and only the known views of Mr. Bevin—who his officials reported 'would kick like a steer' at any suggestion of a 10d. loaf—prevented the former proposal from being pursued more actively. (It was less attractive administratively than it had been earlier, as, thanks partly to the adoption of the 5s. a sack standard profit, it no longer offered the possibility of a complete elimination of the bread subsidy.) Meanwhile the Ministry was increasingly worried about the position of the small baker. A deputation from the National Association on 16th April 1945 gave warning that unless something was done to ease the position of its members, particularly in the South-Eastern seaside towns, there might be a real shortage of bread in the summer. Difficulties in maintaining output were in any case to be expected: 'manpower' (wrote an official) 'is stretched to its limit; the average age is high; the hours are far too long and if, as we expect, bakery labour . . . insists on some relaxation, our only margin is flour confectionery production'. But bakers would only produce bread in preference to cake if the former were made profitable. As an interim measure the Division proposed, and it was generally if reluctantly agreed, to pay an additional subsidy of 1s. 3d. on the first ten sacks per week of a baker's output, beginning on 30th April.

During the summer of 1945 both the small bakers and the plant bakers (who also were now beginning to feel the squeeze of rising costs) succeeded in convincing the Ministry that previous costings investigations, when dealing with certain expenses common to the bakers' trade in bread and flour confectionery, had allocated too high a proportion to the latter, with the result that the apparent profit on bread was too high. Any apportionment must, of course, have been arbitrary, but it could be argued with considerable force that neither shop nor retail delivery expenses bore a constant ratio to the selling price, *i.e.*, to turnover, regardless of whether the sales were in bread at 9d. a quartern or cake at ten times that price; and the Ministry's agreement to halve the value of 'other sales' than bread for the purposes of these calculations was not difficult to defend.[1] Neverthe-

[1] It was the occasion for some comment by the former Director of Costings, now returned to his accountancy practice and employed as an investigator on the Ministry's behalf. He was still of the opinion 'that . . . the apportionment of delivery expenses (shop and rounds) by the new method results in an overcharge to bread'. He particularly objected to its employment in a particular instance where a heavy trade in confectionery was accompanied by a small trade in bread and the result would be to convert a profit of 4s. 8d. a sack into a loss of 1s. 10d. a sack—'a clearly erroneous result'. The Ministry, however, insisted that the principle could not be departed from merely because in individual cases the results appeared to be grotesque. Nor does it seem *prima facie* unreasonable that a particular firm should subsidise its bread sales out of profits on cake. Both the trade and the former Director of Costings, however, appear to have had short memories; it was the small bakers' representatives who, on the occasion of the costings investigation of 1941-2, had requested that the apportionment be on the basis of turnover, and the latter who had pointed out that the bread costs would have appeared higher if, as in the investigation of 1940, the apportionment had been on the basis of the number of sacks of flour used in bread and flour confectionery respectively.

less, it would mean an increase in the bread subsidy of from £2 to £3 million if the standard profit of 5s. a sack was to be maintained. Indeed, the National Association's latest quarterly figures, those for April 1945, showed an average profit on the revised calculation of only 2s. 6d. a sack, and similar figures produced by the plant bakers' Federation only 3s. 6d. For this rising costs of fuel and wages were held responsible. In November, therefore, the subsidy was raised all round by 2s. 3d. a sack with retrospective effect from 25th June—a decision not well received by the small bakers in particular who would be only a shilling a sack better off.

Right through the vicissitudes of the following years, when bread rationing, a smaller loaf, and higher extraction rates were expected to have dramatic results on bakers' earnings, the Ministry contrived to sustain the standard profit of 5s. a sack as the basis for all adjustments in subsidy, and the only permanent increases granted were in respect of increased costs due to successive wage awards. Indeed, excessive profits of 2s. a sack, made during the period of 90 per cent. extraction from May to July 1946, were clawed back, much to the trade's disgust, by an adjustment in later periods. Contrary to expectation bread rationing did not reduce average profits below the standard figure for any considerable length of time; there was one period in the winter of 1947–8 when they appeared to justify a revival of the graduated subsidy, this time to be 1s. od. a sack on the first fifty; but the next costings report showed average profits above standard by more than the equivalent of this bonus per sack, and it was promptly withdrawn.

On the face of it, the successful maintenance of the 5s. a sack 'control' on bread subsidy levels under post-war conditions, when the Ministry was having to concede to other retail traders a 'reasonable profit' one and a half times the pre-war average to allow for the fall in the value of money,[1] indicates that in earlier years it had been over-generous to the bakery trade. Much the same could, of course, be said of other trades; in the nature of things it was easier to stand pat on a margin that was being gradually whittled down by rising costs than to avoid giving too much at the outset. Inevitably the adoption of a flat rate of subsidy based on average rates of profit meant that low cost producers got more than they needed (even though they probably had to pass their extra gains straight back to the Inland Revenue). It is tempting to argue that the subsidy should have been confined to the shorn lambs among bakers; the difficulty was to identify them. The small baker who was making little or no profit on bread, as many were merely from the fact of baking such small quantities, was not necessarily an object for pity; he might be doing very well on cakes and buns, which were not, generally speaking, a

[1] Above, pp. 303-304.

considerable source of income to the plant baker, and which, moreover, were being made from heavily subsidised flour. Several thousands of the smallest bakers, presumably because they had no proper accounts or no time to prepare claims, never put in for subsidy at all and yet managed to keep in business. The maxim applied by the Ministry accountants, that bread should 'stand on its own feet'—that in assessing the amount of subsidy required one should have regard merely to the profits earned on bread baking alone—had little to commend it; the swings-and-roundabouts principle, applied in other cases where the 'global net income' of a trade was calculated, would have been clearly preferable as avoiding the need to provide a reasonable profit on every item a trader sold. On this basis the Ministry might have been able to convince itself, if not the trade, that the bread subsidy was, in terms of the current price of flour and the 9d. loaf, superfluous.

To say this, however, is to say no more than that if the proposal for a bread subsidy had first arisen in the conditions in which it was stabilised, in 1942 or later, it might never have been adopted. In 1950 a former Director of Bakeries, in an address to the Council of the master bakers' National Association, explained that 'the purpose of the bread subsidy was simply to enable bread to be supplied to the community'. It had no other purpose at all. 'There is no question of guaranteeing profits to anybody . . .' This indeed was how the subsidy had come to be regarded. Historically, however, it was something other: a contrivance (like the millers' rebate) for keeping down the Cost of Living Index at short notice, made permanent because it offered the possibility of a cheaper alternative to the flour subsidy and kept in being, even when it had been decided that the latter should continue, as an alternative to a 10d. loaf.

The problem of bakers' margins, with which the subsidy was inextricably mixed both in officials' and traders' minds, would have been every whit as difficult to solve had there been no subsidy. At the root of it was the Ministry's insistence, for reasons that seemed to it good, on uniformity in place of diversity in bread prices. In peacetime that diversity served to compensate for and perhaps perpetuate the notorious variations in bakers' costs which had been a pitfall for the controllers in 1917[1] and which were the most incontrovertible result of costings investigations in the Second World War also. If it were to be eliminated, then—short of completely nationalising the industry—there was no escape from overrewarding the low cost producer

[1] The bakers' margin had been fixed in 1917 at 23s. a sack, but costs in individual cases varied from 7s. 8d. to 28s. 6d. Ministry of Food officials held that 'efficient bakeries could carry on at less than half the average cost allowed and save 10s. a sack to the Government. Had Lord Rhondda lived, and the Ministry remained in the hands in which he had placed it, all the larger bakeries would have probably followed the flour mills into State control before the end of 1918'. Beveridge, *op. cit.* p. 100.

unless by a differential subsidy to high cost producers that would, in effect, be a clumsy substitute for price variations. Though the Ministry resorted to this on occasion, it disliked the principle, which some of its members seemed to think was 'subsidising the high cost producer at the expense of the more economical unit in the higher sackage categories'. Provided, however, that the plant bakers covered by the latter description received due payment for services rendered—which would not have been difficult to ensure—it is not easy to see how they would have been injured by a special grant to those bakers who could demonstrate need. As things were, the refreshment of subsidy fell upon the just and the unjust alike; as Lord Melbourne said of the award of the Garter, there was no damned merit about it. This, of course, made for comparative ease in administration, by avoiding the investigation of individual cases, or invidious line-drawing between large and small men. Nor were administrative costs high—£25,000 a year for an outlay in subsidy of £7,000,000 or more—though this was to some extent due to the admittedly inadequate apparatus for checking bakers' claims.[1] The bread subsidy was never something in which the Ministry took pride; but despite repeated efforts to be rid of it, it survived cereals control itself: the last payments were not made until 1956.

[1] The subsidy application form had given great trouble. In 1942 it was said that half the bakers 'filled it in wrong'. Cereals Division was in no illusions about the possible checks: 'only exceptionally will it [the form] catch out the knave who is clever enough to fake his return'.

The form was so irksome to small bakers that an alternative scheme was proposed by which vouchers would be given to the baker for subsidised flour in proportion to his bread production during a datum period. This foundered on two objections: that some of the subsidised flour could be used for cakes and buns, and, more important, that it would be difficult to adjust the subsidy to variations in a baker's trade. Instead, the form was simplified, calling for less detail about the loaves baked and the flour in stock; even so it still had a deterrent effect on some thousands of possible claimants.

CHAPTER XXXVI

The Remuneration of Importers and Millers

I

In March 1939 the 'shadow' cereals control addressed itself to the drafting of agreements embodying the terms upon which a future Food Controller would employ the importers of grain and of flour and the flour millers. For models it naturally took the agreements made by the Wheat Commission during the First World War.[1] These had provided for importers to be remunerated by way of a commission per ton of grain or flour imported on Government account, shared between traders in proportion to the quantities imported by each in 1915, the last full year before the establishment of cereals control. Controlled millers, on the other hand, had been treated individually, each being guaranteed a standard profit equal to average profits in a pre-control period. In each case there had been provision for arbitration by a special tribunal in instances where this basis might be claimed to work unfairly. Although these systems of remuneration obviously differed widely, they had in common the important feature of divorcing the war-time income of the controlled trader from the wartime services the Government might require him to perform. As the amount of business he did would, under control, no longer be related to his own exertions or to an impersonal fortune but would be determined by the control authority, such a divorce was felt by the trade to be just. Though the millers' agreement had been criticised[2] at the time as offering no inducement to efficient working, it was naturally more attractive to all sections of the trade, and in preliminary discussions the grain and flour importers had both indicated that they too would prefer to be paid on the basis of pre-war profits.

While in Smith Square[3] tentative revisions of the contracts were pursued, on the footing that the last word must be with the Treasury, the future Finance Department of the Ministry of Food[4] was asked for its views. It favoured the opposite course to that preferred by the trade; let the millers come into line with the others and be paid a processing margin per unit of output enough to 'yield a profit with

[1] Cmd. 1544, *Royal Commission on Wheat Supplies, First Report*, Appendices 1 and 3.

[2] Beveridge, *op. cit.*, p. 97.

[3] Headquarters of the [second] Wheat Commission and afterwards of the Cereals Control Board.

[4] *i.e.*, Sir Harry Peat and his partners.

some relation to pre-war to an average efficient manufacturer'. This (it was claimed) would not only be equitable but would save the labour—which must indeed have been formidable on the previous occasion—of scrutinizing individual firms' accounts. Meanwhile the Treasury declined to commit itself until war should actually have broken out; millers and importers, in common with other interested parties, would have to wait till then before knowing on what terms they would be taken over. For millers this was not a matter of immediate moment, as they were still to trade as principals under control and could presume that the price at which they bought wheat and that at which they sold flour would still bear a relationship that would allow them to meet their working expenses. Grain and flour importers had more cause for anxiety, for they would be put out of business at the very outset and could not all be sure of finding wartime niches in the control. For them, some sort of interim financial arrangement would be essential.

When war did break out, early agreement on the principles of remuneration became a matter of urgency. On 12th September, apropos of butter control, the Ministry of Food conferred with the Ministry of Supply and the Treasury and emerged with some working rules of thumb: 'there would be no question of guaranteeing pre-war profits', or even a proportion of them, inasmuch as the Government would have eliminated the accompanying risk; the object should be to ensure 'reasonable remuneration for all services rendered'; remuneration for the use of capital should in no case exceed ten per cent.; margins or commission should be gross of expenses and be calculated on the assumption of a 'good average standard of efficiency and turnover.' To translate these into the terms of acceptable agreements with a score of trades besides those in cereals would obviously take time, and early in October the Treasury was asked to sanction the provisional payment of expenses to the grain trade and the flour importers. In December it was decided that the price of flour must not go up in proportion to the price of wheat, and hence a rebate had to be paid to millers so that they too might meet their current expenses. Their leader (Mr. J. V. Rank) had already agreed to leave over the question of their remuneration until the hard-pressed officials should have settled the more urgent need of the importers.

The Cereals Control Board, on being told that the Treasury objected to pre-war profits as a basis for remuneration, suggested that the grain trade as a whole be paid a commission on imports. The first charge on this commission would be the expenses and remuneration of those actually working for the Ministry; the remainder would form a pool which the trade could share in accordance with a formula to be mutually agreed. The Treasury agreed that the commission basis was acceptable, provided it could be brought 'within the terms of the principles laid down at the meeting of 12th September'. Any overt allocation to members of the trade not working for the Ministry must thus be ruled out.

Meanwhile the grain trade, whose leaders had for some time stood out for what they considered had been promised them by gentlemen's agreement before the war, had been persuaded to abandon the claim for pre-war profits. Instead it had called for returns of members' trading results for the three years before the war and estimates of their expected annual expenses under control, so that a global figure which to calculate commission per ton might be determined. Particulars were obtained from 206 firms, with a total staff of 1,636 (412 principals, 1,324 employees); their average pre-war profits were said to total £1,000,000 and estimated expenses £800,000. The trade thereupon proposed in January 1940 that the Ministry should undertake to pay all expenses and 6d. a quarter (2s. 4d. a ton) commission thereafter, with a ceiling of £1,000,000. The Ministry thought this arrangement would offer no incentive to economies and preferred a gross commission out of which the trade should meet expenses. It thought the claim, under the heads of both profit and expenses, too high; the latter might be expected to fall in war-time, while profits had been heavily falling, with grain prices, in the immediate pre-war years. For tactical reasons it was anxious to avoid putting to the Treasury a figure that would be further whittled down; and after some discussion settled on £1,250,000, of which £650,000 would represent payment for services rendered. On the assumption that 9,500,000 tons of grain would be imported, this would mean a commission of 2s. 7½d. a ton.

On 8th February the Treasury was invited to sanction this offer, and on the 16th told the Ministry (by telephone) that the most it could agree to would be 2s. 4d. a ton, which would mean a maximum payment of £1,108,000. This was put to the grain trade's negotiating committee and rejected. The Ministry thereupon undertook a careful scrutiny of the expenses currently being incurred on its behalf, and came up with the conclusion that they would be £87,000 more over the year than the £600,000 originally assumed in the approach to the Treasury. It then went back to the Treasury with a face-saving variant of its previous proposal; 2s. 6d. a ton with a maximum of 10,000,000 ('which will probably be reached this year'). Again the Treasury refused and this time explained why; the work being performed by the grain trade in war-time was not, in its view, comparable with its work in peace-time. The Ministry of Food was providing the experience, the judgement and—it might have added—the capital; the principals of firms in the trade were now 'no more than managers of staffs doing more or less mechanical and routine work', and if they refused to play, the Ministry could readily take it over direct.

Much the same might have been said of the meat importers in MINDAL (for instance).[1] To the Ministry of Food, however, the Treasury's argument seemed besides the point; to break with the grain trade, with the ill-feeling that would result, was a step that officials could not advise their Minister to take. Instead, Mr. Morrison agreed to put the case to the Chancellor of the Exchequer; meanwhile his senior advisers, aware that their ignorance of what was actually being done by the trade under war conditions had hampered their discussions with the Treasury, took steps to brief themselves more fully by reference to the Cereals Control Board.

It then appeared that the Treasury had based itself on a misapprehension in that the grain trade's activities under control could not be described as merely routine. As there had not been the expected complete transfer from individual bargains to bulk contracts, Mr. Rank's Cereals Import Committee at Godstone was still using the recognised c.i.f. importers as intermediaries in much of its buying; it had, moreover, given up an attempt to allocate wheat to port millers from the centre and transferred it to the Port Area Grain Committees. The Ministry's Animal Feeding-stuffs Division was likewise channelling distribution through the established port merchants. In sum, the whole of the grain trade was (it was claimed) usefully and profitably employed on the Ministry's behalf. The Treasury found this claim difficult to swallow, partly because it was presented in a way which seemed to draw a distinction between the Port Area Grain Committees and the rest of the trade, and partly because at an earlier stage the Ministry had incautiously gone on record that nearly half of those employed in the trade (161 principals and 675 employees) were still engaged on their own private affairs. After some further discussion, in which the new Minister (Lord Woolton) himself took part, the Treasury professed itself convinced; but it stipulated, in assenting to the Ministry's offer in its original form, that there should be 'careful consideration' whether 'some system of centralised buying' would not be preferable to the use of the grain trade as agents. Moreover, the offer would apply for the first year of war only. The trade's negotiators, who had had some difficulty in keeping their clients[2] in check, now made haste to close with the offer, and on 3rd June, the Federation of Corn Trade Associations signified formal acceptance on behalf of 205 out of its 232 member firms.

It was to be two years, however, before the agreement was completed in due form. The delays were largely about matters of legal

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[1] Above, pp. 311-314.

[2] Many of the firms were in acute financial difficulties, as payments on account had been discontinued after February in the belief that a settlement was imminent.

drafting—there was, for instance the difficulty that the National Federation of Corn Trade Associations was not a corporate body and had, in the end, to act through the chairman of its negotiating committee, Mr. H. R. Granger of Ross T. Smyth and Co. Ltd., as agent—and were made more protracted by the Federation's solicitors submitting a rival draft of their own, instead of proposing amendments to that already prepared in the Ministry. Moreover, specific points—such as a proposed 'income tax clause'—appeared to crop up consecutively rather than concurrently. In the end both drafts, reciting obligations to be entered into by the trade, were rendered out of date by the passage of time and were replaced by an Agreement to pay certain monies under certain conditions in respect of services already performed.

The main difficulty, however, was one of substance, concerning the Co-operative Wholesale Society. It had always been common ground that the C.W.S. and the S.C.W.S. should not participate in the agreement, so far as their transactions in wheat were concerned. But the C.W.S. had also a controlled trade in coarse grain, both with retail societies and corn merchants, and the Ministry maintained that in respect of this trade it should share in the first year's pooled remuneration. The Federation, however, maintained that the C.W.S.' coarse grain turnover had been excluded from the figures on which the remuneration award had been based, for want of information; to which the Ministry replied that the inclusion of the C.W.S. now would be more than offset by the withdrawal of 27 of the original 232 firms. The Federation continued to argue the point, although reminded by the Ministry that it had specifically agreed that non-members should come into the pool, and indeed it is clear that in principle and but for the 27 withdrawals the Ministry's case could not have been sustained. Eventually the C.W.S. was persuaded to agree that it should stay out of the scheme, receiving the feeding-stuff dealer's commission of 2s. 6d. a ton for its coarse grain dealings.[1] The Federation was then told that if it would not agree to admit the C.W.S. in respect of the first year's controlled trading, the Ministry would itself pay the Society the dealer's commission and deduct it from the pool. After some further grumbling about 'exceptional treatment', the Federation agreed to settle with the C.W.S. itself, and the way was cleared for the agreement. It was at length signed on 29th August 1942.

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[1] The Society was reluctant to do this (*a*) because it was afraid of losing recognition as a member of the Liverpool Corn Trade (*b*) because it would be out of pocket by some £3,000. Point (*a*) was settled by assurances from Mr. H. R. Granger as president of the Liverpool Corn Trade Association and a *quid pro quo* for point (*b*) was found by the Ministry's agreeing to exclude the C.W.S. wheat buying department (and the current profits) from control.

II

Negotiations with the grain trade for a second year-of-war agreement were prefaced by some fencing between Ministry of Food and Treasury about the merits of employing the whole of the grain trade on the work of importing cereals. The Ministry had been most reluctant to comply with the Treasury's request that it provide a 'considered judgement' on this issue, and had attempted to ride off on a reference to the success of *not* making a bulk contract with Canada: 'no-one in the Ministry . . . who has any knowledge of the subject . . . thinks that there is the slightest case for changing our present methods of purchasing cereals from overseas'. In discussion it emerged that the Treasury's insistence was due to genuine ignorance of what services the trade was performing: 'although they eventually approved our proposals for the first year of war, the Treasury now admit that they do not know what they sanctioned the money for'. Apparently the rather technical memoranda submitted in support of the Ministry's case had not been sufficiently intelligible, and a fresh 'child's guide' was accordingly prepared; it confined itself, however, to the facts, most of which had already been recited, and made no attempt to justify at length the employment of each and every one of the 204 firms. Indeed, qualified judges within the Ministry, including Mr. J. V. Rank himself, were known to hold the view that 'if the Ministry did not regard itself as pledged to keep the U.K. organisation of the grain trade in being, considerable savings of operating expenses could be effected'. A Treasury really intent on probing to the bottom would surely not have been satisfied with the Ministry's new offering; but September 1940 was not a good time to pursue matters of this sort[1] and in any event there was much to be said for taking what was asserted at its face value if it avoided an overt payment of compensation to the trade.

The question therefore became one of the extent to which the fall in imports, particularly of feeding-stuffs, might be expected to reduce the yield of a commission based on tonnage and hence require compensation by an increase in the rate per ton. The Treasury attempted to argue against this on the ground that a larger proportion of imports totalling, say, 6 million tons would be bulk purchases on which the trade performed only routine services. But this was rendered untenable by the sheer extent to which it would reduce the profits of the trade. In the first year of war they had been of the order of 70 per cent. of the pre-war average of £1,000,000; on a 6 million ton import

[1] Moreover, the main Treasury gamekeeper had 'turned poacher', having been transferred to the Ministry of Food on the formation of its General Department (Vol. I, pp. 57-60).

programme they might be down to 30 per cent., for it was generally conceded that expenses would not fall by much, if at all, below £600,000. Here, of course, was a *locus classicus* for the introduction of a concentration scheme; but the word, let alone the thing, in its specialised war-time sense, had not yet been invented. Profits of £300,000 would suffice to pay the principals of the 204 firms an average salary of around £750 a year, leaving no margin 'either for relieving the Ministry of the burden of administration or for preserving the Trade during the war so that it will be in a position to function'. The Ministry's Finance Department calculated that the least that could be offered the trade was £1,000,000, and this could be justified as giving it the same rate of profit (2s. 4½d. a ton) as it had had in the first year of war. Meanwhile the trade, no doubt following the same line of reasoning, had determined to ask for a lump sum regardless of the level of imports, and this was accepted by the Ministry as logical, although 'I imagine they [the Treasury] would not look at it'. The Treasury, however, proved amenable provided that the trade accepted some further reduction in profits and agreement was eventually reached in April 1941 on a figure of £1,080,000. This, it was reckoned, would give the trade rather more than half its pre-war profits which might, perhaps, be considered a minimum rate for survival.

The real question, however, was not profits but expenses, and by the summer of 1941, when the third year's remuneration came up for discussion, it was clear that the resources of the grain trade could no longer even plausibly be claimed to be fully used on the Ministry's behalf. Less than half of the 1,500-odd principals and staff covered by the agreement were now working in Ministry Headquarters or in the Port offices; a few of the others might be going through the motions of receiving offers of grain from abroad, transmitting them to Godstone and conveying the replies back to the shippers, and the remainder have various jobs to do in distribution, but it seemed unlikely that each and all of them was fully occupied throughout a long working day. Cereals Division asked itself whether a consortium of traders could not now be appointed to do the work more economically, and indeed, whether there should not be an investigation into the work each member of the trade did for the Ministry. Even had it been decided to act on these suggestions the position could not have been altered overnight, and accordingly the Treasury was asked to sanction the payment of the same amount to the trade, even though imports were not expected to exceed 5 million tons. To make the request more palatable a number of new small services[1] required

[1] *viz.* handling home-grown oats to be bought by the Ministry; distributing home-milled wheat feed; handling supplies for Russia and the Middle East; additional work in connection with the scheme for providing special pigeon mixture for R.A.F. pigeons; and importing Vitamin B_1, soya products, and army biscuits under Lend/Lease.

from the grain trade were enumerated; but the Treasury dismissed these as 'chicken-feed' and insisted that expenses in particular ought now to be reduced by reason of the call-up of staffs for military service. The Ministry thereupon suggested to the trade that it put forward a compromise figure, and the trade responded with £1,015,000, to which the Treasury agreed. The settlement for the second and third years of war was embodied in a single agreement dated 10th January 1944, having as before been delayed by details of legal drafting.

By the time the fourth year of war came round Cereals Division had decided that a new approach to the problem was necessary even if, for reasons of policy, the structure of the trade had to be maintained. The settlement in the first two years had proved more profitable to the trade than had been expected, by reason of over-estimates of expenses.[1] The risk of this recurring would be put an end to if the remuneration were henceforth split into a fixed sum representing profit plus the payment of actual expenses, which would thereby become subject to Ministry scrutiny. Moreover, there would be some chance of a semi-permanent settlement. Although higher authority was not encouraging—'is the game worth the candle?'—the Treasury approved the approach, and the trade, though suggesting that a 'target' figure for expenses with a fifty-fifty share in economies affected might be more conducive to economy, were willing in principle. The chief question outstanding was what the 'profit' element should be. The Ministry felt it should be £500,000, the figure aimed at in the last two years, and the Treasury, though offering various reasons why a further squeeze—to £450,000— should be attempted, eventually agreed that it was not worth while 'risking a breakdown in the negotiations or the achievement of an agreement with an unwilling trade for the sake of £50,000'. The trade, which had already produced a 'readable but unconvincing' memorandum rehearsing all the services hitherto performed and asking for a gross £1,240,000, promptly accepted the offer; the agreement, which initially ran for two and a half years, was to be continued for the greater part of the period of control.[2]

[1] The following table shows the estimated and actual profits as given to the Treasury in January 1943:

			Percentage of Pre-war	
	Estimated	*Actual*	*Estimated*	*Actual*
First year ..	£563,000	£663,000	62	73
Second year ..	£500,000	£560,000	55	62
Third year ..	£500,000	£482,000	55	53

[These figures do not necessarily agree with those used elsewhere in the text, which are provisional figures used at the time.]

[2] From 1946–7 to 1950–51 inclusive the profit figure was raised to £525,000; thereafter the trade reverted to a gross figure covering both remuneration and expenses. By this time its earnings on imported grain outside control were, of course, considerable.

III

The negotiations with the flour importers gave considerably less difficulty than those with the grain trade. Here also tentative pre-war arrangements were set aside in favour of a commission payable on current turnover and distributed in proportion to pre-war turnover, a similar device to that used in the First World War. The average assessed imports in 1936–9 of the 40 firms included in the scheme[1] were estimated at 365,000 tons and it was proposed to make this figure the maximum on which commission should be paid in any one year. In negotiation, however, the Ministry and the Treasury conceded that any excess imports could be carried over into the following year's remuneration. The commission itself was calculated in two parts—5s. a ton for importation and 6s. for distribution—in order to cover the cost of imports put into stock for security purposes and not immediately put into consumption. These figures represented an arbitrary split of a slightly reduced pre-war margin (11s. 9d. a ton on average); the Ministry had originally offered 10s. a ton overall, which was calculated to yield the trade 80 per cent. of the pre-war profits, but was moved by the importers' claim that distribution in war-time conditions was exceptionally onerous. As imports of flour in war-time, in contrast with those of grain, were more than fully maintained the problem of reduced turnover that vexed the grain trade did not arise for flour importers. The agreement was made in the first instance for two years and extended by mutual consent for a third; it was not actually cast in legal form until 12th April 1945. The cost to the Ministry, allowing for the refund of any commissions earned by participating firms, was £190,000 annually.

For the fourth and subsequent years a new form of agreement was negotiated which put the flour importers on a 'cost-plus' basis, like the grain trade; the 'profit' element in the agreement was fixed at £110,000. The average annual outlay of the Ministry under this arrangement during the nine years of its operation was £179,000; against the gross savings to the Exchequer of £11,000 must be set costs of checking expenses and other establishment work.[2]

IV

The agreement with the millers, on the other hand, was only

[1] 14 others were principally grain importers who came under the grain trade agreement. Their pre-war turnover in flour was included in the datum figures that provided the ultimate basis for the grain trade's remuneration. Insofar as they distributed flour in war-time they received a separate commission.

[2] For the last two years of control, because of increased imports, the profit element was raised to £125,000.

achieved after long and strenuous negotiation: the more so because the accident of office in their National Association meant that they were led by none other than Mr. J. V. Rank, a doughty man in battle.[1] The millers had, of course, been led to expect a guarantee of their individual pre-war profits and were much put out to learn that the Ministry proposed instead to pay a margin for 'services rendered'. In December 1939 they presented a reasoned criticism by their accounting advisers of the 'margin' basis of remuneration and of the arguments that had been set forth in its favour. In one important respect their opposition was due to misunderstanding of what the Ministry's proposals were; it had not been made clear to them that the principle of 'services rendered' applied to the industry as a whole and not to the individual business, and their reply that the latter would be unfair because each individual miller was not a free agent in war-time was therefore misdirected. In other respects they were able to show that the Ministry's scheme had not been fully thought out: the proposal to compensate for varying qualities of wheat in the grist by a price formula would be complicated—'the possible combinations of different classes of wheat are endless and it is difficult to conceive of a formula which covered every combination; a differential margin that favoured the smaller millers would be unfair, for it is fallacious to regard capacity as the sole test of efficiency'. In sum, they claimed that the proposed margins scheme would be 'so complicated, laborious and lengthy as to be impracticable, and if attempted . . . would finally result in a total cost to the Treasury . . . in excess of that resulting from the industry's proposals'. The last point was well taken, for pre-war profits were in any event the basis on which a margin would be fixed, and—as an economist would expect—it was never possible to set a margin on the basis of an average rate of profit, because of the high-cost business whose services were still required. As time went on, this was to undermine the objections of some at least in the Ministry to giving the millers their pre-war profits.

At first, however, the Ministry's financial advisers were disinclined to take the millers' objections as anything more than a move in the game to secure pre-war profits on 'the old and tried method'. The accountants did not know much about the milling industry but they were disposed to think that what had been acceptable to, say oilseed crushers, could be made to work if the millers' leaders and accounting advisers put their minds to it. This, however, they appeared

[1] The Select Committee on National Expenditure later expressed some surprise that Mr. Rank should be simultaneously negotiating with the Ministry in one capacity while he was an (unpaid) officer of it in another, as Director of Imported Cereals. It is, of course, true that the Ministry valued Mr. Rank's services and did not want to lose his goodwill; but there is no evidence that this fact had any influence upon the outcome of the negotiations. (Select Committee on National Expenditure, 4th *Report*, dated 7th May 1940.)

resolutely unwilling to do, although they professed themselves ready to consider any proposal from the Ministry:

> 'If your Staff can submit to us in detail a workable scheme on the lines you have in mind, we will give it our immediate attention', wrote Mr. Rank on 6th April 1940. 'We have reluctantly rejected the idea only because we cannot devise a scheme which is practical'.

It may have been this letter that led Lord Woolton to remark that 'the Millers haven't been helpful'; for, of course, the Ministry was not equipped to do what Mr. Rank suggested. Although it still adhered to the proposal for a processing margin, those most closely concerned with the financial administration of the flour mills control were now beginning to have their doubts about it. Numerous complications were bound to arise under a margins scheme, some of them inherent in the industry, others deriving from various war-time tasks, such as the security flour storage scheme, that were being put upon millers. 'It would not be beyond the bounds of possibility that we should end up by having a different margin for every miller' (wrote the Finance Director for Cereals) '. . . the only method of approach . . . is that the Millers should be remunerated on the basis which would given them a predetermined sum for the services they are rendering . . .' Already in April the Ministry's Finance Department had propounded a scheme under which it would guarantee the industry a profit margin on a sliding scale related to output, with the pre-war profits as a ceiling and (say) 75 per cent. of them as a floor. Over each accounting period the millers' trading profits would be pooled, and any surplus or deficiency compared with the standard profit would accrue to or be borne by the Ministry, which would, of course, have had to scrutinise millers' war-time costs. But higher authority had felt that only Mr. Rank's obstinacy stood in the way of the adoption of a margin for millers and was not yet ready to give in to him.

For several months, therefore, both sides maintained their respective positions. In July the millers once again rejected the proposal for a processing margin as impracticable; in August they presented formal counter-proposals that came very near to those that had been drawn up in Finance Department in April. The percentage of pre-war profits to be guaranteed, however, was to vary with output on a sliding scale, changes either way of less than 10 per cent. from pre-war output—which would carry a payment equal to pre-war profits—to be ignored; and the Ministry was still asked to settle with each individual miller. Officials found these proposals just as objectionable as the original scheme; a guarantee of pre-war profits on reduced production was an indefensible use of public money, and to pay a miller even if his mill were not working would be a violation of the principle of 'payment only for services rendered'. Lord Woolton, on the other hand, was at first inclined to think that the terms were generous, inasmuch as output had gone up in the first year of war; 'the country will be obtaining 10 per cent. more flour for the same price'. As for the proposal to pay millers whose mills had been knocked out, it might be objectionable on paper but 'the fact remains that other firms in the trade will be doing the work for them and will not be paid for it'. He was, however, dissuaded from closing with the millers immediately, on the ground that other of their proposals—notably that the profits of mixed businesses should be guaranteed as a whole, and another that they should be compensated for imports of flour above the average—were also unacceptable.

The Ministry now concentrated on getting the millers to accept some reduction in the pre-war rate of profit, together with the principle of a pool, as a *quid pro quo* for an assumption of expenses and a guarantee of profits. The Treasury agreed that this might be done, though it pointed out that as yet the millers had produced no figures of what their pre-war profits in fact had been; the proposal might be infringing the other principle by which it set store, namely that war-time profits should not exceed 10 per cent. on the capital employed in the business. Accordingly the millers were now offered their war-time costs plus their pre-war average profits on flour milling alone, converted into a payment per sack of current output. As output had been 110 per cent. of the pre-war level during the first year of war, this gave them exactly what they themselves had been willing to take during that time; but the same terms were to apply during the second year of war when, of course, output might be lower. Although the millers were prepared to accept the pool (though they asked for a contribution towards the cost of running it) and the refusal of compensation for imported flour, they jibbed at the scaling down of the pre-war *rate* of profit. They proposed instead that the pre-war rate be adopted but that any excess output over the pre-war average be ignored. Unlike the Ministry's offer, this would assure them of pre-war profits provided output did not fall below the pre-war level, and would let them down more lightly in the unlikely event of its doing so. In practice, that is to say, the millers' counter-offer looked like having the same effect as the Ministry's offer: and the latter had no difficulty in persuading the Treasury, in January 1941, that it should be accepted. In fact, though not in form, the millers had got what they had been asking for from the very beginning—the most that the operations of 100 per cent. Excess Profits Tax would in any case have allowed. The Ministry might console itself by reflecting that an arbitrator would have been unlikely to award them less.

Even so, a final settlement was protracted while the millers' leaders pressed for some further concessions. They wanted the agreement to run for three years instead of two as the Ministry proposed; they wanted to average output figures over the period of the agreement, as was proposed over the standard period. Both these requests the Treasury at first refused to sanction, but afterwards allowed itself to be persuaded; there was a precedent for the second in the agreement with the flour importers. The millers also wanted their wheat stocks at the outset of control to be valued at the price at which they would have been requisitioned from the grain trade. By what can only be described as a quibble, the Ministry had attempted to escape putting this valuation upon them; there had been no legal transfer of the millers' stocks and they should therefore be valued on the customary accounting basis—'cost or market value, whichever is the lower'. The millers bluntly described this as 'illogical and inequitable'; it would penalise the miller who had assisted the Ministry by holding stocks. Moreover, the general licence issued to millers in September 1939 had led them to believe that they would get market, i.e. requisition, prices for their stocks. The Ministry was reluctant to concede the point, since the stock profits thus realised (perhaps £500,000) would go to swell the pre-war datum on which the millers' remuneration would be based. Again, however, it seemed unlikely that better terms could be got by going to arbitration, and the millers were therefore told that the Ministry would agree to market valuation, provided that they accepted the rest of the settlement.

Concessions were not yet at an end, however, for Mr. Rank, having toured the country to explain the agreement to his constituents, came back with the news that many of them strongly objected to the choice of the three years 1936, 1937, and 1938 as the datum period, as profits had been abnormally low in the last. Instead, they would like to have an option of any two out of the three; the Treasury preferred to let them choose between 1935–37 and 1936–38, and this was accepted. In mid-October 1941 the pool company (British Millers Mutual Pool, Ltd.) was at length incorporated[1] and three weeks later it executed the agreement with the Minister. Adoption agreements by individual millers rapidly followed and eventually 291 of them, representing 99 per cent. of the capacity of the industry, were brought into the agreement.

Many of these were very small fry, and the fixing of their remuneration presented a problem, both because of the inadequate accounts they kept and because they might have made little or no profit before the war and therefore were not entitled to anything now. Administratively it might have been easier to let them stay out of the agreement and fix some kind of margin for them. But this might have

[1] The Treasury had at length agreed, in January 1941, to pay half the expenses of the pool company with a ceiling of £10,000 a year.

encouraged any miller who thought he could get better terms (whether because his pre-war profits would give him an unsatisfactory share or because his output had greatly increased in war-time) to refrain from signing the agreement; which would have suited neither the Ministry, which would have had to pay the outsiders over and above the pool quantity, nor the millers' leaders. The latter had suggested that the Ministry should make an extra contribution to the pool out of which the millers with an unsatisfactory profit standard could be fed, and had rejected the natural counter-proposal that the industry should itself do so; the C.W.S. (which throughout had stood shoulder to shoulder with its rivals on the matter of remuneration) was said to be particularly firm on this point. In the end the Ministry accepted a suggestion from the pool company's accountants—Thomson, McClintock and Co.—that a special standard of profit be allowed to a small miller claiming one, at the time he subscribed to the agreement. Any amounts paid out under this clause would entail an addition to the 'standard output' on which the remuneration of pool millers was calculated, of the corresponding number of sacks of flour, reckoned at the standard price per sack. This meant that the Ministry would bear the full cost of the concession only so long as output remained at or above the revised standard level. It could, therefore, be reconciled with the principle of 'services rendered'.

In point of fact, only a handful of millers applied for a special standard, but the pool company found great difficulty in dealing with them because the majority had no separate or adequate accounts of their flour-milling activities: 8 out of 11 cases were still outstanding at the end of 1946. This in turn prevented the Ministry from coming to terms with the thirty-odd millers who, despite more than one extension of the time limit, had failed to come in or were ineligible because they had not been milling during the datum period, for it had been agreed that no miller should be allowed to profit from staying out, and this was impossible to ensure until the 'special standard insiders' had been dealt with. These millers were not, of course, suffering hardship, as they were receiving flour subsidy rebates sufficient to cover their current expenses; but at the end of 1946 it was decided that settlement with them could no longer be put off and that the simplest thing to do, avoiding accounting costs to the Ministry, would be to allow those millers who could not produce accounts to keep their rebates in full settlement, provided these had not amounted to more than £1,000 per annum.

Accounting difficulties were not confined to the small men, but extended to the biggest firms in the trade. The settlement had been confined to flour milling, which was only part of the business of most millers, and to establish an accurate, or at least a plausible, figure of pre-war profits was an accountant's nightmare. Cereals Finance had done its best to be helpful by drawing up a set of standard forms, in co-operation with Thomson McClintock and some of the leading millers, but as these forms were 23 in number and were accompanied by 16 pages of explanatory notes, they were, for all their lucidity, liable to terrify the recipient if he were in a small way of business. One of the largest firms found it impossible to make returns in a standard form and had to seek dispensation; and there were many examples of a year's delay and more in completing returns. Not only did this hold up final settlements between the Ministry and the pool, but it had considerable bearing on the negotiations for subsequent control years. The House of Commons Public Accounts Committee in 1942 and again in 1943[1] noted pointedly that the Ministry of Food could not say how much the bargain with the millers would have cost, and the Committee was also concerned that the refund of expenses by the Ministry appeared to leave no incentive for economy in working. These comments made the Treasury sensitive to any suggestion that the millers' remuneration be increased.

From the time the agreement had been made there were some among the millers who regretted their offer to accept a ceiling on remuneration and the Ministry's prompt acceptance of it, before they could have second thoughts. Then, the offer had seemed a way out of deadlock and a reasonable *quid pro quo* for a guarantee of pre-war profits on pre-war output; after three years in which output had been consistently above the pre-war level the millers had begun to feel they had made a bad bargain and one which, moreover, no other manufacturing industry had been required to make. They were moved also by the thought that 20 per cent. of Excess Profits Tax was now to be refunded to industry as a post-war credit. For its part the Ministry was prepared to admit that in equity the millers had a case, but found difficulty in putting it up to the Treasury so long as the amount of money involved was uncertain and it could not be demonstrated that the millers' pre-war profits were 'reasonable'. Suspicion of the industry was wide-spread and deep-rooted—the miller's steel rollers having replaced his proverbial golden thumb in popular mythology—and both Treasury and Public Accounts Committee clearly inclined to the view that the absence of figures was in some way sinister.

The Ministry proposed, therefore, to renew the agreement on the same terms indefinitely, without prejudice to a full consideration of the millers' claim for remuneration on excess output *from the commencement of control*[2] as soon as the necessary facts and figures . . . became available'. The Treasury, however, was unwilling to enter

[1] *Second Report* of Committee on Public Accounts, 1942 (No. 127), par. 38: *Report* of Committee on Public Accounts, 1943 (No. 116), par. 45.

[2] Author's italics. The proposal to make a retrospective award was against the unanimous recommendation of the three 'elements'—trade, administrative, and financial—in Cereal Products Division.

into a continuing commitment; it wanted to be free to prune the remuneration of food industries, as of other industries, if by doing so it could encourage the more economic use of resources, especially manpower (at present maintained with a view more to the continuance of peace-time organisation than to the strict necessities of war-time service). The Ministry might have retorted that this had no application to the millers, who were producing more flour with less resources than before; but it was content to accept the Treasury ruling and the matter was left in abeyance.

By the time negotiations for the fifth year of control were due to start, sample figures of the millers' pre-war profits, including those of the 'big three', were at length available. The norm appeared to be about 13 per cent. on capital invested, which the Ministry's financial advisers considered 'reasonable'. Annual production during the control years had been running at rather more than 5 million sacks over the estimated pre-war average production of 30 million sacks annually. The Ministry therefore approached the Treasury with a proposal to pay the millers half the standard rate of profit on excess production between 105 and 110 per cent. of pre-war and a quarter of the rate above that. This would give the industry round about £200,000—five per cent. of its pre-war profits—in each year of control. This modest proposal was once again blocked by the Treasury, which pointed once again to the absence of incentives and asked whether a margins system could not now be devised. The Ministry, whose insistence on such a system had held up the original settlement by several months, replied that any margin that would keep the smaller millers in production—which was essential—would over-reward the larger firms. In any case, the industry's ready acceptance of Ministry instructions, in such matters as diversion of supplies, composition of the grist, running time, and maintenance of stocks, was inconsistent with a gross remuneration which would in fact compel the miller to study his own interests rather than the Ministry's. Having said this it was perhaps inconsistent for the Ministry to agree, nay even to suggest, that the millers be approached to see if they could suggest means of devising efficiency incentives, by way of return for the recognition of increased payment for increased output. And indeed, Mr. Rank came back in June 1944 with the self-same arguments the Ministry had already used on the Treasury as a reason why an incentive scheme would be not merely unnecessary but inadvisable.

Meanwhile the agreement for the fifth year of control (1943–44) had been completely held up. At the beginning of December, the industry, by invitation, put forward its own proposals for remunerating excess output. It suggested the payment of 2s. a sack, roughly 75 per cent. of the 'standard' pre-war profit, on all output in excess of the pre-war datum—a claim considerably in excess of the original offer put forward in July 1940—and the Ministry proposed to pare this down to 50 per cent. But the Treasury, which had earlier been disposed to admit at any rate the principle involved, now proved stiffer than ever. There was talk of referring the matter to Ministers; but eventually it was agreed that it should be reconsidered on condition that the original agreement could not be re-opened. The Ministry was reminded that in three successive years its spokesman had told the Public Accounts Committee that the millers would not get any profit on excess output; for subsequent years, however, it was not so bound. It now became the Ministry's task to persuade the millers that they should be content with a token acceptance of the principle, and eventually a settlement was reached under which payment would be made on a scale diminishing from 45 per cent. of the standard rate on the first 5 per cent. of excess output, to 15 per cent. on the seventh 5 per cent. and more. The total additional payment, over the four years 1942–3 to 1945–6 inclusive, was not to exceed £1,550,000. It was to be a condition of the settlement that the extra payment was not completely pooled; instead, half of it would go to those millers who increased their output. The agreement was renewed on the same terms in the early post-war years; the millers continually protested that inflation was eroding the value of their capital assets and that their remuneration ought to take this into account, but were firmly told that this was a matter for the Treasury. Eventually, in November 1952, they did secure, along with some minor concessions, payment at the full rate for excess output for the years 1950–51 onwards.

V

In retrospect the lengthy and tortuous negotiations with the grain trade and the millers, to say nothing of the elaborate refinements of accountancy and legal draftsmanship involved in putting the agreements into operation, afford an instructive gloss on the rhetorical phrase 'total war'. That these complexities were largely inevitable, that the most business-like of Ministers will run into difficulties if he tries administrative short-cuts, forms the burden of much of this history. But one cannot escape the conclusion that many of the Ministry's difficulties in reaching these financial settlements derived from the excessively doctrinaire approach that was forced on it by the Treasury, and from its own tendency to consider the problem from the circumscribed outlook of professional accountancy. The discussions on the millers' remuneration in particular have a curiously remote air, as if the organisation and idiosyncrasies of the industry were something not to be taken into account, much less investigated, as a preliminary to deciding the best way of dealing with it. The jettisoning of the method of remuneration employed in the First World War without any inquiry into the reasons for its adoption was both arbitrary and uncritical. The consequences of these habits of thought might have been serious, for it was only the 'obstinacy' of Mr. Rank, on its own showing, that prevented the Ministry from saddling the industry with a system of margins that it afterwards declared would have been unsound. For their part, the millers' war-time leaders were not equipped to educate the Ministry and the Treasury; they lacked the sophistication of firms like Unilevers and Tate and Lyle, or the latter's long experience of negotiating with Government. Again, the point of substance that held up the original agreement so long—the request for a guarantee of pre-war profits on an output less than pre-war—never need have been argued in the context of a food policy that had as its first premise an increased consumption of flour.

As for the pooling of remuneration, it seems unlikely that it saved administrative work, since the payment of costs involved the Ministry in separate accounts with every miller; in which case it was no more than a subterfuge—as Lord Woolton saw—to preserve the fiction of payment only for services rendered. Whether this fiction was worth preserving depends on its usefulness in other fields, for it made no difference to the fact of millers' remuneration. Lastly it should be remarked that there was no strict necessity for the formal remuneration of millers at all, once it had been decided that they should continue to trade as principals and not be 'taken over' as in the previous war. The mechanism of controlled prices and rebates, supplemented by Excess Profits Tax, would of itself have served the purpose of dealing with their 'normal trade', leaving special duties required by the Ministry to be covered by special arrangements. The agreement with the millers, from this point of view, was in origin a vestigial survival, even though it could be defended on grounds of convenience. (In the end it was to become the small miller's charter of continued existence.)

The substance of the agreement, at any rate, can hardly be challenged unless by someone who would replace the criterion of pre-war profits by something wholly arbitrary; it contained no element of compensation, since none was needed. The same applies to the agreement with the flour importers, with the caveat that some economies *might* have been possible through a concentration scheme. The grain trade agreement, on the other hand, admittedly contained an element of compensation—of care and maintenance—designed to ensure the re-emergence of the trade after the war. If the trade consituted a national asset—and this might be argued on the ground of its 'invisible' earnings, even though the millers should contend that they could get along without it so far as wheat for their own use was concerned—then some contribution to its preservation could be justified. To conceal this under the cloak of services rendered—as was done in the case of the meat importers also—may have been politic, as the Treasury clearly thought. The decision not to rationalise the grain trade for war-time purposes, as the meat importers had been, meant that the 'expenses element' in the remuneration of the former was almost certainly higher than it need have been, and that some of the lesser members of the trade enjoyed a semi-rentier status. But then, unlike the meat importers, they had to be content with one-half, instead of virtually the whole, of their average pre-war profits.[1]

ANNEX

The Requisition of Traders' Cereals Stocks at the Outbreak of War

Before the war it had been assumed that stocks of cereals in the United Kingdom would be requisitioned on the outbreak of war, the price to be paid being that ruling at the close of markets on the previous day. On 30th August 1939 a circular to Port Area Grain Committees was sent to this effect, with the express approval of the Food (Defence Plans) Department, from the offices of the shadow Cereals Control Board. Section 6(1) of the Compensation (Defence) Act, 1939, which became law on 1st September, applied a rule that might be construed differently—the price at which requisitioned goods might 'reasonably' have been sold, 'no account being taken of any appreciation in the value of the goods due to the emergency'; Section 6(2), moreover, laid it down that the requisition price of goods that had been bought for resale was not to exceed their purchase price plus a 'reasonable' profit. These provisions imported confusion into a situation that would otherwise have been clear; the Cereals Control Board boldly interpreted them in the sense of its circular, but the Ministry of Food's Finance Department and its Legal Adviser argued with some plausibility that the word 'emergency' was not synonymous with 'the outbreak of war' and that prices on some earlier date should have been chosen as immune from the war scare. The Board, however, argued with some force that prices had fluctuated violently during the preceding weeks and that any earlier date would have been purely arbitrary; in any case the Government was committed by the circular letter. It added that the greater part of the Canadian grain—in the event, all of it—had been hedged by forward sales on the Winnipeg market and insofar as the Government did not pay shippers enough requisition to enable them to liquidate the hedges it would have, under the terms of its agreement with them, to make up the difference. Because of these hedges, moreover, the requisition price had to be based on the

[1] Above, pp. 311-314.

Winnipeg and not on the Liverpool price; dealings on Liverpool had in any case been nominal in the last week before the outbreak of war and stocks of Manitobas in the United Kingdom negligible. After some argument the Ministry and the Cereals Import Committee were able to convince the Treasury that these contentions were correct and a settlement was made accordingly. The total sum involved was £3,000,000; the cost of clearing the 'hedges' on Winnipeg, £44,000. The total amount of wheat, six-sevenths of it stocks afloat or unshipped, was between 1,300,000 and 1,400,000 tons.

CHAPTER XXXVII

Bread Production Problems

I

For the first 18 months of the war the baking industry had been allowed to carry on without Ministry interference except for the introduction, early in 1941, of the bread subsidy. When this was made permanent and coupled with a more rigorous control of bread prices it was thought desirable to identify all the bakers to whom the subsidy might be paid.[1] An Order was therefore made[2] under which no one might bake bread for sale unless he held a licence from the local Food Control Committee. Applicants for licences had to declare flour usage for bread of all kinds and for cake and flour confectionery over the four weeks ending 12th July 1941, and stocks of flour at that date. Henceforth the Ministry knew the total amount of flour used for bread baking and the proportion of this on which subsidy was paid. Returns made in the autumn of 1941 showed that just under 466,000 sacks of flour were used each week for bread production of just over 79,000 tons: 88½ per cent. of this amount was subsidised—the remainder was used for speciality bread and for home bread baking and by bakers who did not claim subsidy.[3] In 1942 there were over 26,600 bakers making bread; thereafter the number fell slowly as some very small units were absorbed by larger firms.[4] On the other hand bread production remained fairly steady until 1944; a slight upward trend was, however, perceptible from the middle of 1943. At the beginning of 1946, when bread rationing was in contemplation, weekly flour usage for bread production stood at 60,000 tons, yielding 80,000 tons of bread. Though bread rationing had the immediate result of reducing weekly flour usage for bread to under 55,000 tons, consumption soon began to rise again and by the time rationing was abolished in 1948 bread

[1] Above, pp. 627-634.

[2] S.R. & O. (1941) No. 980, which made it possible for the first time to compile a register of bakers.

[3] 12,000 sacks of flour weekly were used by bakers not claiming the subsidy, and 14,500 sacks for non-subsidised bread made by bakers claiming the subsidy. It was estimated that 27,000 sacks a week went for home bread baking. These totals covered the United Kingdom.

[4] In 1943 there were 26,124 bread bakers. Numbers of bakers claiming bread subsidy fell gradually from 20,000 (above, p. 628) in 1941 to 17,500 in 1946 and 15,500 three years later.

production was accounting for over 64,000 tons of flour a week.[1]

At no time was there any fear that the bakeries would not be able to produce the amount of bread required by the population and shortages of bread never occurred anywhere. But the Ministry early recognised the need to simplify bread production both to keep the cost of bread stable[2] and to economise in the use of labour in the bakeries. At the beginning of the war, '45 different shapes and sizes of loaves were sold in England and Wales'; in Scotland there were 85 varieties. In 1918 bread baking had been restricted to three varieties of loaves in England and Wales, with two kinds for Scotland, and the Ministry's Baking Trade Advisory Committee recommended that these restrictions should be revived so as to 'increase productive capacity by eliminating waste of time due to changing over of varieties and adjustments of oven heat and changing of machinery'. Vienna loaves weighing 8 ozs. and small rolls of not more than 2 oz. should, however, be allowed. The Ministry adopted this advice and from August 1940 only five 'standard shapes' of ordinary bread were lawful—all of them 'one piece loaves' to be baked (with the exception of the 1 lb. 12 oz. Scottish pan loaf) only in weights of 1 lb. or an even number of pounds. The permitted shapes comprised tin loaves, Coburg or oven bottom loaves, and sandwich loaves, along with Scottish batch and pan loaves. The chief casualty from these restrictions was the two piece cottage loaf.[3] With these economies the baker should, it was thought, be able to keep down his costs and, if necessary, increase his output. Simplification could not be taken further because bakers, in the interests of metal economy if nothing else, had to be allowed to use their existing baking-tins. There was, however, no restriction on the manufacture of speciality bread not made of National flour and therefore unsubsidised.

In October 1941 the production of bread was further simplified and its cost reduced by a drastic cut in its fat content and the abolition of automatic slicing and wrapping.[4] The Ministry was none the less concerned to keep up the quality of the loaf, especially after the

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[1] After the end of rationing there was a gradual slight *fall* in bread production.

[2] In 1942 the Ministry made a survey of the oven capacity of bakeries and found that it was sufficient to satisfy the demand for bread provided that all bakeries used their ovens for 15 hours weekly.

[3] S.R. & O. (1940) No. 1457. It proved necessary in some cases for the Ministry to issue individual licences to bakery firms so that they might continue to produce loaves of particular types for which they had automatic machinery. The main types so produced were 'supertex' (made by placing eight small pieces of dough in the baking tin), twist and twin loaves. Without such licences some automatic bakery plant would have been idle. Licences were also issued for the production of diabetic starch-reduced bread. There was some thought of abolishing Vienna bread and rolls in the interests of economy, as more labour went to their production than for ordinary bread, but the suggestion was not pursued, partly because it would have put some firms who specialised in these types out of business and partly because the extra price that bakers could charge for them helped towards their margins.

[4] Above, pp. 628-631.

introduction of National wheatmeal flour. As soon as the latter was made compulsory in March 1942 the Ministry instituted a standing series of quality tests on bread. These would be carried out in the research laboratory at St. Albans to which loaves purchased at random in each of the ten Food Divisions would be sent periodically. The initial sample served to justify the enterprise, for it suggested that much of the bread produced from 85 per cent. extraction flour was not of good quality, mainly because the bakers had not adjusted their methods to suit the new flour. The bread tended to be under-fermented and the loaves were small, 'tight', and dry. Wheatmeal bread needed more yeast and longer baking than the white loaf. Another fault was acidity, resulting from the excessive use of acetic acid in an effort to safeguard against 'rope'.[1]

By the autumn of 1942 the quality of bread showed signs of improvement as the bakers became more used to wheatmeal flour which was itself by this time of a better standard, only to be debased early in 1943 by the addition of diluent grains. Comparison of the bakers' loaves with loaves baked in the St. Albans laboratory from samples of flour they were using showed clearly that though the latter were in general superior—as was to be expected—the decisive factor in bread quality was the proportion of home-grown wheat and diluents and of imported white flour in the grist; the higher the two former, the worse were the loaves.

At the end of 1941 there was a good deal of anxiety about the supply of yeast and steps had to be taken to safeguard bread production if any of the country's yeast factories were to put out of action.[2] A leaflet was issued to all bakers on the conservation of this perishable commodity and on the rudiments of bread making in case it became scarce or unobtainable. As an additional precaution, a week's supply of yeast was distributed in cold stores throughout the country. After 'intensive research into the problem of fermentation', the Ministry assembled a small panel of expert lecturers and ran instruction courses first for demonstrators and, when these were trained, for bakers, on emergency fermentation processes with 'major emphasis upon yeast

[1] 'Rope' was a bacterial fermentation arising after baking 'which made the loaf unwholesome in its early stage and in its later stage repellent'. It had given trouble in the First World War (Beveridge, *op. cit.* p. 99-100), especially when the loaf had contained numerous diluent substances. In June 1942 bakers were advised, as a precaution, to keep their bakehouses clean and to bake well fermented loaves thoroughly, taking care to keep them cool after baking. The addition of acetic or other acid to dough was recommended, but this could be overdone; in any case the danger of rope was not very great while flour remained almost entirely wheaten.

[2] Before the war 9,000 tons of yeast had been imported annually from north-west Europe to augment home production of 27,000 tons. Imports had entirely ceased in 1941 and though home production, on which the supply of bread was now entirely dependent, had increased by 45 per cent., this was barely sufficient as the high proportion of home-grown soft wheat in the war-time grist made it necessary almost to double the amount of yeast used in bread baking. For the Ministry's dealings with yeast manufacturers, see Appendix G, pp. 748-755.

conservation down to 2 oz. per sack'[1] [of flour]. A great point was made of the importance of proper storage of yeast to preserve its efficacy. Failing yeast, bakers would have to fall back on a barm process but, it was hoped, only as a last resort.[2] As it turned out, the supply of yeast was maintained at well above 50,000 tons yearly throughout and after the war, so that the emergency measures were never needed.

The original bread survey was discontinued in August 1945, but when the extraction rate of flour was temporarily raised to 90 per cent., in May 1946, the scheme was revived so as 'to ensure as far as may be practicable that the bread on sale to the public is not only nutritive but palatable and of attractive appearance'. To this end an Inspecting Panel was installed in each Food Division, to be assisted by inspector-demonstrators (all practical bakers) who would each watch over the production of bread in about 3,000 bakeries. The members of the panels were Area Bread Officers and worthy bakers acceptable to their fellow traders. The panels themselves made weekly inspections of loaves produced in bakeries in their areas and did all they could to help bakers to save the 'difficult technical problems' arising from the use of 90 per cent. extraction flour. Though the extraction rate went back to 85 per cent. within a few months, the high proportion of home-grown wheat that had now to go into the grist, much of it of poor quality because of the appalling harvest weather that year, made production of good bread very difficult. Many of the loaves examined by the inspecting panels had to be classified as 'poor'. Much of this unsatisfactory bread was due to the poor quality of the flour, an inevitable result of the 'short wheat position' that had obliged the Ministry to divert to milling inferior English wheat that would normally have gone to animal feed.[3] Bread quality improved once the supply of inferior wheat from the 1946 harvest had been used up and as the advice and help of the inspector-demonstrators spread through the baking industry. By 1948, when the survey was brought to an end, under 5 per cent. of the loaves inspected were 'below standard'; a year earlier the proportion had been as high as 18 per cent. The value of this advisory service, both in improving bread quality and maintaining good relations with the bakery trade, speaks for itself; but the best advice could produce only passable bread from inferior ingredients.

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[1] The demonstrators were first trained on methods of conserving yeast so that they could instruct groups of bakers. Among the ways of saving yeast were raising the temperature of the dough, using small batches of fermented dough to leaven larger batches, and keeping fermented dough for later use with unleavened dough.

[2] The barm would be made from small quantities of yeast together with malt extract or wort and water. The addition of 'potavies', a patent substance derived from potatoes, was useful when barm had to be used for fermenting dough.

[3] Above, pp. 585-587.

II

The war was not much more than a year old when shortage of labour became manifest in the bakeries. In some districts bakers encountered difficulty in replacing young men going into the Services (though they might only be called up as army bakers), and older men were tending to drift into better paid work on munitions. On the other hand, there was some unemployment in London and other places where bakeries had been bombed. The Ministry of Food began to explore the possibilities of transferring unemployed bakery workers to parts of the country where there was labour shortage and of moving men employed on flour confectionery to bread baking. Skilled bakery workers were at first exempt from military service if above 25 years old; but the long hours (as much as 70 a week) being worked in some bakeries encouraged a drift to other work, even though a bakery worker lost his protected status on transfer.[1] As the consumption of bread increased, bakeries had to work at 'extreme pressure' often with depleted staff and older men; sometimes they had to call on army bakers for help. Some relief was essential to secure a reduction in normal working hours so that the trade might have some margin, in the form of overtime, with which the bakers could meet an emergency demand.[2]

The bakery workers had already asked for the abolition of night baking, or at least for a prohibition on sale of bread until it was 12 hours old (as in the earlier war), which would substantially reduce night baking and ease the difficulties of working in the blackout. The employers, however, pointed out that the suggested ban on baking between 10 p.m. and 4 a.m. would not go far to eliminate blackout working, urged that the 'utmost elasticity' should be permitted to bakers to ensure fresh bread for the public in difficult times. For its part, the Ministry of Food took the line that nothing must be allowed to interfere with the maintenance of bread supplies and that there was no reason to favour the baking industry before

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[1] Some munitions firms engaged workers (including bakers) without first obtaining the approval of the Employment Exchange, as they were required to do under the Restriction on Engagement Order.

[2] Abolition of night work was a long-standing aspiration of the bakery workers. A Departmental Committee under Lord Alness investigated the problem in 1937 but found no case for abolition. In the following year the Baking Industry (Hours of Working) Act (1 and 2 Geo. 6, c. 41) had indeed been passed, with the object of prohibiting baking between 11 p.m. and 5 a.m., but the restriction had been so hedged about with exemptions as to make it entirely ineffective. A bakery could obtain exemption from the provisions of the Act unless a worker had been employed on more than five consecutive nights in a week or had worked at night on more than half the five weeks immediately preceding the week in question. Moreover, if a Trade Board were to be set up for the baking industry, the provisions of the Act would only apply on application by that Board. A Trade Board had in fact been set up for bakeries but in the absence of any application the Act 'has been a dead letter'.

all others by abolishing night work—even though the trade differed from others in having no shift system, so that night bakers were always so employed. The total prohibition of night baking would reduce production by 30 per cent. and would dislocate transport of bread, especially from the large wholesale bakeries serving very wide areas (particularly in Scotland) as well as army units. Moreover, the Emergency Bread Organisation, set up to maintain bread supplies following heavy bombing, was dependent on 24-hour bread production in all parts of the country. As for the prohibition of the sale of new bread, the experience of the First World War showed that it resulted in waste because stale bread was considered unpalatable and this would be intensified now that bread was delivered on three days a week only: 'it seems illogical to go to great lengths to produce as good and palatable a loaf as possible and then to tell the housewife that she cannot buy it until (in her opinion) some of its excellent quality has been lost'. Accordingly the Ministry declined to pursue the suggestion. When the bakery unions made another attempt, through the Trade Union Congress, to get the Ministry to prohibit the sale of fresh bread, they were told that Lord Woolton did not think it proper to exercise his war-time powers for the purpose of ending night baking; that was the province of the Minister of Labour. As Mr. Bevin was not disposed to move in the matter, there was an end of it.

Meanwhile the drift of labour away from the bakeries continued; moreover at the end of 1941 the trade lost the status of a Reserved Occupation and its workers became individually subject to deferment regulations that became increasingly stringent. In addition, the bakeries lost by call-up some of their young women workers, employed mainly in the distributive side of the trade. In the autumn of 1942 the Ministry of Labour went a stage further and removed the baking industry from the list of Vital War Occupations because of Army demands for skilled bakers. This meant that deferment (subject to the provision of substitutes) was no longer granted for men under 35; and later on this age was raised even higher. The Ministry of Food could not make a good case with the manpower authorities on behalf of these bread bakers so long as there were still thousands of bakery workers—perhaps one quarter of the total labour force—making flour confectionery; indeed, the Ministry of Labour had specifically declared that it was taking bakers off the list of Vital War Occupations because the Ministry of Food had imposed restrictions on the output, price, and ingredients of cakes.[1] (Part of the trouble over the shortage of bakers for the army had been that machine operators in plant bakeries had been classified as bakers though they were not skilled in

[1] Below, pp. 692-694.

actual bread making. In future, bakers were only to be classified as such if they had 'knowledge and experience of baking by hand.')

Officers of the two Departments now hammered out arrangements for dealing with bakers so as to provide sufficient numbers for the Forces while maintaining adequate production of bread for the public at large. Bakers called up to the Services might be granted deferment on agreement between the Divisional Food Officer and his opposite number in the Ministry of Labour; even if deferment in a particular job were refused, the man might be transferred to another bakery that required a substitute for one called up. In sum, a regional pool of bread bakers above the age of 35—and exceptionally below that age—was created. Women were to replace men in flour-confectionery baking so far as possible. The Ministry of Labour further agreed to a 52-hour standard week for bakers so as to provide a reserve to call on in emergency, and that bakers might be transferred from one Region to another when the needs for a particular district could not be met locally.

From time to time during 1941 and 1942 the question of scheduling bakeries under the Essential Work Order, and so tying their labour, had been mooted with the employers and the unions, but not pursued owing to differences of opinion among them. By the summer of 1943, however, the labour situation, especially in the plant bakeries, had become so serious that scheduling could no longer be put off. The Ministry of Food thought it might be possible to confine the application of the Order to bakeries using 100 sacks of flour a week or more—though this would incur the opposition of the small master bakers for fear they lost their labour. For their part the unions still objected to wholesale scheduling, lest their members be tied to firms with unsatisfactory working conditions, particularly as to night work.[1] The Ministry of Food therefore undertook, in conjunction with the Ministry of Labour, a survey into the extent and causes of wastage in the baking trade, which was completed in August 1943. In Scotland the situation appeared 'reasonable', as the 11,400 persons employed (rather under 6,000 of them on bread production) were working an average of less than 51 hours weekly; but in England and Wales, where there were about 72,750 workers (including nearly 49,000 on bread) over 3,600 extra hands would be needed to establish a 52-hour standard working week. Key men were in general working over 60 hours. In addition to the shortage of skilled workers, bakeries were suffering from a constant drift of the unskilled labour supplied to

[1] In order to be scheduled under the Order (S.R. & O. (1941) No. 302), a firm had to reach a certain standard as regards hours and conditions of employment and wages.

The large plant bakeries were in favour of scheduling, but the master bakers were uncertain whether many of their firms could conform to the required standards. The Trades Unions representing skilled bakers were opposed because 'free voluntary movement' of labour would be prevented, but the ancillary workers in the industry were for scheduling.

replace men who had been called up. Without scheduling, these workers could not be compelled to remain in the jobs to which they were sent by the Labour Exchanges. In Scotland and a large part of England and Wales the bakeries (including most of the big firms) had by now subscribed to collective wage agreements with the workers so that one obstacle to applying the Order was in course of disappearance.

In January 1944 therefore the Minister of Food urged Mr. Bevin to schedule the plant bakeries even without the consent of the employers and the employed. But the Ministry of Labour wanted to move warily and some months of negotiation ensued between Departments and the interested parties. It was eventually agreed, in May, to put the whole baking industry under the Essential Work Order, but to schedule only firms conforming to the agreed standard of wages and working conditions. This left only the Association of Master Bakers—many of whose members did not or could not conform to the standard—as a dissentient voice, even though it was assured that there was no intention of scheduling the majority of the small firms or of interfering with their business. It was left to the firms themselves to apply for scheduling. The labour position in the bakeries was not, however, substantially improved. By September 1944, only about 100 firms had been scheduled and further progress in this direction was 'bound to be slow', while there were still over 400 approved vacancies in these and other bakeries which there was little hope of filling. Various palliatives were suggested,[1] but not much help could be expected from these; meanwhile the position had been aggravated during the summer of 1944 by the departure of over a million people from London because of the flying bomb attacks. These people had to be fed in other parts of the country and the strain on the bakeries there was severe. Though this crisis was over by the autumn, bakers' labour difficulties continued, despite efforts by Departments to track down, with the aid of the Union, skilled men who had drifted into other work.

During the first half of 1945 the situation continued to deteriorate. No inroad was made on the 400 'approved vacancies', which indeed increased to 460 by January 1945; few firms (420 out of 25,000 or so) applied for scheduling and fewer still—less than 250—were approved, thanks to the general absence, notwithstanding what had been reported by the survey of August 1943, of agreed terms and conditions of work that would be acceptable to the Ministry of Labour. The plant bakers' federation did its best to help its members to arrange

[1] For instance, transferring bakers, for whom deferment had not been recommended but who had not been called up, to fill essential vacancies in other bakeries; and giving preference for labour to bakers engaged exclusively on bread-making while reducing or prohibiting the manufacture of rolls, Vienna bread, and cakes and flour confectionery.

such terms with their workers, but the small master bakers continued to boycott the scheme. In any case the machinery for dealing with the labour problem was not wholly satisfactory or expeditious. The Ministry of Labour was apparently content to apply a simple rule of thumb—the existence of a known compact between employers and workmen—as the sole criterion for admitting applicants to the schedule; no investigation seems to have been made of the situation on the spot. As for the handling of individual requirements for labour and deferment cases, this likewise lacked urgency and realism, for the machinery in both Departments was calculated to act as a brake. The Ministry of Food's Bakery Division, whether at headquarters or in the regions, was never allowed to put its case direct to the manpower authorities, but had to work through Manpower Division which tended, like so many intermediaries, to meet the Ministry of Labour halfway; this naturally made it harder to convince the latter that, say, a single assistant to a small baker serving an isolated community must, in the public interest, not be called up to act as a naval cook.

In these circumstances, with concessions by the Ministry of Labour not even sufficing to stabilise the position and signs of strain on the ageing and overworked bakery staffs becoming alarming, Cereals Division suggested a direct appeal by the Minister for Cabinet authority to release men from the Forces for bakery work. (One of the reasons for the heavy pressure on the industry was the placing of War Office contracts with civilian bakery firms.) The Minister did in fact approach the Secretary for War in mid-May, but not much help could be offered, if only because the army did not have the skilled bakers to spare in England. A few hundreds, mostly unskilled men who could be used in the plant bakeries, were lent for the purpose, and it was agreed that releases of skilled men under 'Class B'—covering those required for essential civilian work—should be speeded up. The machinery for this purpose, however, had been set in motion too late to avoid a harassing summer for the Ministry and for the trade. London—where there were press reports of bread queues in June—and the South-East holiday towns were the worst affected, but before the end of the summer complaints of labour shortage came from every quarter, even Scotland. As with other food industries, the comb-out of labour had been taken to extremes, and the end of the war came barely in time to avert breakdown. Nevertheless, it was averted, and by the end of the year, with Class B releases approved on a large scale, the only question troubling the Ministry was whether the continuance of night work would not discourage men from returning to the industry. The Amalgamated Union of Operative Bakers, Confectioners, and Allied Workers was said to have adopted a 'policy of unconditional surrender' on this point. In practice, however, it gave little trouble and the Ministry, which at one point had been inclined to urge postponement of any action for 'say two years', was able to lapse into a benevolent neutrality.[1]

III

As early as the summer of 1940 Cereals Division began to consider the possibility of limiting retail bread deliveries to three a week so as to reduce distribution costs and to economise in labour and petrol; no corresponding restriction on wholesale delivery to shops was proposed so that customers would still be able to collect bread daily. A draft Order was prepared, which it was proposed to apply, piecemeal, to areas as they appeared 'ripe' for the restriction; the powers newly delegated, as an 'emergency' measure, to Divisional Food Officers[2] could, it was thought, be applied in this case. But having got this far, officials began to have doubts about the wisdom of discriminating by Order between different parts of the country, as likely to evoke objection; and, perhaps because of the onset of air attacks in September 1940, the whole project fell into abeyance.

In the autumn of 1941 it was revived, in the midst of a general call for transport economy and as part of the plans for limiting the bread subsidy.[3] The limitation of deliveries on a national scale would now, the Ministry thought, be necessary on account of the shortage of bakers' roundsmen. As yet, however, the Minister was not willing to apply compulsion—he thought the bakers should be free to choose their own ways of coping with the reduced margin now to be imposed—and the new Bread Order[4] at length issued in October 1941 contained no reference to retail deliveries. This was perhaps as well, for a way of enforcing a rule of this kind had yet to be found, short of tying each consumer to a single retailer (which was impracticable because bread has to be bought almost daily and may be needed away from home). There was, in fact, nothing to stop a customer from dividing purchases between two or more bakers delivering on alternate days. After further thought, however, this practice was made illegal; in February 1942, Directions[5] under the Food Transport Order[6] made it an offence for a retailer to deliver bread to any premises or for any person to obtain bread at such premises on more

[1] Night baking was eventually abolished by an Act of 1954 (2 and 3 Elizabeth 2, c. 57).
[2] Vol. II, p. 278.
[3] Vol. I, pp. 335-337; above.
[4] S.R. & O. (1941) No. 1542.
[5] S.R. & O. (1942) No. 340.
[6] S.R. & O. (1941) No. 1694.

than three days in any week. It was expected that the Order (which was readily accepted by the Bakers' Advisory Committees), would result in considerable saving in petrol, manpower, and wear and tear on bakers' vans, as about half the bread sold was delivered to consumers. By way of afterthought, rolls, cakes, and flour confectionery were included in the restriction.

The Ministry now turned its attention to wholesale deliveries of bread, *i.e.*, by plant bakers to retailers. A voluntary zoning scheme had been running successfully in London since the autumn of 1940, and it was now proposed to extend it to other areas piecemeal, as schemes could be prepared. As with other schemes of the type, the essential principle would be a limitation of wholesale suppliers to any one retailer—in this instance to two. It was proposed to make a start in the North-Western Food Division (covering Lancashire, Cheshire, Cumberland, and Westmorland), where a scheme had already been worked out. A Direction[1] under the Food Transport Order, to come into force in July 1942, gave the Minister power to transfer retailers' registrations with wholesale bakers. Divisional Food Officers in other areas were instructed to have schemes ready by August.

This time-table proved far too sanguine, even in the North-Western Division where preparations had been most advanced. Retailers there had been allowed a free choice of their two suppliers and this had resulted in a number of wasteful journeys that could not be tolerated. The Ministry went so far as to announce, in September, that the scheme would have to be revised 'after it has been given a chance to stabilise itself'. It became evident that to evolve satisfactory schemes in other parts of the country would require considerable machinery; an Advisory Committee of transport and bakery experts for each Food Division, if not also local Committees who could recommend transfers to the main Committee. All the data for an area had to be collected by the local Food Office and transmitted to the Divisional Food Office for examination of the retailer's nominations of suppliers and for authorisation of registrations so that the existing balance between traders might be maintained; in sum, a large quantity of paper work was needed. Hence even in the North-Western Area the scheme did not come into full operation until January 1943. Six further Food Divisions were however brought in a month later and, by April 1943, the rest of the Divisions in England and Wales: Scotland did not follow until February 1944. Cake and flour confectionery delivered by wholesalers who also supplied bread to retailers were brought within the scheme.[2] The schemes produced a considerable saving in petrol and vehicles in London and the North of

[1] S.R. & O. (1942) No. 899.

[2] Specialised manufacturers of cake were left free, but those who also made biscuits were brought within the biscuit zoning scheme.

England where there had been much cross haulage, reckoned at 120 vehicles and 300,000 gallons of petrol annually; for the whole of Great Britain the saving was, however, no more than half a million gallons yearly. No limitation was put on the number of weekly deliveries made by a wholesaler.[1]

The Ministry would have liked to carry the restriction on retail bread deliveries still further by introducing zoning schemes on the lines of those for milk, under which one private baker and one co-operative only might serve any given street. A trial scheme was introduced in Leicester, where bakers agreed in February 1943 to form a War-Time Association through which retail bread deliveries would be rationalised and customers exchanged, and private traders' takings shared in proportion to turnover before rationalisation. Trade 'over the counter' continued to be free.[2]

It was intended to follow up the Leicester scheme by a series, and proposals were put to the Ministry's Orders Committee to compel traders to prepare schemes and comply with them once prepared—an even more tricky problem than with milk, as there was no tie between consumer and retailer. The idea was to make it an offence to deliver except in accordance with an approved scheme.

At this point, however, the Minister intervened with an express instruction that no more should be done about retail bread deliveries until the wholesale schemes were working and then only with his approval; the Leicester scheme alone was allowed to proceed. This caution may be explained by the difficulties, legal and administrative, into which the Ministry was getting over the rationalisation of milk deliveries, wholesale and retail,[3] but still more on the reaction of consumers: 'the important question is not how the traders will respond (the Minister wrote) but what the public will think'. Though some further voluntary schemes were put forward, Leicester proved to be the end as well as the beginning of retail rationalisation for bread; by the end of 1943 the Ministry had recorded the conclusion that 'the time is not opportune for compulsion in a matter of this kind'. The restriction on household deliveries to three days a week, and the zoning of wholesale deliveries, continued until March 1946, and the former was virtually enforced in the post-war period by the Ministry's refusal to allow the costs of daily delivery against the bread subsidy.

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[1] The Ministry would have liked to bring wholesale deliveries down at least to five a week, but the Bakers' Associations refused to agree to any restrictions.

[2] The scheme was evolved at the Ministry's request; Leicester was chosen because it was the home city of the then Director of Bakeries and was particularly suitable for the experiment as nearly all the bread sold there was baked locally and distributed by the bakers themselves.
The co-operatives were excluded from the scheme on giving an undertaking not to recruit customers from the private traders.

[3] Vol. II, pp. 234-251 *passim*.

CHAPTER XXXVIII

The Control of Biscuits

I

BISCUITS are a very characteristic feature of the British diet, and their manufacture had been on the increase in the years immediately before the war; in 1935 it amounted to 250,000 tons annually, in 1939 to 300,000 tons. The industry was predominantly in the hands of specialist firms, and had a powerful trade association which early in 1939 joined with representatives of the factory-made cake trade to form a Cake and Biscuit Wholesale Manufacturers Defence Committee. This body, later renamed the Cake and Biscuit Wholesale Manufacturers' War-time Alliance, co-operated with the Food (Defence Plans) Department in preparing its control plans and undertook the allocation of those ingredients—fats and sugar—which were rationed early in the war. For both, allocations were related to datum performance;[1] the Defence Committee provided the statistical material on which supplies to its individual members were based. The restriction on fats and sugar compelled a simplification of varieties and elimination of the more extravagant sorts, but production (including some for Services requirements) actually rose during the first two years of war; in 1941 it totalled 350,000 tons.

Nevertheless, from mid-1941 onwards there was much talk of rationing biscuits, not so much on its own merits—though there was some evidence of maldistribution and queues for them, as for almost everything else—as because they seemed suitable candidates for the general extension of rationing that was being mooted at the time.[2] The point on which discussion, in the end, mainly turned was whether so eminently perishable a product would lend itself to points rationing. Many arguments that were used look fairly amateurish in retrospect; on the formulation of rationing principles the war-time Ministry was never particularly strong and in 1941 it was at its most tentative and hesitant. Nor could much weight be given to the objections of the trade in itself, inasmuch as pretty well every trade hated and feared the prospect of points rationing. But there were certain difficulties about biscuits on points that were not easy to meet; the allowance needed for wastage and breakage, which might lend itself to abuse;

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[1] Above, pp. 131-135.

[2] Vol. I, pp. 194-200.

the rough-and-ready adjustments of supply to demand as between different varieties, all that would be possible if the 'pointing' were not to become too complicated; the supposed impossibility of building up stocks with which to launch a scheme;[1] the difficulty of linking covenanted sales, represented by surrendered coupons, to usage of controlled ingredients; the problem of the retailer who made his own biscuits. Above all, there was the question of the extent, if any, to which demand had really outrun supply. This was something that needed more attention than contemporary discussions gave it; for the example of meat in 1940 shows that it is very difficult to run a rationing scheme properly when the restriction on supplies only affects a minority of consumers with a demand high above the average.[2] At the level of biscuit output in 1941 it is more than likely that any rationing scheme would have produced an embarrassing glut.

There was, of course, a short way with this last difficulty, namely to cut down output; and after Pearl Harbour the Commodity Division found itself fighting not only rationing, but a restriction of supplies that would make rationing inevitable. The worsening import prospects and the alarm over stocks of breadstuffs that together had led to the rise in the flour extraction rate naturally brought the whole of cereals usage under review; moreover a reduction was found necessary in the allocation of fats to all trade users, including biscuit manufacturers. The Division fought hard against the imposition of a ceiling on biscuit production and momentarily secured agreement that the trade might be allowed to 'make the best use it could of the quantities of fats and sugar available', even though this might mean an increased demand from it for flour. It argued that any reduction in biscuit supplies would only increase the demand for cake and flour confectionery, which would be 'almost impossibly difficult to ration'. But the tide in favour of austerity was running very strongly just then in the Ministry; moreover, if the industry were to be concentrated, as had been already agreed, a more or less firm figure for output was an essential prerequisite. Even so, the ceiling eventually agreed on in May 1942—325,000 tons, of which 55,000 was for the Services—was one at which the case for rationing was still arguable. Despite the success of points rationing generally, which had roused its advocates to enthusiasm unrestrained, those responsible for biscuits, as well as the Alliance, were still willing to contest it.

The ground was cut from under their feet, however, by what can only be described as a rush of austerity to the head of higher authority,

[1] There was nothing in this point. As the introduction of sweets rationing in July 1942 showed, if warning of rationing by coupon flowback was given, the retailer could be relied upon to create his own 'float'. In practice none of the other objections proved fatal.

[2] Vol. II, pp. 662-666, 675-676.

occasioned by the worsening of shipping prospects. At the end of July instructions were issued for the output of biscuits to be reduced forthwith to 200,000 tons a year—involving a cut of 40 per cent. in allocations of fats and sugar and a 50 per cent. reduction in civilian consumption. These changes were decreed for 23rd August, despite Bakery Division's plea for a postponement of six weeks to avoid wasting labour in the factories and a protest from the trade that it was being singled out for severe treatment while other users of flour were untouched. It was further laid down that 200,000 tons was to be an absolute limit; if Services demands increased beyond the 50,000 tons budgeted for, civilians would have to go even shorter of biscuits. To enforce this rule a separate ceiling would be set for every factory. As in all such crisis measures, the very efficiency of the industry, making it easy to ensure that instructions were carried out, lent itself to the purposes of austerity.

In Bakery Division, of course, these draconic measures went very much against the grain, and efforts were made to get them mitigated. When, in the autumn of 1942, the Ministry of Food was asked by the War Office to build up a reserve of 48,000 tons of 'welfare' biscuits for Relief, the Division pointed out that this would increase the total Services drain on biscuit production so much as to leave only 44,000 tons for civilians—about 1½ oz. each a week—instead of the 75,000 tons originally contemplated for the first half of 1943. A suggestion that the production ceiling be lifted accordingly was, however, turned down by higher authority. So was a modest proposal, at the end of 1942, to allow the industry a further 1,000 tons of sugar in order to rectify disproportions in the amount of sweet and plain biscuits available in different zones. Sugar Division was quite willing to provide it, but the Ministry's General Department procured the rejection of the proposal; arguing that though the proportion of sweet biscuits to plain was below average in some parts of the country, the quantity of sweet biscuits available per head in those areas was not—in other words, they were getting not less sweet, but more plain biscuits. By the summer of 1943, however, the inroads of Services demands on total production were seen to be so great that even the most ardent disciples of austerity could not stand pat on the original 200,000 ton limit; had they done so, civilians would have got a bare 32,000 tons in the second half of 1943. In fact, production had not been cut down to 200,000 tons; it was running at 250,000 tons a year overall, and with the encouragement of the Lord President's Committee, which in July expressed the view that the time had come to provide more variety in the diet, this figure was now given official approval—indeed raised to 285,000 tons. As production for the Services had been running at the unprecedented level of nearly 150,000 tons a year, this would still have left civilians rather worse off than they had been at the time of the original austerity measures a year previously.

In the autumn of 1943, however, Services demands for biscuits began to fall off. It was important for the industry to retain its labour in case these demands should go up again at a later date, and this situation was turned by Bakery Division to the advantage of civilians. Early in 1944 civilian output was raised to 170,000 tons a year; for 1945, with the production of biscuits for relief at an end and Army contracts down to a mere 15,000 tons, the Division looked forward to a 270,000 ton civilian programme: the extra sugar and fats, adding up to less than 50,000 tons each in all, were not expected to give any difficulty. In the end Army requirements did not fall so sharply as had been expected—no doubt because of the prolongation of the war into 1945—and a ten per cent. cut had to be made in the industry's supply of fats, as part of the fresh measures of restriction agreed upon by the Lyttelton-Llewellin Mission.[1] Even so, the production ceiling was removed altogether in the autumn of 1945 and for the six months ending May 1946 it was running at the rate of nearly 285,000 tons annually.

At that point—not very logically, since the aim was to discourage flour consumption rather than that of sugar and fats—a reduction in output of 25 per cent. was decreed as one of the ways of meeting the cereals crisis.[2] Production fell to a rate of about 210,000 tons a year, subsequently increased to about ten per cent. more by the exercise of manufacturers' ingenuity. At that level it remained until the specific restriction on flour was lifted in December 1947, when it rose to about 250,000 tons a year. It remained at this level until the final removal of all restrictions on flour consumption in 1950. Biscuits, of course, remained on the points rationing scheme.

II

The fluctuations in the required output of the industry in 1943 and 1944 had a considerable bearing on the concentration scheme that was adopted for it. The industry had early been singled out as ripe for concentration, but when the Cake and Biscuit War-time Alliance was asked to submit proposals, it took a different line from the 'classic' one set out in the White Paper on Concentration. That

[1] Vol. I, pp. 251-4; above, pp. 489-491.

[2] Those in authority were never able to make up their minds whether biscuits, cakes, and other pleasant semi-luxuries were an alternative form of nutriment or an incitement to frivolous eating.

had envisaged the total closure of some factories and the transfer of their production to others; the Alliance, on the other hand, wanted to avoid this if possible and substitute an orderly shrinkage of all, or almost all, production units. It proposed that the number of different lines to be produced by any firm should be severely restricted—to 20 at most; that drastic simplifications of processes and packing should likewise be enforced; and that the number of employees for whom protection should be given be fixed in relation to output. A somewhat more rigorous form of these proposals was agreed to by the Ministry of Food, in consultation with the Board of Trade and the Ministry of Labour, and put into effect from April 1942 onwards. But although it released some 2,000 workers and some 900,000 feet of space, it did not satisfy the Ministry of Labour in particular, which wanted releases of labour in specific areas where the need was greatest. The Alliance for its part complained that the manpower authorities were seeking the closure of the most efficient factories and that 'those who had met the Ministry's wishes by reducing their labour usage appear to be penalised'.

The cut in production enforced in August 1942 sharpened the edge of this controversy. The Ministry of Labour at once proposed that the manufacture of biscuits should be confined henceforth to the 'green' labour areas; a principle resisted by the Ministry of Food as being wasteful of transport. If biscuit factories were to be closed in the North Midlands and the area supplied from Glasgow instead, not only would the home-grown wheat, essential for biscuits, have to be transported from Lincolnshire to Scotland, but twice as many workers would, it was said, be required to make the dough. Again, not all factories were equipped to make the priority 'Welfare' biscuits and those that were had to be left with reserve capacity against a sudden increase in demand. The manpower authorities perforce agreed that some production in 'red' or 'scarlet' areas must continue; but, even so, looked forward to the complete closure of some factories. This, however, the Alliance continued to resist, maintaining that it would involve 'unfair discrimination'; it proposed instead a minor modification of the scheme whereby release of labour was proportionate to production, namely a transfer of 20 per cent. of the quota of any factory whose labour was especially sought after to factories in easier labour areas. This plan was defended as releasing more labour than the Government proposals and being more economical of transport; the objection to it from the Ministry of Labour's point of view was that the labour releases would be predominantly in the 'green' areas.

By this time, however (March 1943) the supporters of 'thorough' in concentration policy were on the retreat; the 'withdrawal of personnel on an ordered plan', against which they had fought hitherto, was admitted as an acceptable alternative;[1] and the Ministry of Food was thus enabled to accept the Alliance's scheme with only slight modifications. 11 factories were to have their labour reduced to the barest minimum required to keep them in production; 15 were to work down 'fairly rapidly' to 80 per cent. of their former production ceilings; in the remainder adjustments would be made as and when required. 'Mutual help' arrangements were made for 21 factories out of the 26 in different labour areas, but 97 per cent. of the production so transferred (4,200 tons annually in all at the outset) was to branches of the same firm, and the remainder was not expected to cause any difficulty.

In the event the scheme did not work at all smoothly. On the one hand, the manpower authorities found difficulty in placing the labour, some of it elderly and undirectable, released from the biscuit factories in the scarlet areas; on the other, demands for Service biscuits enormously increased, the factories 'affected' by concentration could not readily get their labour back again, and the 'mutual help' system was not always able to provide compensating production elsewhere. Voluntary wastage of labour from the industry added to its difficulties. So far from further withdrawals being undertaken, fresh labour had to be provided for it, and this position continued during 1944 as production ceilings were raised. During the last two years of war the industry was producing all but its pre-war tonnage (though, of course, in much less variety) with just over 40 per cent. of its pre-war labour force: 21,000 against 51,000 workers. There was some disposition to criticise the Ministry's acceptance of the industry's proposals, on the ground that a 'proper' concentration scheme would have prevented costs[2] from rising; but efficiency was never the overriding criterion of a concentration scheme, and the mere fact of concentration was bound to increase overhead costs. In any case, the absence of a settled figure of requirements for biscuits must have reduced any scheme to the level of an improvisation. The use of civilian requirements as a cushion to absorb fluctuations in Service demands was a useful device that might well have been incorporated in the original plans for concentration. But then the industry, and those responsible for controlling it, were unlucky in being picked on by Ministers, in August 1942, for a sacrifice on the altar of Austerity. Whatever their moral value, such gestures are the negation of planning.

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[1] Vol. I, pp. 329-220.

[2] The increased costs fell mainly on the Services and Welfare biscuits, which had hitherto been supplied on competitive tender at a very low rate of profit. The fixing of quotas for production and labour for each factory meant perforce the rationing out of orders for those biscuits as well as civilian production, and the end of the happy situation—from the point of view of the Departments placing contracts, and the Treasury—in which the former were carried on the back of the latter. The fact that some of the factories now used for contract business might have higher production costs was a secondary matter.

III

In mid-1942, in response to Ministry requests, the Alliance devised a zoning scheme for biscuit production, which was mainly located in Greater London, Lancashire, and the Forth-Clyde valleys; about 60 biscuit firms had a nation-wide or semi-national trade. Consumption varied enormously in different parts of the country, from an average of 10 pounds a year in Wales to 25 pounds in the North of Scotland. The zoning scheme, which was based on the Ministry's Food Divisions, aimed simultaneously at limiting biscuit movements and equalising consumption per head throughout the country.[1] It covered only firms which had previously delivered biscuits over Divisional boundaries and which henceforward would only be permitted to supply biscuits to retailers in an allotted zone. The surplus arising in the three main production areas after their restricted needs had been met was diverted—southwards from Scotland and Lancashire and south-west from London—to areas where local production was insufficient. Manufacturers undertook to exchange customers so as to reduce transport: wholesalers' and multiple shops' trade in biscuits was likewise restricted.

The decision, in the spring of 1943, to reduce civilian allocations of biscuits still further made it possible to introduce a more rigorous form of zoning. Henceforward the average number of manufacturers supplying each Divisional Food Area would be seven, compared with seventeen under the first scheme and thirty-eight before zoning started; in announcing the new scheme in June 1943, the Ministry claimed that it would 'reduce the ton-mileage required to transport biscuits to less than one quarter of its former total'. At the same time the points values of biscuits were raised all round, though not by as much as would have ensured plentiful supplies against the coupon. This may partly account for the troubles that beset the scheme at its outset. The Zoning Committee of the Alliance (which had undertaken to run it) could do no more than notify each manufacturer of his quota of the total trade in a given zone to fix his customers' quotas accordingly; and the coincidence of a general post among their suppliers, a severe cut in supplies (to about one quarter of the previous level), and a rise in points values not fully commensurate with this cut, left many retailers aggrieved and bewildered. Difficulties were particularly acute in the Northern Food Division of England where, it was said, 'chaos reigned'. Some retailers were left in ignorance of their new suppliers until the Alliance put things right by telling

[1] This latter aim was presumably dictated by convenience, for there was no real reason, once biscuits were 'on points', why differing rates of consumption should not have been permitted.

'withdrawing' manufacturers to give this information. Various adjustments and transfers had to be made, sometimes to the extent of 'breaking zonal boundaries'; but by the beginning of 1944 the scheme was working fairly smoothly. In connection with it, the Alliance set up a Biscuit Delivery Pool so as to economise in petrol and tyres, biscuits were consigned by rail in bulk to Pool Depots, whence they were delivered on a 'strictly limited rota, in many cases at eight-weekly intervals'. The economies thus obtained fulfilled the forecast: the annual saving amounted to 30 million ton-miles, a reduction of over three quarters of the original total. The easy acceptance of a very drastic scheme by manufacturers may be credited in part to the pains that had been taken to 'achieve equality of treatment' between firms. Those with several factories, for instance, had been confined to a narrow radius of operation round each one; single-factory firms were given a wider area. Nevertheless no sooner was the end of the war in sight than there was a movement within the Trade to bring zoning to an end; it was in fact ended in April 1946.

IV

No action was taken to control the prices of biscuits until the beginning of 1941, when they were included in the omnibus standstill Order covering a wide range of groceries.[1] Following on this measure the Ministry asked the trade's Defence Committee for a report on price levels, compared with those before the war, and recommendations for their control in future. An interim report, produced in March 1941, showed the general pattern of price increases to be of the kind one would expect to result from a series of uniform surcharges regardless of the starting point, so that the proportionate increases had been highest on the cheap lines and least on the dear. Any departure from this pattern had favoured the latter even more; some sixpenny biscuits were now a shilling a pound, while those formerly priced at two shillings were (with one exception) only a penny or twopence dearer. The trade Committee's suggested prices under control were appreciably higher than the current prices—partly no doubt owing to the rise in the price of 'manufacturing' sugar that took place immediately after the passage of the standstill price Order—and there were those within the trade itself who regarded them as unduly generous.

The Ministry's Director of Costings, to whom the proposals were referred, felt, however, that they were generally reasonable and based on thorough investigation. He made some reservations about

[1] S.R. & O. (1941) No. 23.

the minimum retail margin of 25 per cent.[1] having regard to the price increases that had taken place since the outbreak of war and the fact that prices would generally tend to the maximum under conditions of shortage. Manufacturers' profits appeared to be less than before the war, 'as they should be' if the Treasury's principle of fixed remuneration regardless of price changes were to be followed: whether they might in some cases be excessive, i.e. more than ten per cent., would require a 'very detailed investigation' to determine. The proposals to classify biscuits into groups for the purposes of price control and to have a gentlemen's agreement that these groups should be produced in the same proportions as hitherto, were commended. The costings report was completed in August 1941, but it was to be a year from first to last before a price control Order was issued, for the problem of biscuits was sidetracked at the Margins Committee, which in October decided to explore at length the possibility of establishing uniform percentage margins for a range of commodities sold by grocers, of which biscuits were one. Early in March 1942 it was decided to drop the idea, as no evidence was found that grocers' returns as a whole were more than 'reasonable'; certainly the revision of price control Orders in the interests of uniformity would have been an arduous business quite apart from the opposition it would have aroused. By way of *obiter dictum*, however, it was resolved that the 25 per cent. retail margin was now too high; it represented 25 shillings a cwt. on the average, compared with the pre-war 20s. A proper figure, it was thought, would be 22s. Nevertheless the Retail Price Order for biscuits that was now prepared followed the trade's advice *in toto*. Thus almost all the lines of biscuits sold before the war at 6d. a lb. and in December 1940 at 8d. or 9d., were now included in Group B.1 to be sold at 9d. a lb. The price for each successive group went up by a penny, the highest being Group B.22 selling at 2s. 6d. a pound. All biscuits for sale were to be clearly labelled with the name and group number of the product, the name of the manufacturer and the price. The Order came into force at the beginning of May 1942.[2]

The detailed administration of the Order was delegated to the

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[1] This might be increased to 27½ per cent. by the operation of quantity discounts. Biscuits were mostly bought direct from the manufacturer; where a wholesaler intervened he generally took a 2½ per cent. commission from the manufacturer. There was some difficulty about wholesalers' remuneration when the zoning scheme came in and some of them found themselves dealing with strange manufacturers who did not observe the rules. In the end it was agreed that wholesalers should get a uniform allowance of 1d. a pound on all biscuits priced at 10d. or over; but only if 70 per cent. or more of their biscuit trade was by wholesale.

[2] S.R. & O. (1942) No. 678. Prices were also fixed for biscuits sold by count or by package (also grouped according to price) and for broken biscuits (the latter in three groups only, plain, sweetened, and chocolate coated). In the case of medicinal biscuits priced above 2s. 6d. a pound, provided the application was supported by the Alliance, the Ministry issued a special licence.

Cake and Biscuit War-time Alliance, whose Price Control Sub-Committee and Cost Panel assigned or re-assigned varieties of biscuits to price-groups and, in effect, pronounced on applications for special licences. It was not long before the Cost Panel, under constant pressure from manufacturers to have their products up-graded, began to consider whether higher production costs would not justify a general increase in retail biscuit prices. A preliminary investigation by members of the Panel into their own businesses pointed to higher ingredient costs that were only partially offset by savings from 'simplification of manufacture and pack'—not at all in the case of the cheaper lines. Accordingly the Panel put forward a claim for an extra 1d. per lb. on Groups B.1 and B.2 selling at 9d. and 10d. per lb. respectively, and on chocolate biscuits. Although the Director of Costings considered that the original grouping of biscuits in 1941 had been based on an over-estimate of costs, he agreed that, two years later, there was now a case for raising the price of the cheapest biscuits, both ordinary and chocolate; accordingly this was agreed to, not without qualms about the additional margin it would afford to retailers. As the only change was to move up some types of biscuits from one price group to the next, there was no need to amend the Biscuit Prices Order.

By this time, however, the Alliance perceived a fresh argument for a general price increase—the reduction in profits that would result from the severe cut in output decreed by the Ministry. This, the Cost Panel declared, would entail a rose of 2d. a pound on all biscuits; whereat the Ministry called for the trading and profit and loss accounts (from 1939 to 1943) of the firms who had supplied the costings statements on which the first increase had been allowed. This request discomposed[1] the Cost Panel so much that it withdrew the application, on the grounds that the total for future output had now been increased. Both the Ministry and the Treasury,[2] however, were intent on getting the information and the Minister's personal influence was invoked to make the trade more co-operative. Costings Division in fact secured accounts from 27 representative firms and on these proceeded to assess the general trading results of the industry. So far from any decrease, it found that output of the sample firms had increased by over 30 per cent. on pre-war production while expenses had, owing to war-time economies, actually declined by 5 per cent. As for their profits, these had been trebled.[3] Evidently the prices

[1] The Panel 'failed to see how the manufacturers' accounts for the period during the war had any bearing on the matter of future prices'.

[2] The Treasury was especially interested in the biscuit industry because a large part of its output was bought by the War Office and by the Ministry of Food itself for relief purposes.

[3] Their unit net profit had increased from 5s. 8d. to 15s. 9d. a cwt. or 178 per cent. The output of these firms was 40 per cent. of total production, so that they amounted to a fair sample of the whole.

recommended by the War-time Alliance had had no relation to costs of production, and hence failed to fit in with the general policy that net unit profit should remain constant. As a remedy for these excessive profits it was suggested that biscuit manufacturers should be deprived of the benefit of the flour subsidy.[1] The Commodity Division pointed out that Costings had accepted the original recommendation, and averred that the high profits of 1942 would not be repeated owing to the reduction in output, the high proportion of Service and Relief biscuits now to be made, and the increased wages that the industry now had to pay. Nevertheless the Margins Committee, while wishing to fortify itself by reference to the 1943 results of the industry, was inclined to think a case had been made out either for imposing a Treasury Charges Order to recover the equivalent of the flour subsidy, or by reducing biscuit prices. The objection to the latter course was that it would increase the already excessive demand for biscuits under the points rationing scheme;[2] and, contrary to expectation, the Treasury fell in enthusiastically with the proposal for a Charges Order. (A third possibility, the raising of all flour prices with a countervailing increase in the bread subsidy, was ruled out because of the effect of the price of domestic flour on the Cost of Living Index.)

Meanwhile, Costings Division had completed an investigation of the industry's 1943 performance; its profits, though lower than in 1942, were still two and a half times the 1938 figure, even including the production of biscuits on Government contract at low rates of profit. Even so, the Ministry hesitated, aware that it was picking the industry out for special treatment just because it had the information; that a uniform Charges Order might put some makers out of business whose production, now that the industry had been concentrated, could not be dispensed with; and that the Order would require an affirmative resolution in the House of Commons. However, the possibility of saving a million pounds in subsidy annually was allowed to outweigh these other considerations, and in December 1944 the Order[3] was at length made. The rate of the levy was to be 6s. on each hundredweight of civilian biscuits, equivalent to 20s. 3d. a sack of flour. Provision was made for any firm to be exempted upon proof that its profits would thereby be reduced below the pre-war level; but very few applications were made and the total remissions granted were negligible (about one-thousandth of the amount collected). Firms in difficulties could generally persuade the Alliance

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[1] Above, p. 639.

[2] The Ministry consistently 'underpointed' biscuits for fear they should go stale; Vol. I. pp. 305-6.

[3] S.R. & O. (1944) No. 1380.

to recommend the transfer of their biscuits to a higher product-group of the price scale. Though the levy was continued into the post-war period and increased from time to time (reaching 45s. a sack in December 1947) the hope that it might prevent high profits being made was never justified. The industry proved exceptionally adroit at producing reasons why its profits were about to fall 'unreasonably' low if some price increase were not granted, and the latter always had to be rounded up to the next 7s. a cwt. or 1d. a pound retail, in order to preserve the traditional price arrangements of the trade. By the time Costings Division could establish that the industry's apprehensions had been exaggerated and its profits had continued handsome, it was too late to take any action. As Excess Profits Tax siphoned off the greater part of these gains from manufacturers the principal loser was the consumer of biscuits: the principal gainer, perhaps, the retailer.

CHAPTER XXXIX

Cake and Flour Confectionery

I

THOUGH the pre-war scheme of Cereals Control had envisaged thoroughgoing regulation of cake and flour confectionery, on the lines of the First World War, in the event control was left, for a considerable time, to the Commodity Divisions responsible for the rationed ingredients, namely fats and sugar. The first sumptuary regulation, the prohibition of iced cake, was promoted by Sugar Division on grounds which were a mixture of economy and morals.[1] Supplies of both fats and sugar were allocated on datum performance, modified from September 1941 onwards to take account of movements of population; later the same principle was applied to points-rationed dried fruit. Until almost the end of the war, however, these allocations were not made on a consistent basis, and their amounts were dictated mainly by the supply position from time to time. Moreover, as they were always related to pre-war consumption, they perpetuated regional differences. In contrast to the policy for biscuits, that for cake never passed beyond a comparatively rudimentary stage of development; the explanation lies mainly in the very different organisation of the industry, in which the large firms played a minor part as compared with bread or biscuits. The channels of allocation for rationed ingredients were two: the Cake and Biscuit War-time Alliance for its members, the local Food Office (for oils and fats, the Area Distribution Officer) for the smaller fry.

At the beginning of 1941, however, the Ministry began to move cautiously towards price control. Flour confectionery had not been included in the standstill Price Order of January 1941, on account of the difficulties of definition, even though there was reason to believe that its price had risen more than that of biscuits. Although, on the occasion of the conversion of the Cake and Biscuit Defence Committee into the War-time Alliance, and the addition to its membership of the Master Bakers, the Ministry had given assurances that price control was not contemplated, it was felt by Bakery Division that some extension of control was necessary. 'An enquiry into the current situation', through sample purchases of plain and fruit cake made by the staff of the Ministry's Food Advice Centres in

[1] Above, pp. 129-131.

various parts of the country, indicated that cake was often poor in quality as well as difficult to obtain. Prices were various and sometimes exorbitant: the slab cake manufacturer was, on the whole, 'selling a fair article at a reasonable price', but the small baker 'tended to adjust his price to demand rather than to cost'. It was therefore decided to introduce an Order prescribing retail prices in relation to cost of ingredients, and to lay down maximum—but not minimum—percentages for the sugar, fat, and dried fruit content of cake.[1]

The decision in principle was taken in October 1941, but before proceeding to frame what it was hoped would be a simple Order another enquiry on a wider scale was made. This showed an astonishing range in prices for cake and flour confectionery of all kinds,[2] and bore out the need for regulation. Reckoning on a margin of 25 per cent. at the stage of retail sale (the customary allowance for cake supplied by a manufacturer), Bakery Division proposed to enact that maximum retail selling prices should not exceed three times the cost of ingredients. But on representations from the Trade Associations that labour costs were higher in the case of small lines, the Division modified its proposal to give an overall margin between ingredient cost and retail price of 75 per cent. for confectionery sold by count at 2d. or less per unit and 66⅔ per cent. for all other cakes. It remained to find 'the very simplest possible system' by which to limit a vast range of products made by an enormous body of bakers and manufacturers (45,000 in all), while still having some regard for 'local tastes'. Returns from bread bakers showed their production of cakes and flour confectionery to amount to 715,000 tons yearly and, judging by total sugar allocations for this purpose, it was estimated that a further 180,000 tons were made by producers not baking bread, so that the total was close on a million tons a year,[3] equal to an average weekly consumption of 14 ozs. per person. The output could be divided into five main categories: buns and scones, slab cake, 'size cakes' sold by the unit, sponge cakes of various sorts, and small 'fancies'. Bakery Division proposed to limit the permitted range of all these to something like 50 lines in all and to allow each baker or manufacturer to make not more than a dozen or so of these in any one week. If strict price control were to be instituted, all would have

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[1] It was suggested that maximum percentages of fat and sugar for plain cake should be 20 and 30 respectively and of fat, sugar, and dried fruit for fruit cake 12½, 20 and 35 respectively.

[2] 800 samples were obtained by the Divisional Food Offices from 140 towns. The price per pound varied from 4d. to 2s. 8d. for buns and scones, 7d. to 3s. 4d. for slab cake and 8d. to 10s. 8d. for pastries.

[3] 14,000 tons of cake and flour confectionery were produced yearly by members of the War-time Alliance (including 254,000 tons by bread bakers) and the rest by other bread makers and manufacturers outside the Alliance.

to be sold by weight.[1] With some minor relaxations this plan was accepted by the War-time Alliance and it now went before the Margins Committee to whom the Division explained its difficulty in attempting to control prices of such a wide variety of products at all: it was trying 'not to ensure a proper rate of profit to cake manufacturers or master bakers, but only to put an end to abuses which had become apparent in a minority of cases'. The trouble was to fix a margin that would be reasonable both for the few large cake manufacturers, the thousands of bread bakers both large and small who also produced cakes, and the small bakers who made nothing but cakes, buns, and pastries. The Margins Committee, however, was disinclined to commit itself on the subject until it had the advice of the Director of Costings, whose current investigation on bread prices might throw some light on cake also.

In May 1942, the Director of Costings reported that from the accounts of master bakers that he had examined it would seem that the cost of production of flour confectionery, excluding ingredients, averaged 22 per cent. of the selling prices, so that if they were allowed to reckon their ingredient cost at 33⅓ per cent. of selling prices they would be able to make a net profit of 45 per cent. Profits on sales of these commodities were certainly at the moment excessive and would continue to be so if the proposed ratio were allowed: he considered that 2½ times the cost of ingredients would give 'an ample margin of profit'.[2] Bakery Division stuck to its recommendation that the ratio be three times, pointing out that most bakers performed the dual services of manufacturer and retailer and so might fairly be allowed a 10 per cent. profit on the former capacity and 20–25 per cent. on the latter—this, in any case, was a gross, not a net margin.[3] Moreover, the costings argument was based on the evidence of small bakers making both bread and confectionery whose overheads were shared between both sides of their businesses. The small baker whose entire trade was in cake and confectionery would not be able to charge any part of his costs against the bread side of his business. The Division was prepared to meet Costings' views to the extent of withdrawing a proposal, urged on it by the trade, for a higher margin for lines selling at 2d. or less; and it announced its intention of introducing a ceiling of 2s. 6d. per pound for all lines. Whereupon the Margins Committee accepted the Division's proposals as 'an interim measure' until a thorough costings investigation into cake prices could be made.

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[1] Meat pies, sausage rolls and similar non-sweet products, and wedding cakes were to be excluded from the Order.

[2] Data produced by Bakery Division on prices of sponge cake showed a net profit of 50 per cent. on selling prices.

[3] Cf. the similar argument accepted in the case of bacon curer-wholesalers (above, p. 404).

Early in July 1942 the draft Order was put before the Orders Committee and ran into formidable opposition. It was objected that the retailer's legitimate profit would have to be calculated on his own records, so that in any prosecution for infringement the trader would have to be condemned on evidence provided by himself. Not only was this 'in conflict with the principle that no person should be required to incriminate himself'; it gave an advantage to the dishonest trader who cooked his accounts. Moreover bakers using more expensive ingredients would get bigger profits. The Orders Committee further took exception to the 'wide variety of lines' to be allowed under the Order, and asked if it would not be possible to prescribe maximum prices for a few standardised lines. Oddly enough, no mention is recorded of the difficulty of enforcing the restriction of the number of lines that might be made in any one week. Finally, the Order was thrown out on the grounds that as confectionery was not an essential article of diet, the Ministry was under no obligation to protect the public from high prices for it, especially as there was no strong demand outside the Ministry for price control.

Almost at the same time, however, the Ministry's newly appointed Food Utilisation Committee went on record in favour of 'reducing the attractiveness of cakes and flour confectionery with a view to reducing unnecessary consumption',[1] by just such an Order as had been rejected. The 10 per cent increase in fat and sugar allocations made in August 1941, as an alternative to rationing,[2] was thought to have led to improved quality rather than increased output, and this would not do. A little later, as part of the austerity drive that had decimated the biscuit trade, the Minister decided to regulate 'the character and ingredients of flour confectionery'. The Division thereupon approached the trade with additional proposals to those already agreed, viz., a maximum retail price of 1s. 2d. per lb. for *all* products and maximum fat and sugar contents of 20 per cent and 30 per cent. respectively. The trade responded that the proposed maximum price, allied with the ceiling restriction of three times ingredient cost, 'was not a reasonable proposition'. and they stood out for 1s. 6d. per lb. as the maximum. Further, they wanted a 50 per cent. maximum for the combined fat and sugar content, otherwise it would not be possible to make those lines in which fat or sugar predominated—pastry was an example of the former and swiss roll of the latter. The former point was allowed, but the Ministry would not go beyond 45 per cent. for combined fat and sugar content.[3] It also conceded a

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[1] The Committee's idea was to 'restrict the manufacture of cake to those types sufficiently simple as not to attract consumption by those not requiring it, but nevertheless sufficiently varied as not to detract consumption by those in need of it'.

[2] Below, p. 698.

[3] The Ministry conceded the 45 per cent. because of evidence produced by Lyons that they could not make their swiss rolls with less.

maximum price of 1s. od. per lb. where the ingredients cost 4d. a lb. or less. The prescription of a maximum price, and the assurance that, before a prosecution, cakes could be analysed to determine their ingredient cost, now served to satisfy the Orders Committee. But the text of the Order was exceptionally formidable by reason of the complicated definitions needed to express the Division's intentions;[1] and the Minister, for all that its submission to him was accompanied by an elucidatory Press Notice, returned the 'terrifying' document post-haste for drastic simplification. The Minister agreed to licensing, price control, and restriction of ingredients, but was 'unable to see what national advantage will accrue from limiting the number of lines that may be manufactured and sold'.

Shorn of the offending clauses, the Order[2] was signed on 9th October, but this was not the end of it, for there arose considerable complications about the position of caterers. These did not require a licence to sell flour confectionery if they merely provided it as part of a meal and were permitted to add one edible substance to cakes so sold, but if they manufactured the confectionery or sold it by retail after adding an edible substance they became producers as defined by the Order and as such had to hold a licence. Caterers were likewise exempt from price control on sales as part of a meal but they had to abide by the price regulations of the Order in respect of any retail sales. (Furthermore they were permitted to add an edible substance to a cake, but generally speaking they could not do so without infringing the limitations on fat and sugar content laid down elsewhere in the Order.)[3] Hence caterers began to serve more attractive cakes for meals in their shops than those they sold across the counter; which was not what had been intended when the Order was drafted. Though the Ministry was, on the whole, disposed to bring the caterer down to the level of the retailer, it recognised the difficulty of imposing strict price control on him as this would properly entail the weighing of every portion served. However, it would be easy to prohibit the addition of any edible substance after baking (apart from butter or margarine) and the abolition of synthetic cream would be a step in the right direction.[4]

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[1] For example, take the following extract:—'For the purposes of this Order any two cakes notwithstanding that they may be identical in other respects shall be deemed to be of a different description unless both (a) have been taken from the same mixings or from mixings which are either exactly similar or which, being substantially similar, differ only insofar as it was not reasonably practicable for the producer thereof to produce exactly similar mixings; (b) are of substantially the same size; and (c) are sold by the producer or other trader as the case may be under the same description'. Cakes containing 50 per cent. or more of potato or oatmeal were exempt from the Order.

[2] S.R. & O. (1942) No. 2103.

[3] Thus a caterer serving sweet custard with a fruit pie or jam tart would have to put it in a separate dish.

[4] The Ministry considered and rejected the revival of the restrictions imposed in 1917 curtailing consumption of flour products for light meals, because of the differing customs of catering establishments.

It was some little time before all elements in the Ministry and the trade could be brought to agreement over the simplification of cakes in such a way as to put retailers and caterers on the same footing. The trade's concurrence was forthcoming largely because the proposals would ease their labour difficulties, and though the Minister himself was not disposed to introduce pettifogging restrictions for their own sake, he was won over by the prospect of what were represented as quite appreciable savings in fats and sugar.[1] A new Order,[2] simplifying and stiffening the regulations for cake production, was made early in May and at the same time bakers' allocations of fats and sugar were cut by 5 per cent. with a warning that a further cut might follow.[3]

II

The simplification of cakes was expected to lead to considerable saving of labour. In the summer of 1942 the War-time Alliance had, at the Ministry's suggestion, appointed a Sub-Committee on Concentration of Cake Production which had collected the first comprehensive body of information on the use of machinery and labour in the industry. Even so, it covered only a small proportion of the total firms, those (313 in number) who were members of the Alliance. Of these only five produced over 5,000 tons each yearly and more than 70 per cent. made less than 1,000 tons each. The large manufacturers who concentrated on slab and sponge cake and had been able to install machinery for its production used very little labour, but most of the small firms had no such plant and their

[1] The Minister enjoined the Department to 'keep an eye on main issues and avoid the masochistic pleasures of a policy of austerity for its own sake'. Though he was advised to prohibit manufacture of synthetic cream so as to save 3,600 tons of fats in a year he was 'not convinced that this justifies us in adding to people's misery' and this, with the persistence of the Bakers' Sundries Defence Committee, procured the reprieve of this substance that might still, together with jam or any other filling, be added to swiss rolls and sponge sandwiches, the only confectionery to which an addition might henceforward be made after baking.

[2] S.R. & O. (1943) No. 688. By this Order deliveries of cake were restricted to three a week (a provision that had lapsed when the Bread Order was consolidated) and provisions as regards ingredients and prices were elucidated as a safeguard in case of prosecution.

[3] A 10 per cent. saving would have amounted to 20,000 tons each of sugar and fats in a year. For neither, more particularly fats, was this necessary by mid-1943; there would have been a stronger case for it a year earlier when stocks were lower and supply prospects worse (above, pp. 478-479).

staffs per ton of production were consequently heavy.[1] The Sub-Committee recommended that cake manufacturers should not be allowed more than five workers for each ton produced weekly, but the Ministry realised that even with the limitation in the number of permitted lines which was still on the cards at the time, this would be too rigid; the most that could be done was to withdraw protection for labour employed in excess of the standard. No conclusion could be reached until a manpower figure for cake makers and bakers outside the Alliance could be determined, but it was clear that the structure of the industry, with its multitude of small and medium-sized firms, did not lend itself to concentration.

The shortage of bakery labour and the imposition of more stringent standards on cakes by the Order of May 1943 made it necessary to reopen the question of the amount of manpower that should be permitted. The plant bakers' Federation proposed that instead of calculating this on tonnage, the authorities should do it on the value of output, which would be easier to determine from bakers' records. The Ministry thereupon proposed alternative standards, at a firm's option, of four employees per ton, or one employee for each £35 worth (at retail prices) produced weekly. The latter figure was based on an average retail price of 1s. 3d. a lb. and may well have been too high for those areas—such as Scotland—in which a high proportion of output consisted of low-priced 'smalls' such as scones. Firms in these areas would be driven to embrace the tonnage alternative.

The standards were insufficiently rigorous for the Ministry of Labour, but some months of working under the simplification Order showed that they were capable of being made more stringent. The returns of licensed bakers (primarily in connection with bread baking) indicated that all but the smallest bakers could now produce cake with a labour usage considerably less than four employees per ton per week or its cash equivalent. In the autumn of 1943 the Ministry decided that while a hard and fast scheme for the industry would not be drawn up, Divisional Food Officers dealing with individual cases of call up or transfer should be given a standard for guidance. Except for bakeries producing less than 5 tons of flour confectionery yearly, this would be three workers per ton (or one for each four sacks of flour) a week. Though there was no general drive to wrest workers away from cake-making, the labour still engaged on it was always liable to compulsory transfer to fill any urgent vacancies in bread baking where the hours would probably be far longer and the work

[1] Of the five large firms one took three men to produce a ton of cake, three each took four workers and one required five. The 84 medium sized firms (each producing 1-5,000 tons a year) employed 2-11 workers to a ton of cake with an average of 4½ persons per ton (one firm's labour force was one man per ton), while the 224 small cake-making firms in the Alliance employed anything from two to twelve or more persons per ton with an average of between seven and eight.

more arduous.[1] In 1944 the labour position, in spite of an influx of part-time workers, was said to be 'just about at bedrock'.

III

The simplification of flour confectionery left a variety of miscellaneous cognate foodstuffs either outside control, or (because they were nearer to bread than cake) yielding the baker excessive profits at the 'minimum maximum' price of 1s. a lb. The former comprised trifles, puddings and uncooked pastry; the latter included tea-cakes, bun loaves, fruit rolls, and baps. All contained ingredients allocated to flour confectioners and were so far merely subject to the requirements of the Manufactured and Pre-packed Foods Order requiring disclosure of and adherence to the formula for their production. Bakery Division had no wish to curtail output of these commodities: puddings were made from almost the same ingredients as cake, trifles largely from sponge-cake trimmings, and the tea-cakes and similar substances contained only small amounts of the allocated ingredients—sugar, fats, and dried fruit. In general the purposes of control would, the Division thought, be served if the 'ingredient-cost' ratio were adhered to; and an attempt to depart from this for trifle, lest ingredients be diverted to it from cake, was withdrawn in face of trade opposition.[2]

Meanwhile the costings report on flour confectionery margins had come out, based on information from the returns of bakers who made both bread and flour confectionery and on the accounts of several large scale manufacturers and distributors of cakes. It maintained that both types of firm could make gross profits of around 40 per cent. with an ingredient-cost ratio of 2½ and it recommended that this should now be adopted, with a 'minimum maximum' price of 10d. a lb. or possibly less. Bakery Division objected that the evidence about profits by specialist flour confectioners was lacking; that Costings had made no evaluation of selling expenses, i.e. of net as distinct from gross profit, and that the sample was too small anyway: 'the Trade would pull to pieces a case based on one large firm, three medium-sized and an assortment of facts and supposition drawn from bread costings returns'. Moreover the average baker's high profits on confectionery had to be set against his unremunerative bread business, and a cut in them might lead only to an increase in bread subsidy.[3] The Division proposed that the 'minimum

[1] Above, pp. 670-674.

[2] A suggestion to fix a standard for products containing dried fruit by evidence of the 'presence of fruit in a reasonable number of sections' was still-born.

[3] Above, pp. 640-644.

maximum' price of 1s. a pound should be dropped to 9d. for goods whose ingredients cost 3d. per pound or less: and that a full Costings enquiry be undertaken. After consultation with the Trade the price proposal was amended so that the 'minimum maximum' price was 8d. for goods having a combined fat and sugar content of less than 14 per cent., and 10d. for others. A new Order[1] to this effect came into force in mid-March 1944. The gaps in control were thus closed; but the three-to-one ingredient-price ratio was not subjected to further attacks, for Costings Division shortly afterwards threw in its hand. It now felt that an investigation into the bakery trade would be 'about the biggest the Ministry had ever undertaken and could only show that bakers' costs varied to such a degree that no evidence could be in any sense conclusive'; an opinion justified by the history of the first Ministry of Food, though not based on it.

Prices of flour confectionery continued unaltered for the remainder of the war and for some time thereafter. Even when the Flour Confectionery Order was at last amended in March 1946,[2] no change was made in the permitted maximum prices. The only increase allowed was a relaxation over the Christmas season of 1946–7 when rich, iced and decorated cake was permitted to make a transitory appearance.[3]

Price control of cake and flour confectionery continued, on broadly the same lines, until February 1952.[4] From time to time the ceiling price was raised to accord with the post-war inflation; the only significant change was the introduction, in February 1947, of a higher quality category of cake containing not less than 40 per cent. of fat, sugar, and egg taken together, with a maximum price, initially, of 2s. 6d. as against 1s. 6d. a lb., and an ingredient-cost ratio of $2\frac{1}{2} : 1$ instead of $3 : 1$. There had been some misgivings about this easement, for the ingredient-cost provision had never shown itself to be enforceable—indeed, no prosecutions had been undertaken under it—and in the bleak days of bread rationing it seemed to some unlikely that the trade would be forced by competition to improve its product. On the other hand without the easement it probably could not do so; though some could be found to dispute this also. In the result it was felt that, though the higher priced cakes represented some improvement, this had largely been achieved at the expense of the medium-priced ones. Whether price control need have been kept on so long is a matter for doubt, but the trade was at one

[1] S.R. & O. (1944) No. 136.

[2] S.R. & O. (1946) No. 418.

[3] By S.R. & O. (1946) No. 1807 iced and decorated cake with marzipan filling might be sold at 4 times ingredient cost up to a maximum of 3s. 6d. per pound from 8th December 1946 to 4th January 1947, provided that the price was reckoned on weight including that of any edible or inedible ornamentation.

[4] S.I. (1952) No. 208.

with the Ministry in fearing that its premature removal would lead to a wild advance in prices and a fall in output.

IV

Proposals for rationing cake and flour confectionery were recurrent in the Ministry from 1941 onwards. The first suggestion had been made when cake queues manifested themselves in the summer of that year and was put aside in favour of an increase in the issue of rationed ingredients.[1] A year later the question was mooted once more along with the schemes for bread rationing, then being discussed.[2] The choice appeared to be between straight rationing with registration, some kind of minimum share scheme such as had been tried for preserves, and the inclusion of flour confectionery along with biscuits in the points rationing scheme. There were between 35,000 and 40,000 retailers of flour confectionery, most of them so far unused to dealing with a rationed commodity, but all by now getting used to the permit system for obtaining their materials, so that it might be feasible to introduce them to a points-cum-voucher system. The obstacles to so doing were the perishability of the goods and the danger of waste if the 'points price' were inadvertently fixed too high. This drove officials back on a minimum share scheme with a consumer-retailer tie, that would give each customer an entitlement and leave the retailer free to sell any surplus. But the difficulties of fixing the unit of entitlement, whether by weight or value, for so various a collection of products were so formidable as to suggest it were better to circumvent them by a 'drastic reduction in palatability . . . sufficient to reduce demand so as to render rationing unnecessary'. The successive Orders simplifying cake[3] indeed went a long way in this direction, though stopping short of the 'sorry pass' foreseen by Bakery Division when cake would be 'almost indistinguishable from bread'.

Nevertheless, the laborious investigation of possible schemes continued for another year. The attempt to use price rather than weight as the basis of entitlement was abandoned;[4] it was gradually realised that the consumer-retailer tie was incompatible with the existence of an enormous number of retailers, selling a wide variety of products, and that its adoption would entail severe standardisation of output.

[1] Vol. I, pp. 195-7, 311; above, p. 692.
[2] Vol. I, pp. 284-288; Vol. II, pp. 606-607.
[3] Above, pp. 692-694.
[4] On the argument that 'since the object is to control the amount of cake consumed, and the total weight of ingredients required for its production, it would be best to fix the individual ration by weight rather than value'.

Even so the burden on Food Offices would be considerable and the problem of caterers intractable. Hence the Ministry now veered towards putting cake into some kind of points scheme. The whole discussion continued to be rather airy in the absence of any clear indication of what savings in consumption were required. At one point, in February 1943, there was indeed talk of a really stringent rationing scheme that would reduce consumption by 600,000 tons a year. It was never demonstrated that this would not be offset, perhaps more than offset, by increased demand for bread; but the Minister ruled that such an 'addition to the discomfort of people' was not called for; bread rationing was by this time clearly on the way out[1] and the remainder of the debate may well be considered academic. Certainly that is the word to describe the next proposal—that cake be included along with chocolate and sweets in the 'Personal Points' Scheme. Otherwise it might compete with protein foods for the housewife's points, and this would be nutritionally undesirable.

At this point the whole notion of cake rationing was put to the trade, who did not think much of it. The bare possibility of setting a definite entitlement (however small) for all customers was questioned, as was the ability of bakers to cope with coupons. As for the notion that production would have to be cut down to a few varieties guaranteed to have several days' 'shelf life', so as to prevent wastage under rationing, this would make larger demands on fats and sugar. Cakes on the Personal Points Scheme would always take second place to sweets in the public eye and waste would result. In general it was felt that cake rationing should only be imposed in dire emergency. Not all these objections had much weight—clearly it was at least in theory possible to manipulate points prices so as to avoid unbalance between supply and demand; but the Ministry had no more thought out its approach thoroughly than had the trade. When the whole idea was finally shelved at the end of 1943 the prevailing notion was that cake had best be put into the ordinary points scheme; but the way in which points coupons collected by the baker could be related to his supplies of cake ingredients had not been worked out, so that the plans could fittingly be described as half-baked.

In the spring of 1946, with bread rationing in prospect[2], the Ministry revived the drastic proposals of February 1943; to cut flour usage for flour confectionery by two-thirds and ration. This would bring output down to 580,000 tons a year, giving the required saving of 300,000 tons of flour; the weekly ration per head would be 9 ounces. Allocations to bakers of *all* ingredients were to suffer the same percentage cut (to prevent more or richer cakes being made) and the

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[1] Vol. I, p. 288.

[2] See below, p. 703 ff.

inclusion of the products in the Points Scheme would prevent 'any serious off-ration sales'. Bakery Division had at first felt that there was no reason to cut allocations of ingredients other than flour, and that such cakes as there were to be might well be of better quality, but it changed course on learning that the Scientific Adviser 'attached no importance to flour confectionery from the nutritional angle'. However, once the decision to ration bread and flour had finally been taken it emerged that the only sensible course was to include cakes, as another form of flour, in the one scheme. There seemed no good reason to abolish cake altogether—or indeed, to discourage it at all—seeing that the Ministry's sole object was to conserve flour; and with somewhat belated logic the value of the 'bread unit' was fixed accordingly: two would buy the small 14 oz. loaf or 1 lb. of cakes and buns.[1] After a month or so of rationing, moreover, the sugar allocation was restored to its previous level.

During the early months of bread rationing, when it was still expected to be temporary, a good deal of thought was given to the possiblity of continuing rationing for cake so as to get rid of queues. The old ground of 1943 was raked over very thoroughly, but no conclusion of value emerged; and when it was at length decided to end bread rationing and substitute a scheme of restricting issues of flour to a user's purchases in a ration period, makers of flour confectionery were treated in the same way as others. A considerable part of the moderate saving in flour usage under bread rationing was claimed to be due to a reduction in the purchase of cakes,[2] but the estimated total output of 1 million tons a year was still impressive—about 10 per cent. below the 1942 level. In any case experience under the bread scheme constitutes no pointer to the possibilities of a severe restriction of cake supplies, such as alone could have justified a separate scheme. Cake had in fact defeated administrators, though at some cost to its quality; amounts of mediocre stuff at best, on a scale not seriously insufficient to meet demand, continued to be available throughout the rationing period and for some time thereafter.

V

The possibilities of substantial economy in the transport of flour confectionery were limited by the nature of the trade. The great

[1] The original idea was to allow 1½ lb. of flour confectionery containing 45 per cent. or less of flour, or 1 lb. of the same with any higher flour content, as the equivalent of the 14 oz. loaf, but the change was made for greater simplicity in running the scheme.

[2] Some of the saving was thought to be due to a lower flour content in cake, made possible by increased supplies of milk powder, almonds, and cherries.

majority of manufacturers were bakers, a large part of whose sales were made over the counter, and whose deliveries from March 1942 were restricted along with those for bread.[1] Over the next year flour confectionery delivered by wholesale along with bread was likewise rationalised.[2] There remained the large manufacturers, some of them biscuit makers also, who were enrolled in the Cake and Biscuit War-time Alliance; at the same time as the Alliance was drawing up the first Zoning Scheme for biscuits,[3] it produced a parallel scheme for flour confectionery which would restrict members' transport of flour confectionery to within the boundaries laid down by the Ministry's Sector Scheme.[4] Three firms only with an extensive trade in cakes would be allowed to continue delivery outside a single Sector.[5] The scheme was a good deal more severe than the Zoning Scheme for biscuits (though the concession allowing journeys of 40 miles or less over Sector boundaries was embodied in it) and involved exchange of customers on a considerable scale. But in spite of sundry protests from members of the Alliance it was accepted by the Ministry, and put into operation in January 1943.

There was a good deal of grumbling at the scheme, both by firms who thought the 'Big Three' (Lyons, Scribbans, and Lavery) unduly privileged, and others dealing in speciality goods like shortbread who had to lose part of their established trade without receiving compensatory customers in their own Sector. A more serious threat to the efficacy of the scheme was that some firms, as makers and distributors of both cakes and biscuits, continued to deliver the former along with the latter. Some firms indeed, simply refused to co-operate in the cake scheme or to take over the customers.[6] Another difficulty arose over a few firms who supplied cakes and buns under Ministry arrangements to industrial canteens, to N.A.A.F.I., and to the Services. Ingredients for these orders were supplied on priority permits that secured replacement on the basis of 100 per cent of current usage. If a manufacturer had to part with customers in another zone and received instead others in his own zone, he stood to lose if the exchange reduced the proportion of his trade covered by these

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[1] By S.R. & O. (1942) No. 340; see above, p. 675.

[2] *Ibid.*

[3] Above, pp. 683-4.

[4] Under this scheme the country was divided into nine regions and wholesale distribution of groceries and provisions was confined to one of these (cf. Vol. I, p. 337) unless the journey was no more than 40 miles in all. Biscuits and flour confectionery were among the commodities exempted from these restrictions.

[5] J. Lyons and Co. were allowed to deliver from their London factory throughout the South of England and Midlands, Scribbans of Smethwick, Staffs., in the Midlands, Wales, and North of England, and Lavery of Ormskirk, Lancs., in the North of England and North Wales.

[6] There were further difficulties in a few cases where, contrary to the Ministry's usual practice, some private firms had to accept cakes distributed by the Co-operative Societies.

'100 per cent.' permits. The War-time Alliance advised its members who lost priority business in this way to accept new outlets only within their own Sectors, but trouble was caused by some firms advertising in trade papers that they could accept new priority customers in their own zones. Other firms, claiming that the Zoning Scheme had deprived them of valuable priority customers, were making a 'general practice to canvass for all the priority work they could get'—contrary to the canons of transport economy. The former were induced to abandon advertising, but as there was no statutory backing for the Zoning Scheme there was little the Ministry could do about breaches of the gentlemen's agreement not to poach on priority canteens. All these difficulties were comparatively minor ones, and they did not prevent the savings achieved by the Scheme from being substantial. Though it covered the activities of only 44 firms, mainly large manufacturers, these represented one-third of the total output of flour confectionery. The Scheme had meant the transfer of something like 35,000 tons of annual production, with an estimated saving in transport of 3¼ million ton-miles annually.[1]

The Zoning Scheme was nevertheless one of the earliest parts of control to end, if only because transport restrictions appeared to offer one of the few safe opportunitites for relaxation. The War-time Alliance was very willing to bring the scheme to an early end, but warned the Ministry of a possible dislocation of distribution as some manufacturers might not be able to take over all their old areas: the issue of an extra one-month's supply of ingredients before the change-over might help to prevent local shortages. The Ministry agreed to 'lend' cake manufacturers an extra two weeks' supplies of most of the principal ingredients[2] and the Zoning Scheme was accordingly brought to an end on 29th April 1946, shortly before the advent of bread rationing. A month earlier, restrictions on wholesale and retail delivery of bread together with flour confectionery had also been abolished.[3]

[1] One group of cake manufacturers was unaffected by zoning, those whose sole production was flour confectionery but were not members of the War-time Alliance. Some of these distributed cake on a fairly large scale. The Ministry decided not to attempt to bring these people who were outside any single trade association into a Zoning Scheme, as it would have been very difficult to arrange 'reciprocal exchanges' for them. Neither the number of these specialist cake manufacturers nor the extent of their trade was known, but it was unlikely that either approached that of those within the zoning scheme.

[2] The firms got two weeks' supplies of sugar and dried fruit and eight weeks' supplies of preserves. The intended two weeks' dried egg did not materialise and no extra fat was forthcoming. In the end no repayment of these 'loans' was exacted.

[3] Above, p. 684.

CHAPTER XL

Epilogue: the Period of Bread Rationing, 1946–48

I

THE public offer to ration bread put Ministry of Food officials in the forefront of a battle they had never really expected, until very recently, that they would have to fight. They had had skirmishes with bread rationing earlier and a lengthy reconnaissance during the winter of 1942–3[1] but few, at least among those who would have had to carry out the administrative arrangements, had viewed entirely seriously the prospect of tackling this particular opponent. The aspect of bread rationing that had caused most discussion then had not been its *modus operandi*—how the economies desired were to be ensured by its mechanism—but the fact that it would have to be differential rationing, with all the problems of classification of consumer categories that would result. It was these difficulties of classification, particularly of 'heavy' and 'extra heavy' workers, that had, during both world wars, provided the decisive argument against attempting to ration bread at all. That argument was however given undue weight by a tacit assumption that went with it, namely that consumers would not and should not re-allocate their rations between themselves to their mutual advantage. Yet it was this process—officially proscribed by the Ministry outside the family circle—that made any rationing system workable.

While the prospect of differential rationing evoked trepidation, no body of first principles had been formulated or evolved by which the Ministry could promptly select the machinery most suited to the rationing of a protean substance like flour. Even the basic question whether or not to tie consumer to retailer had not been resolved in 1942–3 beyond dispute, though the scheme then set aside had answered it in the negative. Indeed, the advantages and disadvantages of the tie were to some extent misapprehended. It was thought by some that the registration counterfoil and the retail permit based on it constituted a tighter control than the cut coupon without registration, as used for tea and 'points'. In fact, the converse was true; the registration system had a built-in inflation of demand, amounting to about 2½ per cent. between each annual re-registration of consumers

[1] Vol. I, pp. 284-8; Vol. II, pp. 606-7.

with retailers, without which the ration could not have been guaranteed. The coupon system, on the other hand, could be made so rigorous that it tended to deplete retail stocks by the amount of any error or malfeasance; provided, as the instance of tea had clearly demonstrated, that the flow-back of coupons effectively determined every trader's supply. As well as being tighter, it was also capable of being introduced overnight, whereas a scheme with registration might take up as much as ten weeks in preliminaries.

In the circumstances of the spring of 1946, when the duration of bread rationing might be a matter of months but its introduction would undoubtedly have to be at short notice, registration was thus out of the question, quite apart from the fact that it would do violence to consumers' buying habits and the pattern of the trade, whereby bread, cake, and flour are not necessarily bought in the same shop[1]. This conclusion was not accepted by some officials without argument, for they did not see how, in the absence of registration, the ration could be guaranteed. Outside the small circle of initiates into the mysteries of rationing, it was not generally understood that the quantity of rationed food a retailer might buy had no connection with the *current* number of his registered customers; and even within that circle it was not acknowledged that the real guarantee of the ration was a small tolerance in the amount issued against it. The problem was a very real one, and moreover was complicated by the fact that the Ministry would be issuing flour against a ration that might be demanded in flour, bread, or cake. There was no possible way of ensuring that supplies of these three forms of flour would be from the outset accurately adjusted to a demand that the very fact of rationing was bound to alter. But it was argued by the rationing pundits (the chief of whom had been recalled from his parent department to advise in the crisis, on the basis of his unequalled war-time experience) that a guarantee of supply could be given without registration and yet without losing control. This was to be done by using a favourite weapon from the rationer's paper armoury; the obligatory return of transactions in rationed food that was imposed on all retailers. 'Our control of retailers for years has ceased to be through permit and has been through a statement of transactions. They [the retailers] never understand how it works but we have the whiphand and it does work. I am most anxious to put no possible brake on flour (e.g. having to go to the food office to get permission to get more)'.

Some difficulty would have been found in producing evidence in support of this *ipse dixit*, for the retailer's return (commonly known as Form G.C.3) had been under fire from the trade for two years at least on the ground that as grocers did not, as they were supposed to

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[1] Vol. I, p. 287.

do, make a physical check of their stocks before they filled it in, it was a useless vexation. With this view many local officers of the Ministry would have agreed; it was impossible systematically to verify the statement on the return, except for consistency with previous statements, and very difficult to take effective action about any discrepancies that the routine check threw up.[1] The notion that the statements represented objective fact rather than the plausible results of calculation had been dismissed as 'sheer delusion' by an informed critic in the Ministry as early as 1940.[2] The only argument that could be used in favour of the return was that it made it look as if the retailer was under surveillance, and that this was good for discipline.

In any case, *pace* the statement just quoted, for ordinary rationed foods a ceiling was placed on a retailer's purchases by the amount of his permit. Under the scheme proposed for bread, there would be no such ceiling; the retailer would have to collect the coupons, count them and return them to the Food Office (loose coupons in one envelope every four or eight weeks, deposited coupon-pages every sixteen weeks), and render a return of sales purchased and stocks at eight-weekly intervals, but was free to order flour as and when needed from his usual supplier. True, a new form (Bread 2) had to be used for this purpose, in which the quantities were expressed in 'bread units' and which ultimately found its way also to the Food Office. But no machinery was devised by which quantities so ordered could be checked against the return (Bread 3); nor, in the absence of any statutory limitation on retailers' buying, could a check have served as the basis for enforcement.

It would be unfair to the memory of a notable English figure to describe this part of the scheme as a Heath Robinson device; its mechanism was insufficiently functional for that. The way it was designed to work can perhaps best be brought home to the reader if he will imagine a new and secret type of slot gas-meter which is periodically emptied of shillings by the company but which has no influence on the quantity of gas supplied, the insertion of shillings being merely a matter of ritual. Evidently it is likely to be only a matter of time before users penetrate the secret and cease to insert more than a conventional number of shillings. There are indeed certain circumstances in which a case could be made out for a rationing scheme of this kind. If the duration were short, it might serve its turn as well as a scheme with teeth in it, and require less staff; the fact that no uninitiated person, even within the Ministry of Food, would expect anything of the kind to be introduced, might put public and trade off the scent for a while. To argue in this way, however, would be to expose oneself to the charge of cynicism; nor would the

[1] Vol. II, pp. 640–41.
[2] Vol. II, p. 566.

Commodity Division, which was in deadly earnest about the supply and stock position, have countenanced a bread-rationing scheme containing so large an element of bluff. On the contrary it accepted the voice of experience according to which the strict control of supplies of flour to bakers and other users was an 'obsolete technique', and was surprised and disturbed to find, in October 1946, 'that the system would not prevent stocking up on the part of bakers and that there is no limit to the quantity which bakers and other users can legitimately draw under the present scheme'. Divisions like Meat and Livestock, with more experience of the rationing machinery's limitations, would in similar circumstances have taken steps to protect themselves by putting their own ceilings on releases at first-hand.

II

The imposition of a straight limitation on millers' sales of flour, as had been done in the United States and Canada, was suggested by the bakery trade in June and July 1946 as an alternative to rationing. The Ministry was by then all but committed to rationing and the suggestion was turned down on the grounds that it would lead to 'inequitable distribution' and that there would be 'no certainty that the required saving would in fact be achieved'. The second reason applied with at least equal force to the rationing scheme itself; as for the first, it is difficult to believe that a five per cent. cut in issues of flour (which was what had been suggested) would have done more than take up the slack existing in uncontrolled distribution. But the Ministry was not sure, at this stage, that a five per cent. cut would be enough; it was taking the gloomiest view of the prospects for the next four months and putting no faith whatsoever in the promises that Mr. Clinton Anderson had made in April, on the face of which rationing might still have been avoided. In sum, the point of no return had been passed.

Earlier that year, a series of expedients had been resorted to in the hope of avoiding rationing, one of which[1] was to leave its mark on the rationing scheme, and indeed survive food control. This was the reduction of the size of the 2 lb. and 1 lb. loaves to 28 oz. and 14 oz. respectively. The underlying idea was that the public's bread-buying habits were conventional and that it might be fooled—to put the point bluntly—into buying the same *number* of loaves as before and

[1] The others included an 'anti-waste' campaign ('The Battle for Bread'), a cut in allocation of sugar and fats for cake and biscuits (which, if the nutritionists were right, was calculated to *increase* flour consumption), and the raising of the extraction rate to 90 per cent.

so save up to 300,000 tons of wheat a year. This simple notion was, of course, clean contrary to the arguments of the nutritionists according to which people adjusted their calorie intake closely to their requirements and would all go hungry if they ate no more 'new' loaves than old. Even so, it might have worked for a time could it have been kept secret; but this was far from being possible, for though the trade thought that, by putting in a little more air, the smaller loaves could be baked in the existing tins, the Weights and Measures Act of 1926 prohibited the sale of loaves except in integral weights of one or more pounds.[1] The Ministry had to obtain a special dispensation from the Cabinet (after discussion with the Lord Chancellor and the Attorney-General) to annul this prohibition by Statutory Rule and Order, a procedure legal but contrary to general policy now that the war was over.[2] The price of the smaller loaves was to remain the same, the effect on the Cost of Living Index being offset by reductions in the price of potatoes, butter, and fish. There is no evidence that the contrivance had any effect on flour consumption[3] and its long life may be put down to the fact that it was found quite fortuitously to fit conveniently with the ration scales that had been proposed, after much weighing of the supply prospects against considerations of nutrition. Under these, adults would have been allowed the equivalent of 2 new large loaves a week, as would children from 6–13; children under six, 1; adolescents and expectant mothers, 3; heavy workers, 4, and very heavy workers, 5. The symmetry of these proposals was marred when the Standing Committee on Medical and Nutritional Problems insisted on an upward adjustment of half a small loaf in the normal adult ration, whereat the expectant mothers' allowance was reduced by one small loaf and the very heavy workers' group (which was reckoned to number only 200,000) was eliminated altogether on the understanding that their needs would be taken care of through canteens. The Trade Union Congress, anxious to avoid the invidious occupational differences that had occurred over heavy workers' rations in the First World War[4], pressed for a single ration for all manual workers, in which it was supported by the employers' confederation; and this was conceded, along with an innovation that had the support of medical opinion: a separate lower scale for women manual workers, who would be allowed 2¾ large loaves as against the men's 3¾. All these adjustments retained 7 oz. of bread, half a small

[1] Except in Scotland, where a 1¾ lb. loaf was legal if baked in a specially stamped tin (or wrapped and duly labelled, which was at that time prohibited on grounds of paper economy).

[2] S.R. & O. (1946) No. 626. The reduction of the small loaf to 14 oz. was an afterthought that occurred during the drafting of the Order.

[3] It did have the effect of killing another economy mooted by Cereals Division, namely the dilution of bread with 8 per cent. of barley; the admixture with '90 per cent.' flour would have produced loaves too small to be baked in existing tins.

[4] Beveridge, *op. cit.*, pp. 212-214.

loaf, as a convenient highest common factor; and this quantity became the 'bread unit' (B.U.) which formed the basis of reckoning of the whole scheme. (The original device had referred to 'cereal points', but this was objected to because it might connote that the ration was not guaranteed.) The ordinary consumer's bread coupons were got by utilising three 'spare' sets in the ration book, valued at 1, 2, and 6 B.U's respectively; for adolescents and manual workers, special sheets had to be hastily printed and issued through Food Offices. One possible source of confusion—the use of out-of-date spare coupons—was happily avoided by timing the introduction of bread rationing to coincide with the coming into use of the new ration books for 1946–7.

One further feature of the scheme, which won particular approval from anxious nutrition experts, was the so-called 'points switch'. Points coupons and bread units were to be interchangeable (in batches of eight) either way at Food Offices: thus anyone who felt himself going hungry could get extra bread by sacrificing a share of points foods, and conversely those whose bread ration was ample received encouragement to avoid buying it unnecessarily. An economist might temper approval of this device with awkward inquiries about rates of exchange; and clearly it introduced a fresh element of uncertainty into a scheme the effect of which was already sufficiently uncertain. From the 'points' angle, it resembled the earlier plan[1] for making tokens for rationed meals exchangeable against coupons, though the danger to the equilibrium of the points scheme arose this time not from the indefinite validity of the token but from the absence of any coupon-flowback in the bread scheme. The switch, in fact, constituted an open incentive to malpractice with bread units. But so vivid was the spectre of widespread hunger evoked by the nutritionists in their longstanding opposition to bread rationing, that any apprehension of a stampede into 'points' from B.U's was swamped by fear of its opposite.

III

While all these and numerous other details, such as the equivalence of flour, cake, and oatmeal against bread, were being worked out, a formal decision to ration had been delayed till the last convenient moment. Hope that rationing might, even now, be avoided had waned since the original United Kingdom offer had been made. Conditions in the British zone of Germany had not improved, and the winter rains in India had failed; in May the Lord President of the

[1] Vol. I, pp. 291-2.

Council (Mr. Herbert Morrison) had visited Washington in search of further United States help for those areas of British responsibility. He was sympathetically received by President Truman and his advisers and was successful in obtaining a promise of extra United States wheat for India; as for Germany, it was agreed that the three Western zones should be treated as a whole when it came to Combined Food Board allocations. But the Americans exacted a *quid pro quo* in the form of a deduction of 200,000 tons of wheat from the United Kingdom import programme. This, as Mr. Morrison told the House of Commons on 23rd May, did not constitute a diversion of wheat already owned by, earmarked for, or in transit to the United Kingdom. 'What we have done is to reduce that part of our claims which was outstanding and not covered by supplies already acquired or earmarked'.[1] In deference to the official British view on stocks, which had been argued yet again and with yet more circumstantial detail in Washington, the agreed communiqué had announced that this sacrifice

> 'may involve either a reduction in pipeline stocks to a point at which distribution may be interrupted, with consequent disruption of the industrial economy or still further restrictions on the austere diet . . .'

This, however, was precisely what the American negotiators refused to concede would have to happen. They did not want any cuts in United Kingdom consumption (Mr. Morrison had been told) but they felt that

> 'the United States Government cannot possibly keep themselves and all the rest of the world on stocks of less than one month and all the inconveniences and dislocations which this implies and at the same time endorse United Kingdom stock requirements on a standard of about three times that level . . .'

The reduction of assured supplies of wheat to which Mr. Morrison had agreed was reckoned at no more than 83,000 tons, a small sacrifice in return for the underwriting of the minimum requirements of the British zone of Germany; and it would still allow the British (on paper) a stock amounting to nine weeks' usage—50 per cent. more than they had got by on without rationing in the spring of 1917 when the submarine campaign was raging and sinkings were as high as ten per cent.[2] Those concerned, however, were unaware of this and would have found difficulty in crediting it; some were indeed bold enough to say that, allowing for the saving achieved by 90 per cent. extraction, the United Kingdom could manage with an

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[1] H. of C. Deb., Vol. 423, Col. 543. 23rd May 1946,

[2] See Vol. I, p. 14.

end-September stock of 586,000 tons wheat and 385,000 of flour. Others felt that rationing, without any further reduction in consumption, was nevertheless desirable 'in order that we may have at hand and functioning the effective administrative machinery which will enable us to meet any further shocks'. That these shocks might be forthcoming was indicated by the existence, after Mr. Morrison's Washington talks, of a 700,000 ton deficit of supplies against requirements.

On 31st May the new Minister of Food told the House of Commons that his department had been 'authorised' to prepare a bread-rationing scheme, but that no decision on its introduction had yet been taken.[1] In fact, Mr. Strachey was to pay a further visit to Washington before the Cabinet took the plunge and decided, on 27th June, that bread rationing should come in with the new ration books on 21st July. The decision was announced in the House next day and was followed, on 3rd July, by a full-dress debate, which was mainly remarkable for a disclosure by the Minister of the stock position that had rendered rationing advisable. The House was told that, without a stock of 750,000 tons of wheat and 300,000 tons of flour, distribution would break down and that rationing was necessary in order that wheat stocks might safely be allowed to fall to 500,000 tons. The Opposition, fulminate as they might, were unable to refute a technical argument of this kind and could say little more than that the situation ought never to have been allowed to arise; which again could be met by a plea of *force majeure*.[2] Indeed, the Ministry's difficulties at this juncture were more with the trade than with the Government's political opponents. The small master bakers in particular were alarmed at the paper work the rationing scheme would entail and begged the Minister to postpone the scheme while alternative methods of saving flour were discussed.[3] But with the seasonal trough of flour stocks approaching, this was something Mr. Strachey could not but refuse to do.

From an administrator's point of view the scheme could hardly have begun more unpromisingly, for its introduction violated every known canon of rationing technique. In the first place, the trade's wholehearted co-operation had not been secured. Secondly, there

[1] H. of C. Deb., Vol. 423, Cols. 1567-70.

[2] *Ibid.*, Vol. 424, Cols. 1525-39, 2168-2284.

[3] In Northern Ireland the 'bread servers', who bought bread at wholesale from the bakeries and distributed it by van to consumers, threatened to refuse to cut out coupons or keep records of sales. For this reason the bakery trade asked that Northern Ireland be exempt from rationing and that, instead, supplies of flour to bakers be regulated through the Divisional Food Office. This had been done successfully during the war in an attempt to stop smuggling of bread and flour into Eire. Although the Northern Ireland Government supported the request, it was refused on the grounds that it might lead to inequitable distribution and that the bakery trade in Great Britain and the Six Counties ought to be treated uniformly.

was no control of supplies to reinforce and, if necessary, replace the rationing machinery which itself was patently incomplete. Thirdly, there had been far too much public discussion of the possibility of rationing, culminating in an announcement more than three weeks ahead of the event; the elementary precaution taken with tea in 1940 had, perhaps perforce, been neglected. This was all the more serious because the Ministry was aiming at a small and temporary saving of flour such as would be readily offset by anticipatory hoarding. Fourthly, the prized 'points switch' provided a gratuitous additional complication the effect of which could not be guessed.

It was, in fact, the points switch that dominated the first three months of rationing. Flour offtake in the preceding months had been unusually erratic, responding as it seems less to changes in the actual food situation than to the stimulus of crisis talk and propaganda. In December 1945 weekly offtake had been at the rate of 106,000 tons; by February 1946 it was as high as 120,000 tons, and though it fell thereafter, presumably under the temporary stimulus of the 'Battle for Bread Campaign', to a low of 96,000 tons in April, May usage was up to 113,000 tons a week despite the reduced weight and 90 per cent. loaf. Again in June it fell to 96,000 tons, only to rise to 113,000 as soon as the rationing scheme was announced. People's eating habits do not vary in this way and it seems a fair inference that any excess over, say, 100,000 tons a week represented flour hoards, whether by households or bakers. The hoards must indeed have been sizeable, for the average offtake during the first three weeks of rationing was only 68,000 tons a week. Thereafter it rose to about 80,000 tons a week, where it remained until the end of September. What was the actual consumption of the various forms of flour during this honeymoon period is anyone's guess; but with the second four weeks of the rationing year it became evident that whether by abstention, by the consumption of hoarded cereals, or by the non-surrender of bread units, the public was being enabled to make great inroads into the supply of 'points foods'. Demand for these in terms of 'normal points entitlement' was 106 per cent. in the first rationing period, 116 per cent. in the second, and 111 per cent. in the third. Not only would the stocks not stand this strain; in addition there were widespread complaints of maldistribution, for the extra points purchasing power was not felt evenly over the country and the system of allocation of points foods had long been a rigid one incapable of swift adaptation to local needs.[1] In mid-October the value of bread units in terms of points was halved; thereafter the traffic fell away until only one in forty bread units was being exchanged for points and the Ministry felt justified in abolishing the option

[1] Vol. I, pp. 204-6, 305-7. The biggest source of extra points purchasing power appeared to be the heavy workers' and adolescents' rations.

altogether in December 1946. The exchange of points into bread units, which had always been on a negligible scale, was allowed to remain.

From an experimental viewpoint it was perhaps a pity that the points switch could not have been given a longer run, instead of being dropped just at the point when the abnormal effects of hoarding could be said to be wearing off. A sufficient incentive to refrain from consuming more cereals than one needed would have gone some way to offset the coercive weakness of the rationing scheme, and the drain on points food stocks could have been stopped by adjusting points values upwards. True, the use of the points switch as a positive adjunct to the bread scheme would have required measures to ensure that the abstention was from consumption and not merely from the surrender of bread units; but it does not seem to have been the current laxity of the bread scheme in this respect that prevented the Ministry from making any such attempt.[1] The point was simply not considered; for administrators, the switch remained a casual appendage of bread rationing, to be discarded when its consequence proved unexpectedly inconvenient.

IV

Meanwhile, the hope that bread rationing could be brought to an end with the new harvest had faded. During the early autumn a scheme for the mere restriction of flour deliveries on a datum basis was discussed with the trade; but while the bakers and grocers would willingly have accepted such a scheme, the millers—who had not, like others similarly placed, been inured to datum-basis regulation by years of war experience—were reluctant to take responsibility for it. The Ministry forebore to press them when prospects for wheat supplies during the winter of 1946–7 grew worse, for it then seemed advisable to continue rationing, which—thanks largely to the effect of the points switch and the disgorging of previous hoards—still appeared to be a severe restraint on consumption. By the end of November 1946, however, it had become clear that this appearance was illusory and that a direct restriction on flour deliveries by millers was the only way to check offtake, which by this time was beginning to rise towards the unrationed level of round about 100,000 tons a week. The excess issue of flour, as compared with coupon entitlement, was of the order of 5 per cent., not a symptom of dangerous malpractice but more than the Ministry's stocks would stand. Bread rationing

[1] The very fact that flour offtake fell during this period indicated that the public was slow to tumble to the fact that the scheme had no teeth in it.

was in fact displaying the characteristic weakness of all rationing schemes, their incapacity for fine adjustment. A five per cent. tolerance is something that has to be allowed for in any rationing system; it follows that one cannot aim at restricting consumption, through rationing, by as little as 5 per cent. below its current level. Indeed, since there is always some slack to be taken up in unrationed usage of any commodity, it does not make sense to employ the full panoply of rationing in such a situation.

In principle, then, the bread rationing scheme was trying to do too little. Its peculiar weakness, as distinct from other rationing schemes, was that this was all it could do; there was no way by which offtake could be infallibly reduced if the need arose. Thus, when the stock position looked critical in the spring of 1947 the Ministry had no alternative but to ignore the millers' representations and instruct them, for a period of six weeks only, to reduce deliveries by 5 per cent., compared with those for February and March 1947; a measure that brought millers' releases of flour more or less into line with the quantities to which consumers were entitled under the rationing scheme, but whose success, in the absence of any corresponding restraint on demand, was probably largely at the expense of bakers' stocks. At any rate, no sooner was the period of restriction over than offtake rose again; in the latter part of July and August 1947 it approached 110,000 tons a week.

In these circumstances it may seem illogical of the Ministry to have extensively explored at this time the possibilities of substituting a restriction scheme for rationing, only to reject such a course as too risky. All the evidence goes to support the view, based on simple inspection of the bread rationing mechanism, that the only effective measure of restraint could be that applied at the miller's end. True, the consumption of cakes and flour confectionery had gone down severely under rationing, but this offered no advantage from a flour-saving point if view if it meant—as it did in fact mean—that people took their calories in bread instead. (The exaction of a coupon did, of course, cut down casual, impulsive purchases in shops; moreover most of the evasion of rationing occurred in deliveries to households, which were predominantly of bread rather than of cake and flour confectionery.) Comparisons of flour offtake before and after rationing led nowhere; for though it had run at 106,000 tons a week in the first half of 1946 and but 90,000 tons in the second half, these figures were interdependent; they reflected anticipatory hoarding and the subsequent consumption of the hoards under the stimulus of the points switch. Offtake during the first half of 1947, even with the help of the short-term restriction scheme, was two per cent. above that for the whole of 1946, and but one per cent. below the average for the two calendar years 1944 and 1945. Possible fluctuation in traders' stocks of flour, variations in the rate of extraction, the difficulty of segregating civilian and service demands in the statistics—all these, to say nothing of the varying supply position for other foods, made it hazardous to draw any firm conclusion about the effect of the rationing scheme on flour consumption. The most that could be said was that consumption had not, over the long term, gone up, as with a rising post-war civilian population it might have been expected to do. Any more positive claim to economy, such as was made by Ministry spokesmen on several occasions, always rested on the inclusion of the freak period at the outset of the scheme.

Hans Andersen's child in *The Emperor's New Clothes* has never had many disciples in the field of public affairs; and some very compelling reason would have been needed to force from the Ministry an admission that the elaborate paper structure of bread rationing was without significant administrative effect. In the conditions of 1947, pressure was rather in the opposite direction; any merits that ingenuity could find in bread rationing as a piece of machinery would serve to bolster it up as a moral exercise. After all, it had been as much a symbol of, as a remedy for, a grave food situation; its abandonment could only mean, to the public at large, that the situation was no longer grave: which was certainly not yet the case. As the year wore on, it appeared to get worse; the exhaustion of the American loan and the suspension of sterling convertibility hindered procurement of wheat abroad, while at home the failure of the potato crop, at long last, appeared to remove a major bulwark against increased flour consumption. So far from scrapping bread rationing, the Ministry was driven to explore means of making it more effective; 'nobody', wrote one official, 'likes to continue a scheme more as a gesture than as a reality'. But, to use the words of Dr. Johnson about amending a notorious line in *Macbeth*, 'no amendment is possible save a general blot'; more rigorous enforcement could only be undertaken within the framework of an entirely new scheme. Still less would it have been practicable to reduce the ration by one-ninth, as was at one time proposed by the Chancellor of the Exchequer (Sir Stafford Cripps) in order to save Canadian dollars.

From this grim prospect administrators, and the consumer, were rescued by Marshall Aid; and when with the spring of 1948 the potato shortage passed, the way seemed clear for the abandonment of bread rationing. At least, so a growing public opinion thought; and the prospective wheat supply position supported it. The Ministry, however, was hesitant to dispense with the crutches to which it had become accustomed and it secured Cabinet approval for replacing them with something else, to wit a restriction of deliveries of flour by millers. Henceforward their customers were to be tied down to the quantities they had received during the previous year. At the same time, in order to discourage the feeding of bread and flour to animals, which was thought to have been scotched by rationing, an Order was made prohibiting the sale of flour by retail in larger quantities than 28 lbs. at any one time, subject to the dispensing power of the Divisional Food Officer for remote areas such as the Highlands of Scotland. Armed with these large- and small-calibre weapons the Ministry discarded the formal shield of bread rationing on 25th July 1948, along with the restrictions on supplies to catering establishments.[1] The control of millers' deliveries, an effective if less impressive device that, for any other commodity, would have been a prerequisite, if not a replacement, for formal rationing, continued until February 1950. Mechanically speaking, such a control would have met the requirements of July 1946 as well as—nay, better than—the bread rationing scheme; the justification for the latter must be sought in terms of its psychological effect on the public, on the Allies, and on the administrators' peace of mind. There is room for much difference of opinion here. One thing, however, is certain; the episode throws no sort of light on the possibilities, difficulties, and likely consequences of a rigorous rationing scheme, designed to secure a sizeable economy in cereals consumption. For that one has still to turn to a cautious appraisal of Continental experience.

[1] S.R. & O. (1948) Nos. 1652, 1654, 1693.

Appendices

APPENDIX A

The Egyptian Sugar Loan

THE long-drawn-out negotiations for the acquisition of surplus Egyptian sugar form an instructive commentary on the difficulties facing the United Kingdom sugar control and the tenacity with which it met them. By any normal standards the quantity to be obtained was negligible—of the order of 50,000 tons—but it had the great advantage, in the middle years of the war, of being at hand. Sugar was wanted for the areas for which the Middle East Supply Centre was responsible; it could be provided by the Egyptian sugar monopoly, given the necessary machinery and fertilizers. But the whole structure of long-term contracts at stabilized prices might be endangered if, in their eagerness to conserve supplies and shipping, the Allies agreed to pay the Egyptians, openly, a price much out of line with that being paid elsewhere. On the other hand the Egyptians (which in this context meant the Wafdist Prime Minister, Nahas Pasha, and the chairman of the monopoly company, Abboud Pasha) were intent on extracting the maximum profit from any transaction, and, in particular, wished to be able to write off the whole cost of the extra machinery that would be required (some £300,000), over the likely life of any contract with the Ministry of Food.

The gap requiring to be bridged between the two sides started off, therefore, by being very wide. In December 1941 the Egyptians had offered the British Government the first refusal in 1943 and 1944 of any excess sugar over 200,000 tons at £E25 a ton[1], at the same time requesting supplies of nitrates for fertilizer and support for orders of sugar machinery in the United States. This was at a time when Empire raws were being bought at from £10 5s. to £11 15s. f.o.b., and Java raws for even less, so that the British thought the Egyptian offer far from attractive. But the Japanese successes immediately thereafter modified this attitude, at least so far as other Departments than the Ministry of Food were concerned, and at the end of January 1942 a formal decision was taken to support the Egyptian request for American machinery, which it was now hoped to obtain on Lend/Lease. In April British Ministers further decided to support the Egyptian 'basic' nitrate programme of 200,000 tons a year, for which tonnage would have to be sent to Chile, but not a further request for extra nitrates to be used on extra sugar-cane acreage. The Egyptian sugar company was further invited to send a technical expert to the United States, and he at length went there in July 1942.

Meanwhile the Egyptians, who were now talking in terms of £E40 to £E45 a ton, had begun to apply pressure. In April 1942 the monopoly had declined to continue the arrangement made in February 1940 between the Governments of Egypt and the Sudan for the supply of

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[1] The first price suggested had been £E30, but the British Ambassador in Cairo had declined to pass this on to London.

refined sugar on agreed terms; whereat the Ministry of Food made arrangements to supply the Sudan from Mauritius. In June the Egyptian Government requisitioned the company's sugar stocks and entire output; In October it imposed an export duty of £E50 per metric ton on both sugar and rice. Though the British in Cairo were still willing to continue negotiations, in London the time for firmness was thought to have arrived and the British Ambassador was instructed to threaten to withhold coal from the sugar factories. As a result, Abboud Pasha suggested, in December 1942, that he should come to London to negotiate; and he eventually did so in May 1943. By this time both sides were in need of a settlement, for the season for putting nitrates on the canefields was approaching, and the sugar position in the Middle East was growing more and more stringent.

To break the deadlock over price the Ministry of Food now suggested that it should borrow the surplus Egyptian sugar on an undertaking to replace it immediately after the end of hostilities. This would have the advantage of saving Abboud's face vis-à-vis his Prime Minister, without compromising the Ministry's other contracts. But this was unwelcome to the Ministry of War Transport, which would have had to provide the ships and did not want to pin itself down two years in advance to a sizable liability—some 150,000 tons in all, including 24,000 tons of extra nitrates on the long haul from Chile. It would have preferred a straightforward acceptance of Abboud's price of £E37 a ton. The Treasury for its part suggested that the United Kingdom Commercial Corporation should buy the sugar instead of the Ministry of Food, but the Corporation was equally unwilling to pay an excessive price for fear of losing face in the Middle East.

Eventually a compromise[1] was reached; the sugar was to be borrowed (at a provisional price of £E27 for raw sugar and £E30 for refined), free of export tax, at the rate of 55,000 tons from the 1943 crop and whatever might be surplus from the 1944 crop, should the war in Europe continue that long. For any sugar that could not be replaced in kind after an armistice the United Kingdom would pay an additional £E10 a ton. On 8th July 1943 the Egyptian Government duly ratified the agreement; about 50,000 tons was borrowed in that year, and a further 30,000 tons in subsequent years. Of this total nearly 50,000 tons were returned in the form of sugar; the remainder was eventually settled for in 1948 by the payment of an extra £E8 a ton. The Ministry of Food took great pride in this incident, as vindicating its choice of men from the trade concerned to run its commodity control; for it was wholly due to the steadfastness of Sugar Division that the danger of compromising the Ministry's position had been averted.

[1] At a luncheon at the Savoy Hotel, presided over by Lord Woolton, who subsequently wrote out the agreement in his own handwriting on the back of a menu card. His own account of the episode (*op. cit.* pp. 235-37) mistakenly gives the amount of the sugar involved as one million tons.

APPENDIX B

Poultry and Rabbits

NEITHER poultry nor rabbits makes a major contribution to the British national diet, and on broad grounds of food policy they might well have been left alone. That they were, instead, subjected to a control that was not thoroughgoing and had therefore no hope of being effective was less the fault of food administrators than their misfortune. Under the avuncular rule of Lord Woolton the Ministry of Food was inevitably driven to promise—and the public to expect—more than it could perform. Poultry, for the British people and press, meant above all the Christmas turkey, that curious alien symbol of good will; and it was typical of the benevolent aspect of food control that the turkey should have been the subject of the first poultry maximum prices Order[1] in December 1940. When, shortly afterwards, the Ministry issued a general standstill prices Order covering a large number of miscellaneous commodities, 'dead poultry' were included in the list.[2] As the maximum price that might be charged under this Order was that charged by a retailer for a similar commodity on 2nd December 1940, always supposing him to have made such a sale on that day, it is not surprising that the trade should have pronounced it unworkable even as an interim measure and asked for control of both wholesale and retail prices. Otherwise they feared that poultry would follow the example of wild rabbits, which since their retail price had been controlled on 1st November[3] had disappeared from the large towns.

When the Order came into force, on 13th January 1941, it brought not prices of poultry but trade in poultry to a standstill. Hasty consultations with the trade ensued, and a comprehensive price-control Order covering all stages of distribution was put into operation on 27th January. This Order was likewise the target for much criticism. The trade felt that prices should be higher in the large towns, otherwise poultry would all be consumed near the point of production. The Ministry of Agriculture pointed out that separate prices were prescribed for 'roasting' and 'boiling' birds, but these categories were not defined and hence the latter would be passed off as the former; that to insist on sales by weight would be contrary to the practice of selling both live and dead birds on a per head basis at country auctions. The interdepartmental 'Livestock Policy Conference', anxious to get the poultry population down, proposed to discourage the rearing of table poultry by fixing a single price for roasters and boilers alike; to which there was shortly added the corollary of a specially attractive price for *petits poussins*, namely cockerels weighing up to 1¼ pounds, to last only for a few weeks.

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[1] S.R. & O. (1940) No. 2148 (amended by No. 2163).

[2] S.R. & O. (1941) No. 23. See Vol. I, pp. 185-186.

[3] S.R. & O. (1940) No. 1935.

These measures were duly brought into effect by stages during the spring of 1941.[1] The original 'anti-profiteering' motive for controlling poultry prices had now been reinforced by the logic of livestock priorities, in which poultry were at the bottom of the list. Officials were very conscious, however, of the difference between prescribing a price and enforcing it, and as early as April 1941 were saying among themselves that the extent of evasions, notably by catering establishments, was such as to make control of distribution imperative. Some at least felt that the policy of fixing a deliberately discouraging price for roasting chickens did not make sense otherwise, inasmuch as the producer would be dead set on getting round it: 'Unless the producer feels he is getting an adequate price for his product, he is going to do his damnedest to defeat price control'.[2] It was indeed already becoming apparent that the means of evasion existed in the Order, namely the exemption from price control of birds sold for 'breeding, laying or rearing', provided the purchaser signed a declaration to that effect. A large traffic in such birds had recently developed at auction marts, which were not the normal channel for it. Proposals to establish collecting centres for poultry, on the lines of those for meat, were unacceptable to higher authority; a kindred scheme to prohibit the serving of poultry by catering establishments was resisted by the Ministry's Catering Division (who claimed there was insufficient evidence to show that caterers were buying undue amounts) and, of course, by the catering trade itself; and objections were likewise raised to a proposal that auctions of poultry be restricted to birds for immediate slaughter. Administrators were therefore reduced to palliatives, such as the prescription of an impressively worded form of declaration by stock-poultry buyers, which would be forwarded by auctioneers to the Ministry, and the introduction, on the analogy of an earlier Order applying to rabbits, of a 2d. premium on all sales within a number of large towns and their environs.[3]

By way of stopping another source of supplies to the black market, the Ministry had attempted to gain control of the only remaining imported poultry (mainly turkeys), namely those from Eire and Northern Ireland. With the agreement of the Eireann authorities, imports thence were canalised through two companies, one in Dublin (Eggsports Limited), and another in London (The Association of Wholesale Distributors of Imported Poultry and Rabbits Limited, or AWDIPAR) which was, controlled by the Ministry and composed of the leading wholesalers in eleven large towns[4] which had all but monopolised the pre-war trade in Eire poultry. The intention had been to extend similar arrangements

[1] S.R. & O. (1941) Nos. 351, 597.

[2] Cf. the contemporaneous argument about egg prices (Vol. II, p. 74) in which the supporters of a deterrent to production had been overruled.

[3] S.R. & O. (1941) No. 1701. This premium had the effect of penalising retailers (and multiple branches) in a number of smaller towns normally supplied through the large centres and an amending order (*ibid.* No. 1907) had hastily to be introduced allowing a 1d. premium in those. Even then there was trouble, as the criterion for the 1d. premium was population and it was possible for different prices to prevail in adjacent towns, e.g. Hartlepool and West Hartlepool.

[4] Birmingham, Bristol, Cardiff, Glasgow, Leeds, Leicester, Liverpool, Manchester-Salford, Newcastle-on-Tyne, and Sheffield.

to Northern Ireland, but Stormont objected that this would mean depriving producers there of a right that they still enjoyed elsewhere in the United Kingdom, namely of selling direct to retailers at the wholesale price. The Northern Ireland authorities were prepared to come in only if the producer there were given the same average return per pound as the producer in Great Britain was getting; and this could only be done by giving him a price which, allowing for carriage, would give the members of AWDIPAR no margin at all or even a slight loss. As the Eireann authorities naturally would countenance no arrangement whereby they would be subsidising the distribution of Northern Irish poultry, the latter had to be left out of the scheme at the eleventh hour and after it had already been announced.

Two years were to elapse before a compromise scheme for Northern Ireland could be effected; but in the autumn of 1943 Stormont and the trade accepted an ingenious Ministry proposal whereby a consortium of retailers (the Association Distributing Northern Irish Poultry, or ADNIP) in, ultimately, eight large towns[1] would buy poultry from wholesalers in Northern Ireland, but would employ wholesalers in these towns for the physical work of distribution. This scheme, which was run from the headquarters of the Association handling Southern Irish poultry, had the effect of extending to all imported poultry a rough, because geographically limited, justice in distribution. It appeared fair if, and only if, one accepted the pre-war pattern of imported poultry consumption as a reasonable norm for war-time—a view which areas denied access to any imported poultry at all found difficulty in accepting. The Ministry's post-bag was filled with complaints from the environs of Manchester and other large cities; the privilege afforded to Leicester aroused particular complaint in Nottingham; and the Lord Provost of Edinburgh regarded its initial exclusion from the scheme as a slight upon Scotland's capital.

These arrangements for imported poultry would, of course, have made admirable sense in the context of a full control scheme for all poultry; and such a scheme was propounded more than once after 1941, most notably in 1944 after the successful launching of the Northern Ireland scheme. But there continued to be a split between the officials in Meat and Livestock Division most immediately concerned, who regarded the position as 'shameful', Enforcement Division who supported full control, and their colleagues elsewhere who declared that it would not be justified: 'The public has not asked for the scheme, caterers will not want it, producers do not require it and . . . the Ministry of Agriculture will not be enthusiastic'. It was indeed certain that any poultry scheme would have derisory quantities to distribute: 'The general effect of the proposal would inevitably make people poultry conscious and hence give rise to a wide feeling of disappointment, since under this or any other scheme the vast majority will get no poultry'. In mid-February 1944, therefore, higher authority decided not to go on with the scheme, though for some months thereafter the possibilities of full control continued to be discussed with the members of the trade most interested; the country

[1] Birmingham, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester-Salford, and Sheffield.

dealers in rabbits and poultry, whose business had largely gone to irregular, if not unlawful, channels.

At the time the scheme was dropped there was still hope that these channels might be impeded, if not closed, by a new Order the Ministry of Agriculture had in preparation for the control of Stock Poultry and Hatching Eggs. This Order had been under discussion between the Agricultural Departments and the Ministry of Food for over a year; its details had been difficult to settle, for the inevitable drafting difficulties were made greater by anxiety lest the supersession of the Ministry of Food's existing Price Order by the new one—which would necessarily be represented as a tightening of control—should make the task of enforcement no less difficult than before. But by February 1944 the protracted arguments were nearing their end and it had been agreed that the Ministry of Food's enforcement staff should act on behalf of the Agricultural Departments, which of course had no such organisation of their own. When, however, the agreed text of the Order at length was set before higher authority in the Ministry of Agriculture—and when the parallel Scottish Order had actually been signed in Edinburgh—it aroused horror as

> 'a truly fearsome instrument of bureaucratic control. It will create a number of new offences, be extremely difficult to police . . . throw a great deal of work on dealers and other sellers of stock poultry and hatching eggs . . . and especially on Departments: and for what? Not to stop the black market in poultry and eggs—it will certainly not do that—but to make it somewhat more dangerous'.

Admittedly some of the provisions were already in the Ministry of Food's existing Orders, but others—such as the licensing of auctioneers and dealers in stock poultry—were not; in any case the new Order would 'appear to be the introduction of a new form of control' which, at so late a stage in the war, it would be impossible to advise Mr. Hudson to defend in the House. Was the game, the Ministry of Agriculture asked, 'worth this very unpleasant looking candle'?

For some months longer the Ministry of Food struggled to retrieve the position arising from this eleventh-hour withdrawal.[1] Plans were drawn up for embodying the majority of the provisions of the abortive Order in a revised Order of the Ministry's own, which of course would not invite criticism on such a wide front. By the time these were ready, however, it was September 1944 and the Ministry of Agriculture inclined to question still more strongly whether it would be tactically wise for any Department to take measures of this sort. Ministry of Food officials, though maintaining that things had been brought to this pass by the 'stone-walling' of the Agricultural Departments, could not but admit the strength of their case; in mid-November the proposals for wider control were dropped.

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[1] For its action over hatching eggs, see Vol. II, p. 94, where the Ministry of Agriculture's action was mistakenly attributed to 'want of staff'. (The correspondence only came to light when the 'poultry' files were examined.)

The Ministry was thus left in the equivocal position, as one official had put it in May 1944, 'of being unable to take the only effective means of enforcing our price Orders and at the same time being unwilling to abandon the Orders'. The case against repeal of the Orders (which was urged by the legitimate traders and the auctioneers as the only way to kill the black market) was set out in arguments that were valid only on the assumption that the law was being obeyed. But no one was prepared to admit the logic of the situation, abandon appearances, and remove control altogether. True, some people did obey the law, and those who were lucky enough to get imported turkeys probably got them at the controlled price. Oddly enough, in this case as in the comparable case of the 'underpointing' of specially desirable points-rationed food,[1] the Ministry never seems to have considered that for all to have to pay a high free-market price would be fairer than a choice between black market poultry or poultry by favour of trader or geography. The anomaly was to continue, slightly reduced by increased supplies of imported birds, until the removal of control in June 1950.[2]

The successive rejections and final abandonment of a policy of 'thorough' for poultry entailed a similar course for rabbits. The shortage of supplies for these was comparable, but the disparity between the controlled price and the black market price never reached such proportions as to justify the epithet 'scandalous', freely used of poultry by Ministry officials. This was because the price schedule for 1941–2 and following seasons had not been set at a deliberately discouraging level, but was calculated to promote trapping; the scruples of the Ministry's Orders Committee, which described the proposed prices of both wild and tame rabbits as 'appeasement' and unlikely to help the poorer classes, had been overruled as unrealistic. Moreover there was lacking the stimulus to malpractice provided by the steady demands of the kosher poultry trade in such areas as London's East End. In so far as the price-control provisions were observed—and this was a matter on which the Ministry was not in a position to form any very definite views—the chief difficulty appeared to be the anomalies resulting from fixing differential prices solely on the basis of the population of local government areas, regardless of geography—the same anomalies, in fact, that had arisen over poultry. So long as full control remained a possibility little was done about these, but after the 'full-blooded' scheme had been rejected, in the spring of 1944, Meat and Livestock Division undertook a complete revision of the 'premium areas'; in effect, 'conurbations' were taken as the basis, and the 2d. per lb. or 1d. per lb. premium as the case might be was determined

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[1] Vol. I, p. 306.

[2] S.I. (1950) No. 1046. One minor palliative, first introduced in 1943, may be worth mentioning; the total prohibition of stock poultry auctions during the month of December. It was generally thought to have discouraged black market dealings for Christmas, but the auctioneers denied this, saying that the birds were merely sold on the farm. (There was some difficulty in 1943 also by reason of the extension of the prohibition to the sale of day-old chicks; the Ministry licensed such sales individually, but apparently not all prospective sellers got to know about this in time and some chicks were said to have been destroyed in consequence.)

according to proximity to sources of rabbit supplies. Similar arrangements applied to hares.[1]

At the same time an attempt was made to close a conspicuous loophole that had been made in the Orders, namely the sale of tame rabbits alive instead of dead—the ultimate purchaser being expected to kill and eat them. From 15th October 1944 no-one licensed to sell dead rabbits might sell live ones without a licence from the Ministry. Exception was made for auctioneers and members of registered rabbit clubs. It was further announced that licences would be issued only to professional rabbit breeders; all such applications were examined also by the Ministry of Agriculture, but fortunately only amounted to a few hundred. This measure served its purpose, namely ending an organised trade that had been got up by certain wholesale traders. Like the rest of rabbit control, it could not deal with the amateur transgressor. '. . . let us face the fact', (wrote a respected member of the trade in January 1949) that English rabbits have in fact been decontrolled for the last seven years . . .' '. . . they take no cognizance of the Maximum Price Order'. By that time, however, the situation had been eased by the importation of rabbits[2] on a large scale; towards the end of 1949 the cold stores became congested with them and decontrol at last became a possibility. In June 1950 the Order was revoked.[3]

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[1] S.R. & O. (1944) No. 972.

[2] They were distributed through AWDIPAR, but in spite of past experience a population basis had again been used—towns with less than 20,000 inhabitants were precluded from receiving any, and a flood of complaints ensured.

[3] S.I. (1950) No. 893.

APPENDIX C

Self-suppliers of Pigs

I

BEFORE the war the planners of meat and bacon control had given no attention to the cottager's pig; but the announcement that control was pending and the first tentative steps towards it at once evoked enquiry from individual self-suppliers and institutions accustomed to raise their own livestock. In October 1939 the Minister of Food assured Commons' questioners[1] more than once that self-supply would be permitted, and in November, not without some prodding from the Ministry of Agriculture, his Department at length got down to the problem. Not much help was to be expected from past experience, for though Lord Rhondda's Ministry had made elaborate plans for dealing with self-suppliers, bacon rationing on a national scale lasted for only two weeks in July 1918, and so the plans, at any rate for pig-keepers, never left the drawing-board.[2] They remained on record, however, for another generation of administrators to use as a starting-point, and certain of the notions they embodied were carried over into the new period of control. The most important of these, and one that appealed strongly to the Agricultural Departments, was that the self-supplier was to be encouraged. His activities, it had been held in 1918, represented a useful addition to food supplies which, moreover, was largely produced from waste materials; it would be desirable that he should not simultaneously draw upon the common pool of rationed food, and he should, therefore, be put on his honour to cancel his meat and bacon coupons in respect of the second and subsequent pigs he might raise in any year. He should be registered at the local Food Office, should notify that office when he slaughtered a pig—which must have been kept on his premises for at least two months—and he must have partaken, either personally or through a regular employee, in the tending of the animal; pig-keepers by proxy did not qualify as self-suppliers. How these conditions were to be enforced upon him is not apparent from the papers that have survived.

In 1939 a new slant had been given to the problem by the decision to concentrate slaughtering in controlled abattoirs and bacon-factories. Slaughter by or on behalf of self-suppliers would automatically fall outside the framework of control, and Bacon Branch in particular was anxious to keep it in bounds by some licensing system. More especially, the system of licensed 'direct suppliers', that is to say persons allowed to buy direct from the producer, ought not to be revived. The Restriction on Slaughtering Order[3] which came into force on 15th January 1940 with

[1] H. of C. Deb., Vol. 351, Col. 1988, 4th October 1939; *ibid.*, Vol. 352, Cols. 548-9, 12th October 1939,

[2] Beveridge, *op. cit.* pp. 212, 221, 227-8.

[3] S.R. & O. (1940) No. 41.

the rest of meat and livestock control did not, therefore, as had originally been proposed, give a blanket exemption to farmers slaughtering their own animals for household consumption. Instead, self-suppliers would have to get licences from local Food Control Committees who were to satisfy themselves that the pig, sheep, or calf, as the case might be, had been fattened by the applicant for not less than two months—the period prescribed in 1918. Bacon Branch had put forward, but did not press, suggestion that bacon coupons be surrendered in return for a slaughtering licence. No form of licence was devised at this stage, nor was any guidance given to Food Control Committees about the number of licences that might be issued to any one self-supplier. Not until December 1940 were explicit self-supplier regulations issued by Ministry Headquarters. The Food Office was not to deal with institutions, such as mental hospitals and educational and religious communities, who were accustomed to slaughter on a considerable scale; these were to get exemption through the Area Meat and Livestock Officer who was responsible for meat allocation generally and would need to take cognisance of institutions not drawing on the common stock. The intention was that institutions should comply with the ration scales in force at any time, but as yet this was not explicitly laid down. Curing of pig-meat, expressly permitted to individual self-suppliers, was ruled out for institutions, as Bacon Branch felt that this might seriously deplete supplies of home-produced bacon for the general public.

The Ministry's tentative approach towards control of self-suppliers is partly explained by preoccupation with matters that seemed more urgent, partly by the glut of pork and bacon during the first six months of 1940, but partly also by the fact that self-suppliers—at any rate in their own eyes and those of the Agricultural Departments—were a militant part of the war effort. At the outbreak of war a Small Pig Keepers' Council had been formed under official auspices with the specific purpose of forming pig clubs and stimulating interest in pig-keeping generally among cottagers, allotment holders and smallholders. As in the First World War, the aim was to utilise household and garden waste. The Council's activities had something of a crusading air about them and at an early stage it induced the Ministry to agree that members of pig clubs should be allowed to sell one side of any pig they might slaughter to a local butcher—a concession that perhaps inevitably had to be extended to all self-suppliers in October 1940, but constituted no threat to meat control so long as pork remained unrationed. 'Co-operative' pig clubs, whose members owned pigs in common and shared the burden of caring for and feeding them, were not to be allowed to sell any part of the carcase; they could divide any pig slaughtered among their members and were not likely to be embarrassed, as a small household might be, by having to consume the whole animal.

These decisions were at length codified, towards the end of 1940, under pressure of the shortage of home-killed meat, which was not very plausibly attributed to an increase in illicit slaughter. The task of licensing slaughter by self-suppliers was transferred from Food Control Committees to Food Executive Officers, who could more readily be given precise instructions by headquarters. A form of licence was drawn up which specified the place of slaughter and of curing, and, if a side were to be sold, the buyer and the price to be paid. The licensee undertook not to buy 'meat of a similar kind' until all the meat from the animal had been consumed, but was still allowed to retain his meat and bacon coupons. In short, the procedure was tidied up, but the conditions were nowise altered; notably, the short qualifying period of two months remained unquestioned. The upper limit imposed on the issue of licences—one every three months—was generous to all but the largest household, when it is considered that a self-supplier's pig might realise as much as 200 pounds of bacon and ham.

So long as pig clubs retained a genuinely rural character this discrimination in favour of their members, and of the individual cottager, might be defended as a kind of *quid pro quo* for the countryman's disadvantage when it came to obtaining some other sorts of food. But the Ministry soon found itself pressed to make concessions that compromised this defence. Early in 1941 it was agreed that a co-operative pig club might employ one hired man to tend the pigs, and might also have the pig-meat cured (though only on its own premises or at a Class A bacon factory).[1] It was now asked to recognise a new class of pig club, that connected with a factory canteen, on the ground that this made for efficient use of swill. The Ministry would have preferred the swill to be sold to commercial pig-keepers who would be producing bacon for the ration; moreover it was alarmed by the first-fruits of the new licensing system, some 40,000 slaughterings authorised for the single month of January 1941. But its hands were to some extent tied by a decision made some months earlier, under strong political pressure, to allow a large department store in outer London to have pigs bred on its own farm slaughtered for consumption in the staff canteen—a decision made more difficult to avert by the fact that pork was then unrationed. Eventually the canteen's meat allowance was docked, in April 1941, to allow for the pig-meat it received; and this principle was now to be applied to the newly recognised class of factory-canteen pig club.

With the coming of feeding-stuffs rationing, official recognition became more important to pig clubs and membership of a club more valuable to self-suppliers who—unless they were commercial pig-breeders also—could not acquire an individual entitlement to rationed feeds. Recognising this as a concession, the Small Pig Keepers' Council voluntarily made a rule that members of co-operative pig clubs should sell half their pigs to the Ministry; a not insignificant gesture even though, as the Ministry feared, it was offered light pigs during the summer while the heavier ones were reserved for club members during the winter. The Ministry thereupon conceded that canteens should not have to forgo any part of their meat allowance in respect of pigs slaughtered on their behalf, while at the same time taking steps to reduce the number of

[1] The new class of pig-keeper, unlike the old, tended to send his pig away for tank-curing rather than resort to the old-fashioned hard cure. The keeping qualities of tank-cured bacon were, of course, inferior to those of hard-cured, and this often must have led to embarrassment and waste.

slaughtering licences that might be issued in any one year to any self-supplier from four to two, with a proportionate reduction for co-operative clubs. At the same time (September 1941) the conditions for slaughter and cure were more rigorously defined, and in particular the Class B curer (who might be simply a local butcher) was precluded from any dealings with self-suppliers' pigs.

II

By this time the Ministry of Food, and more particularly its Bacon Division, had decided that a curb ought to be put upon the activities of the self-suppliers. Over the whole calendar year 1941 licensed pig slaughterings on their behalf amounted to 12 per cent. of the Ministry's purchases of home-produced pigs (just under 350,000, compared with 2·8 million), but the proportion had risen to more than half during November and December, and though this was the peak season for such slaughtering, the Ministry feared that the movement was getting out of hand. Supporters of the pig club movement might claim that it was making use of waste foods, but the Ministry, intent as never before on the saving of cereals, suspected that some of the waste was 'induced' by the presence of domestic pigs (and poultry) and that both bread and sound potatoes were being fed to them. Indeed, the non-member of a pig club, denied access to rationed cereal feed, could scarcely be expected to fatten his animal on swill alone. Too many slaughtering licences, the Ministry thought, were being issued in urban areas where swill would be better collected and turned over to commercial pig-keepers in aid of the bacon ration. It would have liked to limit self-suppliers' consumption to one pig a year for households of five persons and less, and require one pig to be sold to the Ministry for each one killed under licence. The Ministry of Agriculture was unwilling to discriminate in this respect between self-suppliers in rural and urban areas, nor would it agree that, in order to prevent abuses, all self-suppliers' pigs should be slaughtered in controlled slaughterhouses and Class A bacon factories. (This would have been impracticable anyway.) But the Departments did, in June 1942, come within sight of agreement on three points: the extension of the qualifying nurture period from two months to three, the one-pig-a-year limitation, and the sale of one pig to the Ministry of Food for every pig slaughtered. However, higher authority in the Ministry of Agriculture repudiated the settlement as too hard on self-suppliers at a time when their feed rations were to be reduced, and in August 1942 the case was taken to the Lord President's Committee.

It was now too late for any further restrictions to be introduced for the new season, so that the Ministry of Food had lost another round at the outset. Apart from this, however, its case was fatally compromised by its inconsistency with the policies being advocated on related matters. If bread was in fact being wasted by being fed to pigs on a large scale, the obvious solution was to ration it; but the Minister had recently argued against bread rationing on the grounds that there was no evidence of waste. Rationing of potatoes was likewise unthinkable. The argument that self-suppliers were a privileged class could not be pressed if it meant, as it would have meant, cutting down food production in the name of equality. The Ministry's plea that reducing self-suppliers' benefits would increase the quantity of bacon for the ration was flatly denied by the Ministry of Agriculture. In any case, imported supplies constituted by far the greater part of the ration at that time, and prospects for them, in September 1942, appeared good.[1] So that, although an elaborate inquiry was undertaken at the Lord President's Committee's request, it came to nothing; the Minister, sensing the hostility of his colleagues to any further restrictions, decided that the game was not worth the administrative candle. All that came of the long discussions was the extenstion of the nurture period to three months.[2] Indeed, self-suppliers' privileges were shortly extended to agricultural workers' hostels and—on the analogy of factory canteens—to day schools.[3]

An attempt to introduce fresh restrictions for the 1943–44 season was beaten off by the Ministry of Agriculture, in the spring of 1943, on the ground that the feeding-stuffs situation had improved; the Ministry of Food had to be content with a more stringent administration of the existing regulations. Licences were now to bear serial numbers, and were to be returned to the Food Office immediately slaughter had been carried out; it was again insisted that the pig must have been fed and tended by a member of the owner's household, or a full-time employee on the premises. But this rule was relaxed, at the Ministry of Agriculture's request, to allow farmers to fatten a Christmas pig each for their farm workers, in accordance with immemorial custom in some parts of the country. All this time the slaughterings were growing, fostered by the propaganda of the Agricultural Departments and the Small Pig Keepers' Council; in the calendar year 1943 they passed the half-million mark. Once again, therefore, the Ministry of Food began to explore the possibilities of curbing self-supply, or at any rate getting some contribution from domestic pig-keepers to the common pool. It concluded, however, that there was no point in compelling them to contribute a pig for each they slaughtered—for this would mean that many would buy store pigs for the purpose that were better handled by the commercial pig-keeper. As for the compulsory sale of half each carcase killed, this would simply be an embarrassment; quite apart from the waste of transport and labour

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[1] Above pp. 374-375.

[2] It might have been expected that the Ministry of Agriculture would be concerned about the consumption of controlled feeding-stuffs by self-suppliers' pigs, both in the breeding and fattening stages. Any concern on this score seems to have been outweighed by a desire tc please the farming community—which still comprised the bulk of self-suppliers—and to keep in being the specialist pig-breeder, who but for the inflated prices self-suppliers were willing to pay for his stock might have been in a bad way.

[3] The Ministry of Food insisted on treating boarding-schools as institutions, liable to have their rationed supplies docked in respect of any self-supplied meat or bacon, in spite of the obvious point, made by the Ministry of Agriculture, that children at day schools, who had school dinners in addition to their domestic ration, were already better off than boarders. It is impossible to reconcile this position with the Ministry of Food's vaunted 'fair shares', and in February 1944, under continued pressure, the Ministry abandoned it.

in handling them, there were far too many overfat pigs going through the bacon factories already.[1]

The only possibility that remained was to exact the surrender of bacon coupons in return for a slaughtering licence; and during the early months of 1944 this expedient was exhaustively debated. It rapidly became clear, however, that the only proposal that might have released a significant amount of bacon—that represented by self-suppliers' families' bacon registrations, which if not taken up by them represented an unearned increment in the hands of the retailer—was far too drastic for anyone outside Bacon Division. To have cancelled bacon coupons for households up to six members for six months for each pig killed, as the Division proposed, might have made a sizeable impact on bacon issued in areas where self-suppliers were thick on the ground; even though, under the 'continuing permit' regime, a retailer's registered customers had to fall by 5 per cent. before his supplies of bacon were affected.[2] It was indeed open to the objection that the rest of the household had no legal entitlement to any part of the carcase; but this point, which had given some slight trouble with poultry-keepers,[3] does not seem to have been taken by its opponents. They simply concentrated on the unkindness of depriving the self-supplier of so many coupons; for a time 104 (2 persons' rations for a year) held the field as a 'kindly rate', but the Minister (Colonel Llewellin) eventually cut this down to 52, which could be distributed between as many as four ration books, i.e. in units of 13 coupons. This had the advantage of evoking no opposition but the disadvantage that it contributed nothing to the bacon pool; the rationing system was not capable of adjusting retailers' supplies within such fine limits. The position was wanting in logic, for self-suppliers had always given an undertaking not to consume the bacon to which they were otherwise entitled and the cancellation of their coupons could not, therefore, be represented as a hardship. Had the Ministry been prepared to be candid about the workings of the rationing system, it could indeed have represented the cancellation as essential to prevent others from getting hold of rations forgone by self-suppliers; but this line of argument seems to have occurred to no-one.

The exaction of the token 52 coupons was announced in June 1944, though it could have little or no effect until September. At the same time the Ministry was forced into another concession to self-suppliers. Hitherto they had been obliged either to sell the pig, or half of it, in accordance with the terms of the licence, or consume it in the household; selling or even giving away any part of the carcase was illegal, for it constituted 'rationed food' within the meaning of the regulations. In February 1944 a self-supplier in Lowestoft had been prosecuted by the local Food Control Committee for what appeared to be a particularly flagrant breach of the law. He had obtained a licence to sell half of the pig to a local butcher, and the Deputy Meat Agent,[4] who had by chance been

[1] Above, p. 396.
[2] Vol. II, pp. 633-6.
[3] Vol. II, p. 87.
[4] For the duties of the Deputy Meat Agent, see above, pp. 209-214.

present when the transaction took place, had seen the butcher cutting up the *other* half into joints and had warned the owner against selling or giving it away. Three days later the Deputy Meat Agent had gone to the man's house and found but a single leg remaining; no convincing explanation was forthcoming of what had happened to the greater part of the rest. The self-supplier was thereupon charged not only with disposing of this to a person unknown, but also with—what he had admitted—giving small parts of it, about 12 lbs. in all, to two relatives and a friend. The Mayor of Lowestoft, as Chairman of the Bench, dismissed the major charge for want of evidence and imposed fines of 4s. in all on the minor charges; he took occasion to refer to the Ministry's 'Gestapo methods' in going to the man's house. Not unnaturally the case got into the national press and attracted the attention of Mr. Churchill, who thought it 'showed bureaucracy in its most pettifogging and tyrannical aspect, and could not see why a person licensed to kill a pig should not be allowed "to share it with friends".' Shortly afterwards the matter was raised by Lord Addison in the House of Lords; and by mishap the Government spokesman (Lord Woolton) was briefed to reply that the self-supplier had pleaded guilty to the major charge, which was not so. The Minister of Food had to apologise to his colleague and to the Mayor of Lowestoft, and this naturally coloured his views on self-suppliers thereafter; indeed it may have accounted for his insistence on 52 coupons being surrended rather than 104. In any case, Lord Woolton had promised that some relaxation of the law against giving away self-supplied pig-meat would be considered; and in June 1944 the Rationing Order was amended accordingly.[1]

III

The very laxity of the self-suppliers' regulations left little scope for evasion; but certain types of it cropped up from time to time. The rule most commonly evaded, perhaps, was that enjoining the applicant for a slaughtering licence to tend and feed the animal in his own household. Cases were observed of pigs being tended by part-time gardeners, sties being shared by three or more owners of whom only one was 'active', and even of pigs being 'boarded out', sometimes far from the owners' home. Licences to slaughter were generally refused in consequence, though one Food Executive Officer at least, in the West Midlands, maintained the personal view that if two owners might share a sty, there was no reason why more than two should not. Such abuses were more common among individual pig-keepers than among club members, for the Small Pig Keepers' Council was jealous of the movement's good name and co-operated fully in impressing upon its clients the need to comply with the Ministry's wishes. But the concession allowing co-operative clubs to employ a full-time man to tend the pigs was exploited by some townspeople, particularly in the provinces, to keep pigs by

[1] By S.R. & O. (1944) No. 669.

proxy, providing merely swill and perhaps an occasional Sunday-morning inspection. It was not always easy for the Council, with the best will in the world, to track down such evasions. On the whole, however, the co-operative clubs complied with their obligation to sell pigs to the Ministry, though their performance by weight was less impressive than by count, as the pigs sold were generally the lighter ones fattened in the summer months. In any case, slaughterings on co-operative clubs' behalf amounted to less than 5 per cent. of the total. Many private owners' clubs also sold pigs to the Ministry and even disposed of pigs on the profitable store market. Pigs slaughtered for farm workers, which, rather surprisingly in view of the eloquence with which the Ministry of Agriculture had put the case for the concession, never amounted to more than about 1 per cent. of the total, likewise gave little trouble.[1]

It was not, however, the abuse of self-suppliers' privileges but their sheer magnitude which gave such offence to those responsible for bacon supplies. After the war, when the weekly ration was reduced to 3 oz., 2 oz. and even (for a short time) 1 oz. per head, the contrast between it and the self-supplier's lot was glaring. Although allowances of rationed feed to pig clubs were drastically cut in July 1946, nearly as many pigs were slaughtered on their behalf between September 1946 and February 1947 as were sold by commercial pig-keepers to the Ministry. It seemed clear that supplies of waste food that commercial keepers would have put to good use were being diverted in excessive quantities to pig clubs especially. In the last two months of 1946—admittedly the peak season for the slaughter of domestic pigs—slaughterings (208,254) actually exceeded deliveries to bacon factories (120,155) by a margin which did not fail to attract attention in the House of Commons.[2] Even the *Farmer and Stockbreeder*, which had hitherto supported the self-suppliers' scheme, had begun to urge a curtailment of their privileges, on the ground that numerous pigs of bacon weight were being sold in the uncontrolled store market to private owners, presumably for immediate licensed slaughter.[3]

In February 1947, therefore, Mr. Strachey ordered a review of the whole question; but, as before, his officials concluded that little could be done except to increase the coupon contribution from applicants for licences to slaughter. It was simply not feasible to exact a contribution in actual pig-meat. But the Agricultural Departments would not hear of an increase in contributions beyond 104 per licence—the paper

[1] There was, however, one notorious case at the end of 1945 involving the Food Executive Officer at Aberayron in Cardiganshire—who was also Clerk to the Urban and Rural District Councils, Local Fuel Overseer, and Clerk to the local Justices. He was detected in issuing a licence made out to himself, nominally on behalf of his farm bailiff—who, however, had just given notice, knew nothing of the pig in question, and gave him away to the Ministry. He was charged with infringing the slaughtering regulations and at first acquitted by his own Bench, but the Ministry appealed and the Court of King's Bench remitted the case to the magistrates with a direction to convict. An enquiry was subsequently held by Lord Justice Tucker into the magistrates' conduct of the case, but failed to convict them of anything that could be termed deliberate irregularity; they had merely been at sea without the advice of their usual Clerk. See Cmd. 7061 of March 1947.

[2] H. of C. Deb., Vol. 433, Cols. 18-19, 10th February 1947.

[3] *Farmer and Stockbreeder*, 14th January & 2nd February, 1947.

equivalent of the original 52, now that the ration was 2 oz.—and when it came to the point the Minister of Agriculture refused to go even that far, on the ground that farm workers would feel 'deep resentment'. All that emerged from six months' debate was an extension of the qualifying period from 3 months to 4 and a rule that at least 26 of the 52 coupons surrendered—instead of 13 as heretofore—must be taken from a single ration book. Criticism of the self-suppliers' scheme, however, continued to mount, and it was now led by the Bacon Marketing Board, which had been given back some of its pre-war powers and was, of course, the spokesman of the 'commercial' trade in home-produced bacon. At the end of 1947, Mr. Strachey appointed a Departmental Committee under Sir John Bodinnar, Chairman of the Bacon Marketing Board and sometime Director of Bacon and Ham and Commercial Secretary in the war-time Ministry of Food, to investigate the whole problem.

The Bodinnar Committee examined a number of witnesses, both official and unofficial, and concluded that the existing self-suppliers' scheme was excessively lax and indeed, had got out of hand. The Committee made several sweeping recommendations: that an upper weight limit be imposed on pigs offered as stores; that slaughter, with certain exceptions, should be confined to 'authorised slaughtering points'; and, most important, that the self-supplier should be obliged to register with the Food Office as soon as he acquired the pig, so that the four months' qualification could be enforced. These recommendations were accepted by the Ministry, though with an escape clause on the matter of slaughtering points which would, in effect, allow farmers to kill their own pigs where they had been in the habit of doing so. Some minor recommendations for harassing pig clubs were not found acceptable. The new arrangements were announced in the House on 23rd February 1948; registration of pigs was to begin on 1st May, so that the statutory four months would have expired by the beginning of the slaughtering season on 1st September.[1] They involved a great deal of work by the Ministry, particularly Meat and Livestock Division on whom fell the task of choosing 'authorised slaughtering points for pigs only'; some 3,500 of these were required (as against an original estimate of 500). In addition the Enforcement staff had to be enlarged.

In practice the reformed scheme had to be relaxed considerably during its first year of operation; the restriction on slaughtering points caused great dissatisfaction and was withdrawn in the following season, the restriction on the weight of store pigs proved to be too drastic and the Order enforcing it was revoked in December;[2] many self-suppliers claimed to have been in ignorance of the registration requirement and had to be given dispensation when the Christmas season came round, and the requirement itself had to be watered down to allow registration at any time instead of within seven days of acquiring the pig. The Ministry claimed, nevertheless, that registration had reduced abuses, but it appeared to be no discouragement to self-suppliers, whose

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[1] H. of C. Deb., Vol. 447, Cols. 1956-8, 23rd February 1948.

[2] S.I. (1948) Nos. 1935, 2765.

slaughterings in the 1948–9 season attained a new record of close to 750,000. Thereafter, however, a decline set in—to 469,000 in 1949–50, and 341,000 in 1950–51—while a spectacular increase occurred in pig receipts by bacon factories: from around 850,000 in 1947–8 and 1,000,000 odd in 1948–9, to as many as 3,000,000 by 1950. The movement had shot its bolt; but though under continual pressure to ease the restrictions on it, the Ministry moved with great caution; not till the spring of 1953 were registration and the 4 months' qualifying period abolished, and the surrender of 52 coupons (or the sale of pig-meat to the Ministry) lasted a year longer, till within sight of the end of bacon rationing in July 1954. It was characteristic of the last stage of food control that regulations which had never had any demonstrable deterrent effect were clung to even when the deterrent was no longer needed.

In their dealings with the self-supplier of pigs, Ministry officials laboured throughout under an acute sense of frustration which may account for the merely vexatious character of some of the restrictions—such as the exaction of 52 coupons per licence—that were imposed. Unable, for reasons largely political, to do anything effective to check the growth of self-supply, they yet felt impelled to go through the motions of restraint. In retrospect it is easy to declare that mistakes were made at the outset, through uncritical acceptance of doctrine, and even administrative requirements—such as the two months' qualifying period—taken from the first period of control and never previously tested. But though a more sceptical, less enthusiastic attitude towards urban and suburban pig-keeping, divorced from the agricultural way of life, would have accorded better with the doctrine of 'fair shares' professed by Lord Woolton's Ministry, it would have been difficult to make out a case for it in the first winter of war when the feeding-stuffs shortage still looked like a temporary phenomenon and the fostering of commercial pig production on an unprecedented scale was still considered feasible.[1] The encouragement of self-supply, in short, must not be judged as an isolated phenomenon, but as part of the miscalculations that marked the period of pre-war planning. Nor should its monstrous growth in the lean post-war years be blamed so much on inadequate control as on inadequate supplies of imported bacon and of feeding-stuffs; on a failure by the Ministry of Food—through no fault of its own—as provider. How far self-suppliers' pigs represented a subtraction from a pool of pig-meat that might otherwise have been available for the consumer at large is indeed debatable. Bacon Division made much play with the supposed diversion of swill from commercial to private keepers, but it is by no means clear what this amounted to in terms of the bacon ration. In so far as self-suppliers' pigs were a net contribution to total food supplies, however ill-distributed, it was difficult for the Ministry to curb them without being accused of putting equality first and plenty second, of discouraging efforts at self-help. It was only when they seemed to be beyond control, in 1948, that it acquired, too late, the kind of public support it could have done with in 1942.

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[1] Above, pp. 389-391.

APPENDIX D

The Concentration of Inedible Fat Melting

HAVING successfully concentrated the edible fat melting industry[1], Oils and Fats Division turned its attention to the problem of inedible, 'technical', tallows and greases. This was more complex because the production of these substances was closely associated with that of others, namely glues, animal feeding meals, and fertilisers, as well as edible tallow. The raw materials were likewise various, including inedible slaughterhouse residues and the product of knackers' yards, bones imported as such, and salvaged waste from camps and domestic collections. Except for the last, all were scarce, and the supply of bones was likely to become scarcer now that beef was boned before export. There was thus not enough raw material to keep all the plants in being. To some extent the end-products were competitive with one another; that of glue, which was the most profitable (and in which the Ministry of Supply was interested), was associated with that of bone fertilisers, but entailed a loss of fat and animal feeding meals. A concentration scheme would therefore impinge on a number of Departments, not least upon the Ministry of Food's own Meat and Livestock Division which was vitally concerned with the efficient clearance of slaughterhouse wastes.

The task before Oils and Fats Division, with the aid of (in particular) technical advice on glue from the Ministry of Supply, was to establish the requirements of each product and then to tailor the concentration scheme, and the financial provisions in especial, to fit. The question of finance was crucial, for the attainment of the desired level of output depended on establishing a proper relationship between the prices of raw materials and those of the finished products, and this could hardly be done except indirectly, by means of a scheme for pooling profits. For the price of the least desirable raw material—salvaged waste—had to be high in order to encourage collection; that of slaughterhouse residues was fixed more or less arbitrarily by the meat and livestock control. As for the finished products, those of tallows and greases were controlled at the prices of the imported product; those of feeding meals at prices corresponding to those of other feeding-stuffs; those of glues and bone fertiliser not at all. Broadly speaking the 'tallow+feeding stuffs' firms tended to be worse off than the 'glue+fertiliser' firms.

The trade was willing to co-operate to the extent of itself collecting the necessary information and even selecting the nucleus firms; indeed it rather resented the Ministry's claim to give final sanction to its choice. But there was a long and acrimonious discussion about the compensation scheme. The English and Scottish melters were unable to co-operate and insisted on having two separate war-time companies, for which there

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[1] Above, pp. 460-462.

was no economic justification; but as higher authority had ruled that compensation schemes were a matter for the trades concerned, Oils and Fats Division was constrained to agree, and two companies—Fabon Limited and Fabon (Scotland) Limited—came into being in August 1942. Furthermore, the Division considered the English melters' compensation proposals to be too rough and ready: it thought they provided insufficient incentive for economy by nucleus firms, which were allowed to retain all their overhead costs 'insofar as these were reasonable and properly incurred'; it would have liked to see provision for independent arbitration on firms' basic quotas, that is to say, upon their rightful share in the profits of Fabon Limited, lest hard cases arise which would inevitably involve the Ministry. But it was not allowed to override the wishes of the leaders of the trade.

The two Fabon companies were made responsible for the supply and allocation of imported bones (which came in under licence) and for the rationalised collection of slaughterhouse materials, which were sold to nucleus melters at fixed prices. They also looked after the rationalised collection of salvaged waste, supervising the prices paid, and seeing to it that hauliers operated in recognised areas over defined routes. All the main products were to be sold in the name of the companies, including glue, for which standard types and maximum prices were now established, not by Order but by agreement. As a result of concentration, only 39 factories were left working out of two to three hundred; but even so the results of the English company proved to be unsatisfactory and after a year it requested an increase in glue prices. This the Ministry would not concede pending the results of the costings investigation then in progress. That indeed revealed that the English company was doing badly; but the Director of Costings considered that before anything was done about its margin, the compensation scheme ought to be completely overhauled. At the same time Oils and Fats Division proposed to insist that fixed, instead of 'reasonable', standing charges only be allowed nucleus firms. Subject to these conditions, the Division proposed, with Treasury assent, so to adjust the price of slaughterhouse offals as to afford an average profit margin of 30s. a ton for glue makers and 28s. a ton for the others, these being the rates considered by Costings to be reasonable. But in computing these averages, the Ministry intended to take the higher profits of Fabon (Scotland) into account—a point that was only made clear to the English company nearly a year later, and which was then, naturally, immediately contested.

For the moment, however, Fabon Limited merely objected to the proposed differential rate of profit for glue makers and the rest, and suggested that the rate be calculated on raw materials rather than finished products. To this the Division agreed; but no agreement was reached on the amount of the margin nor, until the summer of 1944, on a revised compensation scheme in the form of an Equalisation Fund that would guarantee every member firm 50 per cent. or more of the average rate of profit for all member firms in each thirteen-week accounting period. Meanwhile the supply of raw materials in 1944 could be maintained only by importing extra bones at higher cost; and hence higher prices had to be sanctioned for glue and bone flour, and a subsidy of £2 a ton was paid (by Animal Feeding-stuffs Division) on bone feeding meal. All these concessions, along with a retrospective one on slaughterhouse offals, applied in Scotland as well as England, so swelling the already 'satisfactory' profits of the Scottish company. Indeed, by the end of the year the English company, thanks mainly to increased home slaughterings and a consequent reduction in the use of foreign bones, was doing far better than had been expected when the price concessions had been made, and the Ministry therefore proposed to withdraw them.

This provoked protests from both companies and brought the latent disagreement about profit margins into the open. Upon reconsideration it was decided not to raise the price of slaughterhouse offals, as the rise would have fallen on the firms that were making the lowest profits and the Ministry dare not risk a breakdown in the clearance of slaughter-houses. Again, to have withdrawn the subsidy on feeding meals would have injured firms that were not well placed compared with other members of Fabon, and whose costs were lower than that of additional imports would have been. Instead, it proposed that a higher price be paid for 'salvage' bones and other raw materials; but this met with a flat refusal from the Scottish company. Meanwhile Fabon Limited, which in September 1944 had challenged the Ministry's principle of averaging the results of both companies for the purpose of computing the 'reasonable' profit they should be allowed, and had further claimed that the Scottish company's better results were the result of transport rationalisation, giving it raw materials that would normally have come to England, had now discovered new ground for claiming that the proposed margin was too low. Some time earlier the Board of Trade, in a different context, had given an assurance that savings resulting from a concentration scheme should redound to the benefit of an industry; and Fabon Limited's independent accountant therefore calculated that a fair margin should be 37s. 6d. a ton of finished products, as gainst the flat 30s. that Oils and Fats Division were now prepared to offer.

The claim for keeping the profits of concentration was rapidly ruled out of court; on the question of granting some advance on 30s., opinion in the Ministry was divided. The pre-war profits of the industry had been so low that even that figure might be considered generous, even though it was thought to represent no more than 8¼ per cent. on capital employed, well below the Treasury standard of 10 per cent. Moreover, the company had never produced any figures in support of its claim, and Oils and Fats Division felt that it would be wrong to make even a small concession 'merely because they had been a nuisance'. Higher authority, however, decided to meet the representatives of both companies, and as a result Fabon Limited obtained substantial concessions; the 'appropriate rate' of profit was to be 32s. 6d. a ton, and this was to be secured irrespective of the trading results of the Scottish Company (which for its part now came into line on buying prices). Glue prices were raised once more and the subsidy on feeding meals doubled. Oils and Fats Division continued to regard the whole scheme with dissatisfaction: as an official wrote in August 1946:

> 'in spite of concentration, there are being supported, to some extent at Government expense, far more operating units than the present through-put justified . . . Without Fabon, many factories would have become insolvent, and only the efficient units would have remained in operation, with lower costs'.

This judgement overlooked the need for a planned concentration scheme, taking geography into account. It was not concentration that had caused disappointment, but the failure (which was not the Division's) to enforce adequate financial provisions on a recalcitrant trade. A scheme on the lines of British Melters would have given more satisfaction. It was the Division's misfortune that, by the time it came to tackle the technical melters, the ability of trades to turn concentration schemes to their advantage had increased; the willingness of higher authority to be thoroughgoing, somewhat diminished.

APPENDIX E

Fat For Fish-Friers

THE allocation of fat to fried-fish shops was a small but persistent thorn in the side of Oils and Fats Division throughout the period of control. They were not inconsiderable users of fat, their pre-war usage being about 70,000 tons a year, distributed between as many as 25,000 shops; and in spite of the decline in fish landings they were granted a privileged position among trade users, for their allocation of fat never fell below 75 per cent. of datum. The Ministry regarded fried fish as a useful addition to the diet of the working classes and, more important, saw in the friers an outlet for its enormously increased supplies of potatoes.[1] The friers themselves constituted a strongly organised political lobby which kept up a continual clamour for further supplies of fats and exploited to the full the twin advantage of standing for the small trader and catering for the working man; but their organisation did not extend to co-operating with one another, let alone with the Ministry. Any concession was likely to be followed by extra demands; the allocation of extra fat in the winter months led to requests for more in the summer when 'double summer time', it was said, kept people out late, wanting supper; more reasonably, the occasional seasonal gluts of fish likewise led friers to ask for extra fat lest it be wasted.[2]

Apart from these political difficulties, the technical and administrative problems were innumerable, involving continual exchanges between headquarters and the area distribution officers. Many of the shops were small and had inadequate records of their pre-war purchases, so that to establish a datum was a matter of invidious guesswork; any excess of generosity—such was the jealousy of rival traders—might bring reproaches on the head of the area office. The entitlement of fat might be in the form of edible oil, dripping, lard, or compound fat; each frier's preferences were met so far as possible, but for considerable periods he, like any other trade user, might have to take what the Division could most conveniently provide. For a time friers in the North of England had to make do with dripping entirely,[3] a change not popular and entailing an extra allowance where it replaced edible oil, which 'went further' in frying. At other times lard was substituted for edible oils. These alterations for the sake of economy in fats or transport entailed consequential changes in the permits of nominated suppliers—to enable them to furnish a class of fat for which they had not been nominated—and in one case an adjustment of wholesalers' margins of profit.

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[1] Vol. II, pp. 14-16, 145.

[2] It might be thought that, having regard to the general fish famine, there was nothing in this claim. But in fact it was only through the friers that some unpopular species of fish could readily be disposed of. Vol. II, pp. 45-48.

[3] Except for orthodox Jewish establishments, which always had to be given vegetable fats.

Though a great deal of time, thought, and detailed work went towards looking after the fish-frier, he was not altogether incapable of self-help. The small shops had considerable opportunities for picking up odd parcels of home-rendered fats—possibly below the authorised standard[1]—or conversely of selling a part of their own allocation at a profit to some small food shop in the neighbourhood. The black market in oils and fats was never a large-scale problem, but the rigid policing of the allocations of such small people as these was impossible, and in the resulting petty irregularities some fish-friers were known to have a part.

[1] For instance, fat produced by tripe-dressers and gut-cleaners, described on one occasion as 'awful stuff'.

APPENDIX F

The Flour Mills in War-time

THE flour milling industry began the war as a Reserved Occupation, a designation that gave it protection against the call up of its labour force:[1] so that there was no immediate danger of labour shortage. The great mills at the ports ran on three shifts a day, the large inland mills on a two shift system, while the small country mills worked only a single shift each day. Before the war the total capacity of all these had been in excess of requirements.[2] From the beginning of control instructions about running hours were issued to the mills: a maximum running time of 144 hours a week was laid down, but in the early months of 1940 they were allowed, indeed asked, to exceed this so as to build up reserves of flour. Some of the larger mills were now running continuously. By the early summer the security flour stocks had reached 'as high a level as was compatible with their maintenance in proper condition', but the millers were still asked to run their plant 'the maximum hours possible' and, wherever they could, to hire extra storage to keep the flour.[3] By October, however, the immediate stocks emergency was over and the 144-hour maximum was restored—none too soon for some of the mills, which were in need of cleaning and overhaul.

The respite was only short, for by the end of 1940 the country's total milling capacity had been seriously reduced by air attack. The mills were consequently put on unrestricted running time again and asked to disperse their stocks of flour as much as they could. In the spring of 1941 the mills suffered further heavy losses by bombing and at the beginning of May, when one of Ranks' great mills at Hull was destroyed, the total loss of milling capacity stood at over 100 tons of flour per hour. Luckily this was the last of the mills to be lost, otherwise the Ministry might have had to raise the extraction rate to ease the position. To make up for the heavy loss in capacity it now urged all mills to make an effort to work three shifts a day, although recognising that it might be very difficult for some of them to find the labour.[4] Small country mills hitherto working but one shift could not, for instance, be expected to increase their production to such an extent as to make any appreciable difference to total milling capacity.

Another means of relief was to re-open some of the 'silenced' mills that had been closed under the pre-war rationalisation scheme. Most of those closed had been entirely dismantled and the machinery broken up or

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[1] Cf. Hancock and Gowing, *op. cit.* pp. 58-59 and Chapter XI.

[2] The pre-war capacity of the mills was 750 tons of flour (of 70 per cent. extraction) per hour.

[3] The two-shift mills were supposed to be restricted at this time to a 90 hour week, but in practice this was frequently exceeded.

[4] By the end of June the number of mills working on a three shift basis had increased from 172 at the beginning of the year to 190.

removed; but one or two had been left in such a state that they could be put back into operation quickly and without great expense. One of these was at Ellesmere Port on the Wirral peninsula and the others were a group of four, three in the south-west of England and one in South Wales.[1] The total capacity of the five mills to be re-opened did not amount to as much as 1,500 tons of flour a week, representing only a small proportion of the production lost by bombing; but as all were on the west side of the country it was thought that they would give some insurance of output.

The five mills were operated by a Ministry of Food-sponsored company, Re-Commissioned Mills Ltd., who would rent the mills from the owners and run them as a controlled flour mill whose produce would be used to supply other millers having an output insufficient to satisfy their customers. The five mills would not trade on their own account. The advantage of forming the new company, most of whose members were officers of the Ministry of Food (some of them former millers), was that it was entirely separate from the Millers' Mutual Association and so would not interfere with the balance of trade that the Association had manipulated among its members. The Ministry would pay rent to the owners for the premises and equipment of the mills and would be entirely responsible for the costs of keeping them in operation and running them. It did not appear feasible while war continued to rebuild any of the mills destroyed by enemy action.

With the possibilities of adding to capacity so limited, it was essential to keep the rest of the mills running at full strength and in particular to maintain their labour force; and the Ministry of Food made haste to invoke the Ministry of Labour's Essential Work Order of March 1941, so as to tie down any labour not required for National Service.[2] Even so, the prospective raising of the age above which specialist mill workers[3] were reserved made both the Ministry of Food and the millers thoroughly uneasy. Replies to a questionnaire to mills about their labour position showed that they had already lost 19 per cent. of the labour force they had had at the beginning of the war and that the raising of the age of reservation would probably deprive them of another 7 per cent. The actual position was worse than these figures indicated, as many of the employees were now old men or those not capable of doing the harder work. Employment Exchanges were unable to find people to replace those called up. There was no doubt that the mills were running

[1] These four mills had been under the control of Hosegood Industries Ltd. In addition, it was agreed by the Millers' Mutual Association that Spillers should be allowed to re-open Vernons Mill at Birkenhead, which had formerly been worked by the company and had been closed on rationalisation. The output of this mill (875 tons of flour a week) would go some way towards making up the losses that Spillers had suffered by the bombing and destruction of their large mill in London.

[2] S.R. & O. (1941) No. 302. The procedure also gave protection to the employees who could not be dismissed without permission from the Ministry of Labour. Each firm had to be scheduled as a separate unit and had to observe standards of employment satisfactory to the Joint Industrial Council of the trade.

[3] The reserved age for foremen, rollermen, screensmen, and other specialised classes was to be raised from 25 to 30 years and of loaders and stowers from 30 to 35 years.

all out—in fact some of them were working on a two shift system of 12 hours a shift.[1] Apart from such protection as the Essential Work Order afforded, the industry's only hope of hanging on to its skilled younger men was by individual applications for deferment—a process only attended by very moderate success. Out of the 900 applications for deferment for key men on the raising of the reservation age in the autumn of 1941, only 300 were granted deferment and then merely for six months. In 1942 more men were lost to the industry as the age of reservation went up by one year each month.

The introduction of compulsory wheatmeal flour in 1942 brought some easement, for with the extraction rate at 85 per cent. a larger volume of flour was produced from a given quantity of wheat; moreover, owing to the inferior keeping qualities of the new flour, millers were not encouraged to keep such large reserve stocks as previously. Running hours at mills, therefore, were reduced first to 132, then to 126 each week; some of the mills even reduced the number of shifts worked. Early in 1943, however, the maximum running time for mills was again freed from restriction to relieve the pressure on storage space resulting from the influx of imported wheat. 144 hours a week, however, was regarded as the maximum running time that would enable the mills to be kept in a reasonable state of efficiency (leaving a little time free each week for the overhaul of machinery). It was not thought possible to increase the standard working week for all employees in milling as a means of reducing the necessary labour force.[2]

The continued strain on the mills from the progressive loss of labour to the Forces was intensified by the increased use of home-grown wheat and the introduction of diluents into the grist. This made for additional work in handling the grain, for imported grain could usually be handled in bulk but the home-grown grain came in in sacks which all had to be examined frequently in case of loss of condition. When, in the autumn of 1943, pressure was put on the mills to increase their running time so as to make good a fall in flour stocks, it was found that many mills were unable to step up their production because no labour had been forthcoming to fill vacancies.[3] In an effort to get these vacancies filled, the Ministry of Food asked the Ministry of Labour to agree that 'none of the present labour employed in the mills should be withdrawn unless a satisfactory substitute is provided in advance'; but this request was turned down with the not very helpful suggestion, considering the failure to fill the vacancies hitherto, that the local offces of the Ministry of Labour should be approached in an attempt to find older men to fill the places

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[1] The summary of replies received from 234 firms of millers showed that the total labour force had increased from 10,425 to 10,814 between the beginning of the war and June 1941, a rise of 1·8 per cent: 2,563 men had been called to the Forces, and it was expected that 915 more would be lost to the industry when the age of reservation was raised.

[2] The standard hours of work for shift workers in mills were 42 per week, and for day workers 44 per week.

[3] At least 170 unfilled vacancies had been notified to the Ministry of Food by millers.

left vacant by further withdrawals for the Services.[1] These endeavours were a failure, and the Ministry of Food now applied for Preference to be granted to the flour mills concerned; this likewise served little purpose.[2]

The Ministry of Labour's procedures offered one more expedient, namely to have flour-milling listed as a 'designated industry', which would safeguard it from withdrawal of labour without replacement. But this could not be invoked readily so long as not all mills were working as many hours a week as the Ministry of Labour standard—48 in three-shift mills and 52 in others.[3]

There was a particular and serious shortage in the mills of millwrights, fitters, and engineers, and the Flour Milling Employers' Federation suggested that the millers should complete a questionnaire showing how they stood for labour to keep their mills in good running order.[4] The Ministry of Food decided that it would be useful to extend this questionnaire to cover all labour in the mills. The results showed an alarming situation; in some mills running hours had had to be reduced, for lack of labour; in others the men were working such long hours that they were said to be nearly exhausted. In some mills there was so little labour that if one employee had a fall there might be an interruption of work. The Ministry of Food now sought designation of the industry from the Ministry of Production. It pointed out that for lack of labour in the mills home production of flour had been steadily falling and was now over 20,000 tons weekly below consumption.[5] Many mills were now working a solid 168 hours each week and in some cases this was being done by two 12-hour shifts for want of labour to run three shifts. The men were 'worn out and despondent' and it was most unlikely that this feverish rate of operations could be maintained for long. The Ministry of Production countered with the suggestion—not its business and in any case impracticable—that the Ministry of Food should reduce its flour stocks and try to import an additional 5,000 tons of flour a week,

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[1] The approach to local Offices of the Ministry of Labour was made by the Divisional Food Officers who were advised to consult the Area Flour Officers in cases where an application for deferment of a miller had been rejected by the Minister of Labour. All such cases were to be reported to the Headquarters of the Ministry of Food who would take them up individually with the Headquarters of the Ministry of Labour. As in the case of bakeries (above, p. 673) Cereals Division was hampered by having to proceed through intermediaries.

[2] When the Ministry of Labour agreed to grant Preference for the filling of a specific vacancy the firm concerned was given priority at the local Employment Exchange for their labour requirements.

[3] For an anomalous result of the Ministry of Labour's insistence on the 52-hour week, see above, p. 117.

[4] In 1941 the Canadian Millwrights Association had made an offer to arrange for some hundreds of Canadian millwrights to be brought to the United Kingdom to help look after the machinery in the mills, but nothing came of this project.

[5] Consumption of flour in the United Kingdom now stood at 104,000 tons per week and production had sunk from 96,000 tons to 80,000 tons with little prospect of any improvement beyond 85,000 tons. The degree of preference already granted to the mills gave them 'second preference' in the local Labour Exchanges, but under designation they could obtain 'first preference'. Since January 1944 358 vacancies for mill hands had been notified to the local exchanges but of these only 87 had been filled.

but in August 1944 at length agreed to designation.[1] Cereals Division was especially pleased that this concession had been obtained without abandoning 42 hours as the standard weekly stint in the mills.

Even so, it brought little relief, for all that the majority of the outstanding vacancies were now given first preference at employment exchanges. Out of a total of 883 vacancies existing at the date of designation, there was a fall only to 734 vacancies by the end of 1944. The position was particularly serious in the southern half of the country; some mills were so short-handed that the absence of a single worker might mean a temporary stoppage of work. There is no room for doubt that, even in comparison with the food trades generally, the comb-out of skilled labour from flour-milling had been taken too far and that the Ministry of Food's advocacy vis-à-vis the manpower authorities had been insufficiently strong.

As soon as the war in Europe was over the Ministry of Food applied for the early release of skilled mill hands from the Forces. It took time, however, to identify these people; many of them were serving overseas and the process of release seemed likely to be inordinately slow. At the end of August 1945 the new Minister of Food (Sir Ben Smith) appealed to the Lord President's Committee for the process to be expedited. A deficiency in flour stocks was threatened by the end of the year and the only way to meet it was by increasing output; this meant the immediate release of some 400 skilled men and the provision of some 700 others.[2] In consequence releases were given the highest priority during the autumn; by the end of October home production had risen to 99,000 tons a week, thanks to unrestricted running by the mills, and the labour crisis could be regarded as at an end.

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[1] The Ministry was already having great trouble in getting flour from the United States in competition with the demands for Relief, and no more was forthcoming from Canada. There was a further disadvantage that it took far more labour to unload flour at the ports than bulk wheat.

[2] Some service men had been drafted into the mills as a temporary measure during the summer of 1945, but disciplinary difficulties made this an unsatisfactory expedient. Earlier a few Italian prisoners of war had been tried, but the other workers would not always accept them.

APPENDIX G

Yeast for Bakers

I

Before the war, the supply of yeast to bakers in the United Kingdom was mainly in the hands of five firms; together they produced about 27,000 tons yearly, to which were added imports from the Netherlands of nearly 10,000 tons. At that time bakers' yeast was generally made from molasses, though before and during the First World War it had been produced in whisky distilleries from cereals, by what was known as the Vienna process. Of the five British firms, by far the largest maker was the Distillers Company Limited; it produced three-quarters of the total home-manufactured supply at three factories, in Liverpool, in Bristol, and in Scotland. The four smaller firms (two near London, one near Birmingham and the fourth at Ipswich) were younger concerns who were attempting to make their way into the trade. Nearly all these firms were also engaged in producing either bakers' sundries (such as milk and egg substitutes and lemon curd) or (in one case) sauces, and so had been able to market their yeast at little or no profit margin.

Bakers' yeast was produced by growing the organism on a mesh of molasses to which ammoniates had been added in a fermenting tank. When the process was complete the yeast was removed, packed into bags and compressed. The pressed yeast was sold in 'baskets' containing eight 7 lb. bags. The three larger producers each had a distributing organisation through their own depots to which they consigned the yeast by rail. From the depot the yeast was delivered to bakers by each firm's own motor van service. The two smaller makers sold their yeast to dealers who distributed it in the same way. In the north of England yeast was sold by retailers to housewives for home baking.[1] Owing to the perishable nature of yeast, which only remains active at a narrow range of temperature (32° to 42° Fahrenheit), it had to be delivered to bakers frequently.

At the beginning of the war there was no difficulty over the supply of yeast: home production increased and imports continued on a reduced scale until the Netherlands were overrun in May 1940. Even then there was no shortage, for nearly all the firms stepped up production again to a figure higher than total pre-war consumption: they could, indeed, increase output still more if required. In the autumn of 1940, however, the Distillers Company's factory at Bristol was badly damaged in an air attack and its Liverpool factory had to stop working for a short time when power and water were cut off after another raid. Immediately after the Bristol incident, the Distillers Company began to turn over

[1] The Distillers Company's selling agency consisted of two subsidiaries, the United Yeast Company in Great Britain and the Star Yeast Company in Northern Ireland.

their distillery at Carsebridge, Alloa, to yeast production from cereals, so that there should be no interruption of supply, and applied to the Ministry of Food for a consignment of maize for this purpose. The company further proposed to produce yeast from cereals at another Scottish distillery at Port Dundas. Each of these projects would require 475 tons of cereals weekly, and would produce 30 to 35 tons of yeast. The grain required consisted of rye, maize, and barley: the company were prepared, under protest, to use English rye, but the rest must be imported. Some supplies of maize were available in the country but the Canadian barley would have to be imported specially, as it alone was sufficiently rich in diastase. Twice as much 'soft' home-grown barley would be required for a given amount of yeast and even so there was a risk that the quality would not be 'right'.

To use 45,000 tons of cereals over a year in order to produce but 3,000 tons of yeast was a proposal calculated to bring the Ministry of Food up short. Officials asked one another whether it was necessary to use imported cereals, whether dried yeast could not be imported from North America to make good any shortage in home production, and whether the distillers were not hoping to produce alcohol as well as yeast from any Canadian barley they might obtain. Cereals Division was refused authority to buy 2,000 tons of Canadian barley to be malted and kept in reserve for use at Carsebridge and Port Dundas should yeast production again be interrupted. Instead, the Division was asked to explore the possibility of building up a reserve of dried yeast by using yeast factories within the country to full capacity, with supplementary imports if necessary. On being told of this decision the Distillers Company proposed to introduce yeast making from molasses at Carsebridge and Port Dundas. This would mean obtaining equipment from the United States, but would be far more economical of raw material, as 1¼ tons of molasses would replace 14 tons of cereals. A reserve stock of these, however, could be amassed against emergencies, out of the rye and maize other distilleries had been holding in the hope of being allowed to return to whisky production at the end of 1941. The supply of molasses presented no immediate difficulty as there were stocks in the country (some held by the yeast firms themselves) and imports already arranged.[1] The seven factories already in production still had considerable reserve capacity, but if one or more of the larger ones were again put out of action there would either have to be a severe rationing of yeast to bakers or the proposed conversion would have to be undertaken.

The total cost of conversion was put at £87,000; as the company would have no use for the equipment after the war it asked for a Treasury grant to cover the whole. Cereals Division, however, proposed an agreement similar to that made by Oils and Fats Division for shadow margarine plants,[2] whereby the Exchequer and the company would each contribute

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[1] The main use of molasses in war-time was for the production of industrial alcohol. Above, pp. 135-137.

[2] Above, pp. 453-456. The cost included the purchase of 20 second-hand separators, to cost $28,000; the Treasury did not 'think it worth while to set the Lend/Lease machinery in motion for this purchase'.

50 per cent. of the cost, the company would enjoy any profits from its use during the war, and the plant would become its property thereafter. Not unnaturally this appealed to the Treasury more than to the company, and a compromise was eventually negotiated by which the latter undertook to find only 30 per cent. of the costs of conversion—now likely to approach £100,000—and the Government would stand the cost of production (including provision for depreciation) if the plants were put into operation. Any profit or loss would accrue to the Ministry: the latter was the more likely as a converted factory must be expected to be more expensive to run than one designed for the purpose. The Treasury was not too well pleased with the terms, but was constrained to accept them as the best that could be negotiated. It was not, however, until early in 1944 that the standby factory at Carsebridge was ready to operate; in March of that year yeast production began and soon exceeded 50 tons weekly. The second shadow factory, at Port Dundas, was never required. The emergency reserve of grain had been taken back for animal feed towards the end of 1941.

II

Apart from this major precaution against interruption of yeast supplies the Ministry had early explored other measures. One suggestion, that a stock of *dried* yeast be built up, was found to be impracticable, quite apart from the fact that it was extravagant in the use of molasses. Accordingly the Ministry's emergency bread scheme was built up around the 'barm' process familiar in Scotland, but novel to most English bakers. For them a pamphlet[1] was prepared in August 1940 on how to 'carry on fermentation should the yeast supply fail'. The barm could be made with malt extract and a very small amount of yeast: if the baker still had a little yeast he could keep and use some 'old dough' for fermenting batches of bread. At the same time the five yeast manufacturers inserted advertisements in the trade press urging all bakers to keep in reserve 'sufficient yeast to enable three or four days of their usual bread supply to be maintained'.

A further line of defence was for the yeast manufacturers each to keep an extra week's normal supply in 'cool store'. As this was 'quite outside the normal practice of yeast manufacture', and would involve the firms in a frequent turnover of the emergency stock, because the yeast would not keep for long in such conditions, the Ministry offered to meet 'not more than 50 per cent. of the cost or £2,250 per annum'.[2] In addition to the manufacturers, many of the dealers in yeast were able to set up cool stores (35°F) for yeast; the Ministry undertook to support their applications for licences to get the equipment and to have it installed.

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[1] The pamphlet was headed 'Yeast: Bread making in an Emergency'.

[2] The argument for this rather niggardly offer was that 'traders in other commodities had been encouraged to cover additional stocks and had complied without Government financial assistance'.

By March 1942, the Ministry's Yeast Distribution Organisation was able to give the assurance that 'there is now practically a week's reserve of yeast stored throughout the country'. For a time the Ministry continued to explore the possibilities of increasing the output of dried yeast, of which all existing supplies were being taken by the War Office for use overseas. More was in any case required for this purpose and possibly for liberated areas also; but any extra production would have required the procurement of special machinery, which would take time and entail the provision of funds by the Ministry. In the end these special requirements were made up by dried yeast imported from the United States; by that time (1944) the question of emergency civilian supplies in Britain had become academic.

III

Before the war yeast prices had been low because of intense competition from importers and the new factories. Prices varied between the several suppliers,[1] and the biggest distributor, the United Yeast Company, operated a system of quantity discounts that was very favourable to large-scale buyers. At the beginning of the war the yeast firms undertook not to raise their prices without the consent of the Ministry of Food, but in January 1940 the Ministry sanctioned an agreed minimum price, to all users of not more than 20 baskets weekly, of 3s. 6d. a 7 lb. bag. This arrangement enabled the smaller producers to raise their prices sufficiently to cover increased war-time costs; it is noteworthy that one of these opposed any further rise in the floor price lest it be deprived of the sole advantage it could claim over the Distillers' product. Early in 1941, however, the Molasses Control indicated its intention of raising the price of molasses to yeast manufacturers, and the Distillers Company thereupon informed the Ministry that yeast prices would need to be put up by 4s. a cwt. to meet this and other increases in cost. A costings investigation followed, which confirmed that this was indeed the measure of the extra costs all five companies were incurring; but the Distillers Company was still making substantial though reduced profits, partly because increased output had led to economies. Consequently the Director of Costings would have preferred to limit any increase in margin to the remaining companies, who would otherwise make small profits or even losses. At the same time he advocated a rationalisation scheme for the industry, the abolition of branded yeast, and the introduction of a standard product so as to 'eliminate the competitive element' from the trade for the duration of war.

These recommendations provoked a debate which lasted through the autumn of 1941 into 1942. The Ministry wanted to keep all the firms in production in case of emergency, and if it let the small firms charge higher prices they might lose business to the Distillers Company; yet

[1] London prices per basket (56 lbs.) ranged from 40s. down to 19s. Outside London the price was higher.

there was obviously no case for allowing the latter to raise its prices to the extent that would be necessary to keep some of the other firms going. An *ad hoc* Committee was set up, which reported in favour of raising the price by 4s. a cwt. all round, and making a levy of 1s. a cwt. on the Distillers Company for the benefit of the three weakest brethren. To this all parties, including the Treasury, were brought to consent, and a draft agreement prepared; but when this was at length submitted to the Ministry's Legal Branch, it was declared to be *ultra vires*, in accordance with the Wilts United Dairies case.[1] Only the Treasury might make a levy of this kind, by means of a Charges Order that would moreover require an affirmative resolution of the House of Commons. Moreover, the Distillers Company had produced new figures to show that the 1s. levy might not be fair to them. Accordingly the Ministry proposed to drop this feature of the plan and substitute a simple subsidy of 3s. a cwt. to the smallest companies. To this also the Treasury agreed; it was hoped that a reduction in the size of quantity discounts, plus the savings to be gained from a zoning scheme the Ministry was preparing, would enable the subsidy to be discontinued after a few months.

Meanwhile the Molasses Control, for reasons of its own, was preparing to introduce a 'delivered price' system for molasses, embodying averaged transport charges, in place of a flat price *plus* actual delivery charges. It so happened that this would raise the costs of the small firms who used beet molasses from near-by sugar factories, and lower those of the Distillers Company using imported cane molasses, so making the disparities in profits worse than ever. The net effect would be to make the yeast industry some £15,000 a year worse off, to the advantage of other molasses users; but when told that the Ministry of Food would have to ask the Treasury for a subsidy to cover this charge, the Ministry of Supply at once agreed to grant rebates to the yeast firms affected, so as to place them in the same position as before. The new prices of yeast, together with the Zoning Scheme, came into force in May 1942.

A year later the results of a further Costings Investigation were ready, according to which the settlement had been a great deal too generous; most of the firms were enjoying a higher margin than before the war and all but one now had higher 'global profits'. After some discussion it was agreed that a fair way to deal with the situation would be to make the equivalent of a 2s. 6d. per cwt. reduction in the price of yeast, but to apportion it between the firms according to their pre-war profits. The standard profit for each was to be the total of its pre-war profits and an amount equal to one-quarter of the pre-war *rate* of profit on any production in excess of the pre-war quantity. Each firm was to make an agreement with the Ministry under which it paid over any excess or received any deficit arising between its actual profits and the standard figure. At first sight it is not easy to see how this proposal differed from the illegal proposal of the previous year, but the Ministry's Legal Adviser was prepared to recommend it on condition it was secured by free agreement and not under duress. His doubts, however, returned when he discovered

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[1] Vol. II, p. 177.

that Cereals Division would not be taking legal possession of the yeast even momentarily (as had at one time been proposed), was not proposing to make a Price Control Order, and that there was not even a fictitious 'consideration' embodied in the agreements it proposed to make. Nevertheless, the Division persisted with the agreements; early in 1944, however, the Treasury proposed an alternative scheme whereby any surcharges could be made by adjusting the price at which the firms in question bought their molasses. This suggestion was perhaps prompted by the issue of a Maximum Prices Order for molasses[1] and was for that reason not very opportune so far as the Ministry of Supply was concerned; but it was eventually agreed to and in October 1944 the 'Bakers' Yeast Profits Control Scheme' was put into effect, retrospectively from the previous January. Although the firm principally affected had meanwhile agreed on a somewhat more favourable standard rate of profit with the Ministry,[2] some £150,000 was collected by way of surcharge in 1944 and not much less in 1945.

The zoning scheme for yeast eliminated some spectacular individual examples of long and cross-haulage, but could not prevent the need for yeast to travel over long distances, seeing that the number of factories was so few. In effect it was based on carving two small slices out of the Distillers Company's kingdom—one for the small producer in Birmingham and another for the three small factories in London and East Anglia. Supplies in the last area were supplemented by bulk 'accommodation' yeast sent in from the Distillers' Bristol factory. The resulting economies in railway carriage[3] were less than had been hoped for, and the scheme made little difference to road transport, as the fleet of vans that had to be maintained to supply bakers from the depots could not be substantially reduced; even though the activities of yeast 'distributors' as well as manufacturers had been brought under control. There were complaints, particularly in Lincolnshire, about the poor quality of the yeast being supplied by one of the smaller companies, though the United Yeast Company—which was now distributing other besides 'D.C.L.' yeast—did its best to adjust its orders so as to ensure that the product was still fresh when it reached the baker. Complaints about the poor keeping qualities of this one variety, however, were largely responsible for the pressure, immediately after the war ended, for the zoning scheme to be brought to an end. As one firm remarked in September 1945, it seemed 'extraordinary that race horses may now be sent anywhere by passenger train', but not yeast.

The Ministry had indeed been talking of transport relaxations for some time, and if it now seemed less eager to make a move on yeast than before this was on account of the financial implications. The zoning scheme, with its tie of baker to supplier, was an essential basis for the

[1] S.R. & O. (1944) No. 485.

[2] This was frankly done by 'thinking of a number'; as the Treasury put it in February 1944, 'we agreed that the main thing was to arrive at a figure which looked fair and then as a subsidiary matter express it in the way which seemed most convenient'.

[3] As yeast went by passenger trains that had to run anyhow, it is not easy to see why any importance was attached to this economy.

profits control scheme and the differential prices of molasses that went with it. The costs of the smaller firms were bound to rise when their delivery areas were extended, but to put up the price of yeast for their benefit was open to the old objection that it would give windfall profits to the Distillers Company. The Ministry of Supply, although it was subsidising molasses to the tune of between £3 and £4 a ton, did not want to raise its price to the yeast manufacturers alone, still less to discriminate amongst them. The Ministry of Food toyed with the idea of itself buying molasses from the Ministry of Supply for resale at differential prices, but was told by the Legal Adviser that it would be 'a very artificial or fictitious transaction for the Crown to purchase from itself', to say nothing of 'selling molasses above the legally controlled price'. At length the Ministry of Supply was persuaded to remove the subsidy, and the way was clear for ending not only zoning, but the whole 'voluntary' control scheme. The transport restrictions had been lifted in March 1946; the pooling of profits ended on 31st May. The agreed rises of price, on the cheaper qualities made by the smaller firms only, that went with it meant some £200,000 on the bread subsidy; an amount more or less matched by the £225,000 the Ministry of Supply would save on molasses.

APPENDIX H

Wheat Storage Problems

I

ONE of the primary limitations on the size of the original security stock of wheat had always been where to put it.[1] When, early in 1939, the Food (Defence Plans) Department was asked if the 400,000 tons then held could not be doubled, to ease the foreign exchange position should war break out, its immediate reply was that this would entail the building of silos, at a cost of £6 for every ton of wheat. In order to reduce this expense, the Department proposed to hold the equivalent of just under 150,000 tons of wheat in the form of flour, to be stored by millers and factors, and to build silos sufficient for only 250,000 tons of wheat. This was less than an ideal provision, seeing that some of the existing security stock was inadequately housed; but it had the merit of being immediately acceptable to the Treasury, which even in the spring of 1939 might have balked at a higher sum.

The Department had already approached the leading millers about constructing silos that might be rented by the Department for three years. The most convenient sites would obviously be adjacent to the great flour mills at the ports, though London, Liverpool, and Hull were to be excluded from the plan as too vulnerable to air attack. The notion was that the silos should eventually become the millers' own property, though the Government would provide the capital in the first instance. Ranks at once expressed readiness to put up new silos, each to take 5,000 tons of grain, at Newcastle, Swansea, Belfast, at Glasgow if they could get the site, and possibly also at Southampton. Spillers offered to build 10,000 ton silos at Plymouth and Cardiff. The Co-operative Wholesale Society, though it could not see itself having any use for silos when the Department had finished with them, was likewise prepared to consider putting up one at Manchester and another at Avonmouth. Most of these could be built on land already belonging to the millers.

The terms offered by the Department, however, roused little enthusiasm. It proposed to make interest-free loans to cover the full cost of construction repayable over a term of 20 years less agreed sums for depreciation. The Government would undertake to use the silos for four years; depreciation for that period would be fixed at 25 per cent., with 4·7 per cent. for each additional year of occupation. It would reserve the right to continued use of the silos for ten years in all. Not unnaturally, the two private firms were inclined to jib at having to wait perhaps ten years for storage space of which they might be in need, nor did they like the idea of undertaking to buy the Government out at the 'fair value' whereas the Co-operatives, who had declared that they would have no

[1] Vol. I, pp. 17-20, 23-24, 29.

use for further silos, might eventually get them at 'a knock-out price'.[1] By June 1939 it seemed likely that the Department would get only 60,000 tons of space under the plan; any more would have to be built by the Government without guarantees for ultimate disposal, and therefore at the risk of financial loss. Later that summer the chances improved and a figure of 85,000 tons for millers' silos was mentioned.[2]

In practice, this estimate proved sanguine, for most of the projects encountered difficulties. Ranks failed to secure the land in Glasgow and their site in Swansea was taken by the War Office; an alternative proposal to build at Newcastle foundered on excessive construction costs, leaving them only two silos at Southampton and Belfast. Spillers likewise found the contractor's price at Cardiff 'excessively high' and it was abandoned; their Plymouth silo (of which only half the total space of 20,000 tons was for Government grain) was eventually completed at a cost nearly double the original estimate.[3] As for the C.W.S. they too lost their Swansea site to the War Office, and as it proved impossible to get priority for steel and cement for the others they too came to nothing. Thus of the original scheme for 250,000 tons, only 20,000 tons was actually secured.[4]

II

The Department did not meet with any trouble over the storage of grain at the beginning of the war, partly owing to the rapid fall in wheat stocks in the autumn of 1939; but by the spring of 1940 stocks of wheat and flour were approaching the accepted minimum safety level of 13 weeks' supply,[5] and, to forestall possible difficulties, the Cereals Control Board asked the Ministry's Warehousing Branch for a list of premises then vacant that might be suitable for storing grain, to which would be added particulars of premises 'on the books of the Port Area Grain Committees' and accommodation at the mills. A good deal of information was collected as a result, but it was not until the late summer that any comprehensive picture of the space available for grain could be drawn.[6]

[1] There were also muted complaints from the Grain Trade, which was still feeling injured about the original purchase of 1938 and the congestion it had caused in Liverpool. In an effort at appeasement the Department invited the Liverpool Grain Storage Company to consider puting up an additional silo in Liverpool, but this idea fell through.

[2] Ranks were to put up 5,000-ton silos at Southampton, Belfast, Swansea, Newcastle, and Glasgow, Spillers 10,000-ton silos at Plymouth and Cardiff, and the Co-operative Wholesale Society a 20,000-ton silo at Manchester, a 10,000-ton silo at Avonmouth and 5,000-ton silos at Swansea and Hull. In addition there were vague plans for the erection of a 5,000-ton silo by Ranks at Falmouth, and a joint Rank and Spiller silo of 10,000—20,000 tons at Birkenhead.

[3] The Ministry finally paid half the total revised cost of erection (covering the half of the space at its disposal). The total cost amounted to nearly £169,000 against the original estimate of less than £92,000.

[4] Ranks were very successful in keeping the costs of their two silos down. The Belfast silo was put up for about £35,800 (15 per cent. above 1935 costs) and the Southampton silo for £28,200, only £1,200 more than the original estimate of 1939.

[5] Vol. I, pp. 69-70; above, p. 520.

[6] Vol. I, p. 146.

From the returns of the millers and Port Area Grain Committees it appeared that there was space for some 1,800,000 tons of bulk cereals in silos and public granaries; this could only be extended by new building, as bulk grain could not be kept in good condition for any length of time unless in premises properly constructed and equipped for the purpose. There was, in addition, storage at the mills for 333,000 tons of bagged cereals, though this was, in general, required to house flour and millers' offals. The Port Area Grain Committees declared that there was also space for 1,300,000 tons of bagged cereals in warehouses at or near the docks (together with possibly 400,000 tons 'emergency space' in London), but most of this was used to store other foodstuffs and goods and it was, moreover, doubtful how much was suitable for any but emergency grain storage.[1] The amount of bagged grain that could be stored was severely limited by the difficulty of obtaining bags—150,000 tons was thought to be the maximum for 1940, at any rate. In any case, storage could never be filled to capacity as room must be left to move the grain.

By August 1940, the rate of imports of grain had outstripped consumption and heavy arrivals were expected to continue far into the autumn. Moreover, wheat from the home crops was coming forward and it looked as though congestion would soon occur. It would obviously be wise to store some wheat away from the ports and Cereals Division advised the building of 'sheds' inland. If the supply of bags could be increased the wheat could be kept in 'a simpler form of store' than the expensive silo, perhaps even in existing buildings. During the winter of 1940–1 the scramble for all kinds of premises was at its height, and was exacerbated by the effects of bombing. By the beginning of 1941 the possibilities of requisitioning were said to be almost exhausted: and the Ministry's plans for building fresh stores, to be undertaken by the Ministry of Works, included provision for 50 grain stores. These were to be spread throughout the country mainly in or near small towns; they were expected to cost about £12,500 and would house about 4,000 tons of grain each. Shortly after this programme had been agreed upon, however, the War Cabinet's Production Executive ordered a 'drastic curtailment' of new works, however necessary, because of the acute shortage of labour. In consequence only 28 of the stores were put in hand immediately.

In general the aim was to site these grain warehouses in 'reasonably safe' areas, wherever possible on rivers or canals or adjacent to railways for ease of transport, and preferably alongside flour mills so that the 'conveyor plant' of the mill could be used for both. (As far as possible the stores would be used for hard Manitobas that would only need to be turned over occasionally.) The selection of sites took a long time, partly because the Ministry's Warehousing Division, which was responsible for organising the scheme, thought it necessary to draw in the Divisional Food Office staff to give advice on local siting in addition to the better informed people from Imported Cereals Division; the Ministry of Works became impatient over the 'confusion and delay' brought about by so much consultation and by the various difficulties raised by some of the

[1] Apart from London (at this time a most unsafe home for foodstuffs) less than 100,000 tons of storage was actually free in August 1940.

Divisional Food Offices. By the end of 1941 however some sites had actually been requisitioned and others were approved; and in February 1942 Warehousing Division were able to report that building was in progress on 37 sites all to be completed within three months.

By this time, however, Imported Cereals Division had become highly sceptical of the usefulness of the stores, pointing out what indeed might have been realised at the outset, namely that they could not be used *instead* of port storage, on the grounds that wheat must always be immediately available to feed the port mills. For the same reason they were unsuitable for storing 'security' wheat which must be readily accessible to serve its purpose in emergency. Now that the extraction rate was to go up and imports to be reduced, the extra space would not be wanted—it were better used for home-grown cereals or even for other foodstuffs. However, Godstone eventually, in midsummer 1942, agreed to make use of 16 of them for security wheat, to the modest total of 64,000 tons.[1]

Meanwhile the Ministries of Food and Agriculture were becoming anxious about storage of the home crop, especially in the Midlands where many farmers who had turned over from grass to arable farming had nowhere to store much of their grain. The introduction of combine harvesters[2] meant, moreover, that the grain would need to be dried after threshing and few farmers had drying plant of their own. Much of the 1942 wheat crop might be dried at the large mills, but as these were mainly at the ports there was an urgent need to build inland stores equipped with drying plant to deal with what could not be moved quickly thither. By 1943, when the home crops would be enormously increased, the need for this storage would be still greater. A beginning was made by allotting the balance (15 in all) of the original building programme to home-grown instead of imported cereals and adding drying plant and automatic handling equipment to the original simple specification—so doubling the cost. In effect the new silos were a kind of transit shed for grain, rather than a lock-up store. Nearly all the sites chosen were in the midlands and south-west England, near inland flour mills, but as the programme was not put in hand until the spring of 1942, the silos could not all be ready for that year's harvest.

By the summer of 1943 a few of the new silos were nearing completion and it was hoped that they would be ready to take in grain during the autumn. It was decided to let them be run by the Ministry-owned company, Re-Commissioned Mills Ltd., who would appoint a General Manager and managers and staff for each silo. Owing to the urgent need of getting the large crop of home-grown wheat (nearly half as great again as the preceding harvest)[3] dried before it went to the mills, the

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[1] An *ad hoc* company, Inland Warehousing Ltd., staffed mainly from the warehousing firm of Warriner, Hall, and Thomas, was formed to run the stores. The stores were equipped with 'pneumatic grain suction plants, grain elevators, conveyors and pilers', and the grain was stored mainly in bulk but partly in bulkheads of bagged wheat.

[2] Cf. Murray, *op. cit.* pp. 87, 127, 378.

[3] Murray, *op. cit.* p. 375. The 1943 wheat harvest was estimated at 3,347,000 tons as compared with 2,567,000 in 1942. Home-grown wheat had a far higher moisture content than Canadian wheat and after threshing by combine harvesters became unfit for milling unless dried.

Ministry of Food was able to exert some pressure both on the Ministry of Works to get priority for the construction of the new silos and on the Ministry of Labour for staff to run them. Each silo was expected to have about 1,500 tons of grain a week passing through it. By the beginning of 1944 five of the silos were working and the remainder, eventually 16 in all, were completed in time for the 1944 harvest. They proved especially valuable in the wet harvest of 1944 when much of the home crop could only thus be brought beyond the 'potentially millable' stage. Nearly 135,000 tons of wheat was dried in the silos in that season besides over 11,000 tons of barley and other grain. The silos continued in use for some years after the war and were, indeed, actually extended in 1950 owing to the increased use of combined harvesters.

The heavy shipments of grain from North America in the 1943 season[1] produced acute storage problems in the ports. After all the formal facilities for bulk grain had been exhausted there were expected to be about half a million tons for which space must be found. The only solution seemed to be to use the Port of London to a much fuller extent than had hitherto been considered safe; even so grain would have to be bagged either before shipment or on arrival, and it might not always be convenient to send the ships on the journey northabout to the East Coast. Although in the event some 250,000 tons of Canadian wheat had to be forgone,[2] unloading difficulties became so severe in the autumn of 1943 that Lord Woolton had to appeal direct to the Minister of War Transport to allow the temporary use of transit sheds to house grain and other foodstuffs. But these in turn had to be cleared and Cereals Division found itself hard-pressed to find more permanent storage; the more so, in its opinion, under a new dispensation by which all warehouse space in London and Liverpool was allocated by the Port Emergency Committees, and the Ministry of Food's share controlled by its Warehousing Division. The purpose, to prevent a scramble for space, was laudable, but Godstone maintained that its Port Area Grain Committees, whose members 'knew all the ropes and all the people', would have been able to lay hands on accommodation the very existence of which would remain unknown to the Warehousing people. The same pattern, in less acute form, was repeated in the late summers of 1944 and 1945; in the latter year some imported grain had for a time to be stored under galvanised sheeting. Thereafter, with dwindling stocks and the end of bunched shipments in convoy, the storage problem for imported cereals was at an end.

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[1] Above, p. 534.

[2] Above, pp. 538-9.

APPENDIX J

'Speciality' Flours; Semolina Products

I

When, on the outbreak of war, the price of straight-run flour of 70 per cent. extraction was fixed[1] at 22s. per sack, it was provided that flour of a 'better quality' should be sold at this 'basic price' plus 'an amount equal to the customary difference of the price' between that flour and straight-run charged by the miller immediately before the date of the Order. The classes of flour for which higher prices might be charged were self-raising flour (to which chemical aerating agents had been added), proprietary brown flours of a higher extraction rate than National straight-run, and semolina, a granular substance that might either consist of the residue from the first stage of milling wheat or be especially made from hard Durum wheat: the former was a low-quality product but the latter was in particular demand for making macaroni and similar 'edible pastes'. The Flour Order did not make plain whether the prices to be set on speciality flours were mandatory or maximum rates, and there was some trouble in the early months of the war because of alleged undercutting by a large firm producing self-raising flour.[2] When the Order was revised in March 1940,[3] the definition of speciality flour was clarified to mean 'flour other than National straight-run' that a miller was licensed by the Minister to produce. The maximum price (now so expressed) might now include any increase in the cost of 'wheat germ or non-wheaten ingredients' since the beginning of September 1939. Millers were instructed how to calculate the additional price.[4]

At the end of August 1940 a General Licence was issued authorising the production of speciality flours. These were now defined as 'proprietary self-raising and proprietary brown flours', so cutting out any non-branded products.[5] But there was no control over 'processors' of flour[6] who might buy National straight-run flour from millers and licensed factors at the prices prescribed by the Flour Order and, after mixing

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[1] By S.R. & O. (1949) No. 1036; above, pp. 591-592. At the same time a General Licence was issued permitting millers to produce branded self-raising and speciality flours.

[2] Spillers were producing two lines of self-raising flour, one selling at 30s. for a gross of 1 lb. bags and another at 20s. for the same amount. The only apparent difference between these was the packing and a gift scheme with the former. It was alleged that the firm must be selling the latter at a loss to capture the trade, but Spillers declared that they were making the same profits on both as before the war.

[3] S.R. & O. (1940) No. 407.

[4] The maximum selling price was the 'appropriate price' of National straight-run flour, plus the 'pre-war differential of the self-raising price over the price of basic flour and the increased cost since that date of non-wheaten ingredients', plus any difference in the pre-war packing costs.

[5] S.R. & O. (1940) No. 1570.

[6] *i.e.*, flour packers and some wholesale and retail grocers.

it with raising agents and sometimes with saccharin, might then sell it at uncontrolled prices. The flour millers, who were not themselves permitted to manufacture sweetened self-raising flour, naturally complained, and the regular manufacturers of self-raising flour, selling a 'quality product under a brand name' also considered that they were subject to unfair competition. As the makers of these products could not be brought under the Order controlling mills, Cereals Division proposed in mid-1941 to 'institute control with reference to the product rather than its producer', by prohibiting the mixture of flour with any other ingredient for food except under licence. All makers of flour mixtures, other than branded self-raising flour which might continue to be manufactured under a General Licence, would then have to apply for individual licences: by this means the Ministry would be able to ascertain all the uses to which wheaten flour was being put. By the autumn of 1941 licensing of individual makers of self-raising flour had become necessary anyway, as the shortage of raising agents (in particular acid calcium phosphate) had compelled the Ministry to undertake their allocation to manufacturers. During September 1941, 190 millers applied for licences to produce speciality flour (many of them for several varieties) and most of these were granted.[1]

Generally speaking manufacturers of self-raising flour, especially members of the Self-Raising Flour Association, had not altered their prices since the war began and most of them had no wish to do so. There was reason to think that some millers were selling below cost of production, so as to keep their customers, subsequently recouping their losses under the remuneration agreement and so 'gaining trade and goodwill at the expense of the Ministry'. The Ministry therefore proposed that licences for speciality flour should specify a fixed price that would be calculated to ensure that the flour could not be sold at a loss. To this the Association agreed; but such a solution could not be applied to packers of flour who numbered, retailers included, about 40,000 and it was accordingly not pursued. Instead the retail price of self-raising flour was included under the Flour (Maximum Retail Prices) Order that came into force early in October 1941. This put the retail price of self-raising flour at 3½d. per pound (being a halfpenny above the pre-war rate) and 14s. od. per half-sack (140 lb.)[2] The Self-Raising Flour Association undertook to recommend its members to sell at the maximum price. Cereal Products Division would have liked to follow up price control with a regulatory Order that would cover both the manufacture of flour with which any other substance was mixed and the pre-packing of flour for ultimate retail sale. But the Orders Committee would not countenance an Order designed 'to regulate packers' selling prices' without stipulating what these were to be, and thought that the Division's other objects could be achieved by allocation of ingredients. Allocation, however, would not close the loophole whereby manufacturers were able to evade price control entirely

[1] About 250 licences to produce brown flour (many being for proprietary brands) were granted together with 166 for self-raising flour, 42 for semolina, and a few for other permitted products, mainly Canadian Springs and High Ratio Cake Flour.

[2] S.R. & O. (1941) No. 1530; see above, p. 635.

by adding sweeteners to self-raising flour, a new development since 1939.

During 1942 it became evident that further control of self-raising flour was necessary on account of the very considerable expansion in the trade at a time when raising agents were scarce.[1] Early in the year, sweetened self-raising flour was brought under some degree of control by the Flour and Flour Mixtures Order[2] which required all manufacturers of such products to be licensed by the Ministry and to keep records of all their materials. No attempt at price control of these products was made. Sweetened flour was of course a tiny fraction in the total production of self-raising flour and, to establish efficient control over the whole, the Division would need to prescribe a standard for it; one neither so high as to encourage extravagant use of imported phosphates nor so low as to impair the flour's effectiveness.[3] The establishment of minimum standards was, of course, in line with the Ministry's general policy at this time, embodied in the establishment of an Interdepartmental Food Standards Committee.[4] The trade was not unwilling to see a standard imposed for self-raising flour, for it felt its reputation was being damaged by the few small manufacturers producing an inferior article with poor keeping qualities.

The problem was put to the Interdepartmental Committee on Food Standards in November 1942. It was made more complicated by the Ministry's decision to introduce fortification of National flour with chalk,[5] which would affect the aerating properties in self-raising flour. There would be no difficulty over self-raising flour produced by millers as they could be allowed to make it from 'M'[6] flour to which chalk need not be added. Small manufacturers, however, had to use ordinary national flour and their aerating agents would need to produce at least ·6 per cent. of 'total' carbon dioxide to counteract the effect of the added chalk and to give the ultimate purchaser at least ·45 per cent. of 'available' carbon dioxide at the time of use.[7]

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[1] In order to make the flour rise adequately in baking there must be sufficient sodium bicarbonate (alkali) and acid phosphates to interact so as to release enough carbon dioxide to aerate the flour. A minimum of at least ·45 per cent. of carbon dioxide must be producible in the flour when used and this meant allowing for ·5 per cent. at the time of manufacture. Production of self-raising flour had risen by over 50 per cent. since before the war and now exceeded 250,000 tons yearly.

Before the war cream of tartar and tartaric acid had been used for the acid but during the war these were no longer obtainable. Applications for licences issued by the Ministry to manufacturers of self-raising flour had shown 'a considerable variation in the proportion of aerating ingredients used'. In addition to defining a percentage for aerators it would be necessary to prescribe a maximum moisture standard otherwise the flour would deteriorate before sale. This was set at 14 per cent.

[2] S.R. & O. (1942) No. 348.

[3] The main acid-raising ingredient for self-raising flour was acid calcium phosphate; the Ministry wished to limit those permitted to it and acid sodium pyro-phosphate.

[4] Vol. I, pp. 317-318.

[5] Above, p. 604.

[6] 'M' (manufacturing) flour had had the wheat germ extracted so as to extend its keeping qualities: it was available only for the manufacturers of biscuits, self-raising flour, and one or two other special uses (e.g. for medicinal purposes): 140 millers were licensed to produce it.

[7] 'Total' carbon dioxide was the weight liberated on scientific testing. The 'available' carbon dioxide was the amount present for aerating the flour under baking conditions.

The prescription of a standard was delayed by the slow passage into law of the enabling Regulations, which did not come into force until January 1944.[1] For self-raising flour this was just as well, for drafting difficulties had come to light. In the first place it seemed doubtful if any definition of self-raising flour could cover every existing preparation of the kind; secondly the question arose whether the Order should not specify the exact composition of the commodity (covering every ingredient) rather than confine itself merely to a standard for carbon dioxide. As to the point of definition it was decided to exclude from the Order any flour product to which a 'flavouring, colouring or sweetening agent' had been added. These would be regarded as flour mixtures, and as such licensed under the Manufactured and Pre-packed Foods Order, leaving the term 'self-raising flour' in the negative position of applying only to flour products not so designated.[2] On the point of composition, the Food Standards Committee thought that 'in the early stages of standards control' it would be 'desirable for the standard to relate only to a specific essential ingredient or quality leaving the general composition of the food to be taken care of under Section 3 of the Food and Drugs Act'. Accordingly, the Order as drafted included no definition of self-raising flour other than its carbon dioxide standard and for this the total carbon dioxide was now raised to ·65 per cent. to allow for the maximum amount of chalk that might be present in fortified self-raising flour.[3]

Once the Order was in force the Ministry kept a careful watch on its effect by tests carried out at the Cereals Research Station. A series of experiments appeared to show that the 'optimum ratio' of acid phosphates to bicarbonate in the self-raising flour was 1·3 to 1, as a somewhat acid flour gave a better product in baking.[4] The trade found the standard unsatisfactory; it complained variously of the 'vagueness' of the method prescribed in the Order for determining the ratio of 'available carbon dioxide', of the insufficient gap between the proportion of total and available carbon dioxide especially where the flour was fortified with chalk, that the Order 'took no account of the natural flour acidity' and of the Ministry's (contrary) advice to millers that 'a slight excess of sodium bicarbonate is desirable in self-raising flour'. But the Food Standards Committee, finding that no 'real difficulty in the application of the standards' had been reported and that the acid in general use was acid calcium phosphate, saw 'no justification for amending the Order'.

Nevertheless the Ministry ran into difficulties early in 1945 over impending prosecutions of several firms for not observing the standard.

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[1] S.R. & O. (1943) No. 1553; Vol. I, pp. 316-317.

[2] In fact, the position of flour mixtures under the Manufactured and Pre-packed Food Order S.R. & O. (1943) No. 68 merely continued the requirements of the Flour and Flour Mixtures Order.

[3] In theory the proportion should have been raised to ·7 per cent. but the Committee thought this might result in overmuch sodium bicarbonate in the flour. The Order (S.R. & O. (1944) No. 44) did not come into effect for manufacturers until 16.3.44, for wholesalers until 16.5.44, and for retailers until 16.6.44, so as to give them time to dispose of their existing stocks of flour.

[4] There was little difference in the acidity of flours of varying extraction rates (70 per cent.–85 per cent.), but the use of sodium acid pyro phosphate as the acid aerator might lower the available carbon dioxide.

The Self-Raising Flour Association had told the Ministry that there were 'serious discrepancies between the products of reputable firms' because of the unsatisfactory conditions for testing laid down by the Order. They urged it to try to avoid prosecution until a 'more precise analytical procedure' could be evolved and incorporated in the Order. In several cases 'Public Analysts had been incorrect in the analyses due to insufficient experience in flour and the fact that the S.R. & O. is not specific enough on certain points'. In these circumstances the only thing to do was to withdraw the prosecution until the 'most unsatisfactory methods of determination as laid down in the Order were drastically revised' and a way found to apply a satisfactory standard of available carbon dioxide at the time of retail sale.[1] The trouble was that the available carbon dioxide varied appreciably according to the storage conditions in which the flour was kept, and samples tested in laboratories according to the formula in the Ministry's Order showed widely differing results. Accordingly, it was necessary to revise the definition so as to ensure consistency.

The Food Standards Committee now thought the product would still give satisfactory results in baking if the minimum for available carbon dioxide were lowered to ·35 per cent. Provided that a 'reasonably satisfactory method' of analysis was worked out, it should be sufficient to prescribe merely the minimum available carbon dioxide figure cutting out a maximum for total carbon dioxide. The Cereals Research Station experts did not agree that this lower standard would do; finally the ·45 minimum was retained and a new method for testing the 'residual' carbon dioxide[2] was proposed to be produced in the revised Order. When this was put to the manufacturers, they showed anxiety lest they be exposed to prosecution because the amount of carbon dioxide in the flour at the time of sale was below the Ministry's standard. The loss during the interval between manufacture and retail sale was governed by storage conditions for which the manufacturers, once they had sold their product, could not be responsible. A general meeting of the Self-Raising Flour Association passed a resolution urging the Ministry to drop the standard for available carbon dioxide to ·35 per cent.: 'any higher figure than this is certain to lead to unjust and unnecessary prosecutions'.

To prove its point the Association produced some specimen cakes made with self-raising flour containing ·35 per cent. of available carbon dioxide, but the Cereal Research chemists pointed out that as these contained eggs and more fat than the housewife could normally use for baking, they were not average samples of flour confectionery. However, the Food Standards Committee now decided that the standard for available carbon dioxide might reasonably be lowered to ·4 per cent. in the interest of avoiding embarrassing prosecutions for the manufacturers who were, moreover, assured that they would incur 'no legal

[1] A 'threatened prosecution in Huddersfield was only withdrawn at the last minute because it was stated that not a single brand of self-raising flour on sale in Huddersfield (including McDougalls) conformed with the standard'. At the same time the Public Analyst of Fulham reported that he 'had yet to meet a self-raising flour which complies with the requirements of the Ministry of Food'.

[2] *i.e.* what remained after the available carbon dioxide was released in baking.

liability' for flour below standard that had been stored by the retailer for 'an unduly long period'. The Order amending the standard was made early in 1946.[1] The trade thought that the analytical technique now to be used for determining the carbon dioxide yield was a great improvement on the old as there would be 'less chance of disagreement between analysts due to the way in which the tests were made'. It advised manufacturers that a satisfactory product with a keeping life of at least 6 months could be made by adding about 3¼ lb. of sodium bicarbonate and 4½ to 5 lb. of acid calcium phosphate to a sack of flour. This gave a yield for total carbon dioxide of ·6 per cent., leaving a reasonable margin for depreciation. The Order worked well in practice and the institution of a standard was one of the permanently useful results of cereals control.

II

Originally, as well as bread made with branded speciality flour, there existed bread from a higher extraction rate that cost no more to produce than National straight-run. This was known as wheatmeal flour. Before the Ministry raised the extraction rate of National straight-run flour first to 80 per cent. and then to 85 per cent. it began to encourage the use of wheatmeal, hoping that the public would get used to this variety before it became compulsory. In the summer of 1941 when the Ministry was beginning the campaign to popularise wheatmeal bread, millers were instructed to sell this at the same price as National straight-run.[2] Wheatmeal bread and flour sold by retail, however, frequently cost more than bread of National straight-run flour and, when the consolidated Order of 31st August 1941[3] was made, the character and price of wheatmeal flour was fixed: it was to be of 85 per cent. extraction and to be sold at the same price as National straight-run of 75 per cent. extraction. At the same time it was distinguished from 'proprietary brown' (speciality) flours that could only be made under licence. These were flours of at least 85 per cent. extraction to which the wheat germ or some other ingredient had been added and which could consequently be sold at a higher price to cover the additional cost. When the extraction rate of flour was raised in March 1943 to 85 per cent., the old National straight-run flour disappeared and henceforth the only varieties apart from wheatmeal were the speciality flours, including wholemeal, being flour of 95 per cent. or an even higher extraction from which only the coarse bran had been removed.

Once the 'National loaf' was made with 85 per cent. wheatmeal flour there were some doubts in the Ministry whether it was proper to subsidise any other flour. Finance Department in particular thought that with

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[1] S.R. & O. (1946) No. 157.

[2] Above, p. 608.

[3] S.R. & O. (1941) No. 1291.

the rise in the cost both of imported and home-produced flour in the autumn of 1942[1] it would be proper that speciality flours should be sold at the 'replacement cost', now amounting to about 52s. 6d. per sack. It was found on investigation that of the 300 varieties of speciality flours on sale the majority (about 220) were sold at the same price as National flour. There remained about 80 varieties sold at higher prices under licences held by 52 millers.[2] It was suggested that these should be enumerated in the Schedule to the consolidated Flour Order with a 'fixed differential' in every case, together with a differential for sales in small bags (an arduous task as exactitude would be necessary in every instance to avoid frequent amendment of the Order). Such a schedule would be an unwieldy feature of a Control Order; so as to simplify the problem and at the same time make it easier to fix a reasonable and comprehensive profit margin for the licensed factors who were the channel for wholesale distribution, it was proposed to introduce a new category, 'W' flour. This would cover 'all speciality flours of bread making type and extraction higher than National sold at National flour price by millers and factors'.[3] With most of the wholemeal types gathered in as 'W' flour it would be easier to deal with the problem of control of the residue of speciality flours. Fixing the price of all the 'W' flours at the level of National would (it was thought) at least prevent bakers from making excessive profits on a large range of products and would 'to a certain extent overcome the criticism against the continued production of speciality flours'.

Accordingly, when the new Flour Order was made at the beginning of 1944[4] this was done; the 80-odd varieties of more costly speciality flours were still allowed to be produced and sold at prices fixed by their individual licences, and this practice continued unchanged for the remainder of the war period and thereafter.[5] The drawback to this system was that it was almost impossible to distinguish between brown loaves made from 'W' flour and those made of some speciality flours produced under licence. Though the baker could not draw bread subsidy on loaves made of 'W' flour, this flour carried the far higher flour subsidy, and any bread made from it might in practice be sold at an uncontrolled price if labelled as speciality bread.[6]

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[1] Above, p. 637.

[2] The prices of these (including the 5s. per sack advance from September 1942) ranged from 39s. to 108s. 9d. per sack. A few of these were especially expensive products, such as diabetic flour and flour for malt bread.

[3] It was particularly necessary to fix the price of those wholemeal flours sold in Northern Ireland and parts of Wales, where they were the most common types in use.

[4] S.R. & O. (1944) No. 1.

[5] By the Flour Orders of 1945–48 i.e. S.R. & O.s (1945) No. 1, (1947) No. 548. The prices of these flours were expressed in the Flour Orders as the price of National wheatmeal flour plus the 'addition authorised by the terms of the licence'.

[6] There was a very wide range of prices for speciality flour varying between 6d. and 57s. 3d. above the price of a sack of National or 'W' flour. The most popular brands of brown proprietary flour, *Hovis*, *Turog*, *Vitbe*, and *Daren*, were made of speciality flour priced at 24s. a cwt. above the price of National flour.

III

With a number of farinaceous products, notably rice, sago, and tapioca, drastically curtailed, if not entirely cut off, by the war, the only available bases for the ubiquitous milk pudding, as well as for other subsidiary uses of these products, were semolina and its derivatives macaroni, spaghetti, and vermicelli. As the demand for these substances was naturally all but unlimited, the Ministry found it necessary to bring them under control.

In the pre-war years most of the macaroni and allied products consumed in this country had been imported: these supplies, amounting to but 7,500 tons yearly, were cut off when import licences for them were withdrawn late in 1940. Home manufacture of macaroni and the other products had begun a few years before the war. It was carried on by only a dozen firms, of which but two made any substantial quantities: total production in the first two years was no more than 2,500 tons yearly.[1] The Ministry proposed to institute price control of dry macaroni, spaghetti, and vermicelli, and on the results of a costings investigation a price structure was drawn up that would give the manufacturers an average margin of 23 per cent. and the retailers of 25 per cent. The Control Order for these substances, made in October 1941[2], was avowedly 'framed to encourage a production in this country to replace imported supplies', and it attracted several new firms into production, which doubled within a few months. It became necessary to restrict the use of semolina to the prime purposes of satisfying the demand for a basis for milk puddings and providing the materials for making macaroni. Consequently orders were made prohibiting its use for manufacture of meat and fish products (including sausages)[3] and as a 'dusting agent' for bread.

Early in 1942 a proposal to include macaroni and spaghetti in the Points Scheme was rejected on the grounds that even now total production amounted only to 100 tons weekly; with the greater part of the output going to the catering trade (including N.A.A.F.I.) too little remained to provide a reasonable civilian 'points' supply. The Ministry was none the less satisfied with this level of production and would give no further support to new firms attempting to get Board of Trade licences for the machinery. Some of the macaroni now being produced was of low quality, partly because wheatmeal flour had to be used and partly in that, owing to the wording of the Flour Restriction Order, no more

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[1] Canned macaroni and spaghetti made by Heinz and other firms were controlled by the Ministry's Canning Branch.

[2] S.R. & O. (1941) No. 1577. Macaroni was sold loose and in 1 lb. and ½ lb. packets. When distribution was made through a wholesaler he would get a 10 per cent. margin that would come out of the manufacture's profit. It was not proposed to license manufacturers of these products as such but they would have to be licensed under the Food (Restriction on Dealings) Order (S.R. & O. (1941) No. 1234) in order to sell them.

[3] S.R. & O. (1942) No. 1932. Manufacturers were expected to use oatmeal, rusks, and soya flour as fillers.

than 25 per cent. of semolina could be put into the manufacture of these products.[1]

The Ministry would have liked to institute a control over these substances that would enforce 'reasonable' standards, prices, and levels of production. But in the absence of a Trade Association for the product (and at the moment little hope of forming one) it was not easy to establish a standard, though as supplies of semolina were improving it was hoped that the competition of sufficient good products would drive out the bad. The scale of manufacture was indeed fast out-running the Ministry's moderate requirements; the only curb was the prohibition put on imports of macaroni and spaghetti from Canada and Australia that had been brought in to supply ships' stores, which had now to turn to home-produced. In September 1942 a further Control Order for 'Macaroni and Similar Products' was made,[2] but it too went no further than to fix maximum prices and to require each firm making these substances or packing them before the stage of retail trade to be licensed. As each manufacturer had had to forward samples of his products to the Ministry before the Order was made, it was possible to withhold licences for unsatisfactory products.

Once distribution of flour had been limited under the Zoning Scheme it was not long before the restriction was extended to semolina. Only a few millers were producing it, but one of the two principal makers was sending quantities from Worksop to macaroni manufacturers in London and as far north as Scotland, while the other was delivering over a radius of 150 miles from its mills in Wiltshire. Consequently, from the middle of June 1943, transport of semolina was limited to a 'radius of 50 miles as the crow flies from the point of manufacture'. But as the Ministry was not at all sure how the restriction would work, it was announced as a 'provisional scheme' and the Ministry was ready to receive 'applications to vary it'. Amendment at once became necessary, for some macaroni producers were not within 50 miles of any semolina miller and others could not get their supplies locally without depriving previous customers of the smaller mills. Moreover, as the scheme only extended to semolina delivered in bulk, pre-packed supplies could still be sent to any distance. A number of firms at considerable distance away had to be allowed to get their semolina from the two large producers.

Home manufacture of macaroni and kindred products had increased by the end of 1942 to over 10,000 tons yearly, a total which was expected to rise still further as several new plants came into operation.[3] Some months later it was estimated that the 32 manufacturers of macaroni would need at least 10,500 tons of semolina yearly, but this was well within the compass of the semolina millers as the two largest firms alone could produce nearly 16,000 tons each year and were capable of further

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[1] This Order (S.R. & O. (1942) No. 452) required that at least 25 per cent. of the flour content of any 'article of food containing flour' must be flour of at least 85 per cent. extraction.

[2] S.R. & O. (1942) No. 1884.

[3] A further 1,500 tons of dry macaroni and spaghetti would be added to the total as Heinz were now prohibited from manufacturing the canned varieties.

expansion if they could get the labour. One of these firms pressed the Ministry to allow semolina to be used again as a filling for sausages, declaring that this outlet was necessary to absorb their production. Cereal Products Division was not at all averse to restoring semolina to the sausage, but it would be cheaper for the sausage makers to use this than rusks, to which they had had to turn, and the Division felt obliged to protect the interests of the rusk manufacturers to whom this market had more or less been guaranteed. The solution adopted was to step up the price of semolina to sausage makers from £20 to £32 a ton and to require each firm wishing to use it to be specifically licensed.[1] A few months later this relaxation was extended to other meat products, at the same price. Though it was expected that only manufacturers who 'had some pride in their sausages' would want or be able to use semolina, this extra outlet was bound to add to the already increased demand. In 1944 indeed total production exceeded 33,000 tons of which rather less than half went for making macaroni. The Ministry made no effort to hold production of semolina down and not only allowed new entrants to the trade but encouraged the two principal makers to concentrate on the production of semolina.

The quality of semolina, however, was by no means satisfactory. For making the best semolina durum wheat was needed, and supplies of this were insufficient and erratic.[2] During the war there were constant requests from the principal semolina makers for Durum wheat that could sometimes be met from small Canadian supplies. Properly speaking all the semolina made from this wheat should have gone to the macaroni manufacturers, but there was a suspicion that some of it was being incorporated into flour products, such as custard powder, cake mixtures, and biscuits, put out by some of the semolina millers. Moreover it was found that the two principal semolina makers were selling as semolina a 'type of low grade white flour' that was being used by bakers (chiefly in Scotland) for making flour confectionery—this being, of course, an infringement of the Ministry's Orders. It was difficult for the Ministry to proceed against these users in the absence of a statutory definition of semolina, and consequently it was proposed to remedy this by requiring all semolina to be milled to 60 per cent. extraction from the wheat and defining it as flour that would not pass through a specified screen: the residue would be divided into 'D' flour, suitable for industrial purposes and for dog food, and millers' offals. It proved impossible, however, to draw up a really satisfactory definition for semolina and the idea of an Order was dropped. The principal semolina millers agreed to carry out the reforms required by the Ministry (though without any statutory backing) and the misusers of semolina were merely warned to desist.

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[1] The first hand price of semolina was fixed at 43s. 6d. per sack of 280 lb. in August 1941, and this was raised to 50s. in September 1942 (by S.R. & O. (1941) No. 1291 and (1942) No. 1917): in October 1942 the maximum retail price of the 1 lb. packet was fixed at 6½d. per lb. (S.R. & O. (1942) No. 2120).

[2] This very hard variety of wheat was mainly produced in the South of Italy and North Africa for making semolina for macaroni, but a variety known as Amber Durum was grown in Canada and supplies of this were occasionally forthcoming during the war.

IV

The demand for semolina and macaroni increased towards the end of the war, as the already exiguous supplies of rice first dwindled and finally ceased when all was needed to combat famine in the East. The Ministry did what it could to encourage the production of semolina in spite of difficulties, the first of which was the delay in obtaining imports of Canadian durum wheat in the winter of 1944–5: this forced the semolina millers on to Manitobas that not only gave a lower yield but needed an admixture of imported white flour to make a satisfactory product. Moreover, though 65 millers produced semolina, only two firms were specialists: the others were flour millers who merely produced some semolina and this at the expense of the quality of their flour. However, the Ministry requested them to 'step up their production of semolina' and licensed one or two additional firms to manufacture it. Even so, before long the shortage of rice brought demands for semolina and macaroni for the Forces and N.A.A.F.I., and in the spring of 1945 some semolina had to be imported from Canada to supplement home production. This was sold at the controlled price of 50s. per sack (280 lb.), the Treasury agreeing to subsidise the extra cost (20s. 10d. a sack). The cost of home-produced semolina was likewise by now a good deal higher than the bulk selling price of 50s. a sack and the question of a subsidy for it also arose; and as manufacture had now risen to 1,000 tons a week to meet demand, this might cost between £200,000 and £400,000 for 1945.[1]

According to the calculations of the Ministry's Finance Department the existing retail price of 6½d. for a pound of pre-packed semolina should be enough to give the packer a margin of 4 per cent., the wholesaler 7½ per cent. and the retailer 15½ per cent. without any subsidy (*i.e.*, taking cost of production to be 65s. a sack). It was desirable to keep the retail price unchanged because, in the absence of rice, semolina had become an important item of diet, but the margins so calculated were regarded as rather low: the retail price would have to be raised to 7d. per pound to give 'adequate' margins of 8·7 per cent., 7½ per cent. and 17½ per cent. to packers, wholesalers, and retailers respectively. The trade suggested that to solve the problem of the price of semolina to sausage manufacturers, who continued to complain that they had to pay more for this filler than other users, the first-hand price of semolina might well be increased to 70s. a sack (£28 per ton) and the sausage men could then be charged the same rates as other buyers without prejudice to the rusk manufacturers. This would mean a retail price of 7½d. for the pound packet. However, Cereal Products Division recommended that the

[1] The cost varied according to the selling price of the residual 'D' flour produced after 60 per cent. of semolina was taken from the wheat. When this 'D' flour was sold for dog food and industrial purposes at an unsubsidised price, semolina could be produced at the 'economic cost' of 60s. per sack, but if the 'D' flour were sold to makers of compound feeding-stuffs at the subsidised price, it would cost 70s. a sack to produce the semolina. Hence the Ministry was getting into the position where one subsidy entailed another.

millers' first-hand price should be increased by 20s. to 70s. a sack to cover existing costs, leaving the product unsubsidised but with a retail selling price of only 7d. per pound (an advance of a ½d. per pound), thus providing profits of 7½ per cent., 7½ per cent. and 15 per cent. to packers, wholesalers, and retailers respectively. This scale was accepted by the Margins Committee and embodied in a new Order that came into force at the end of April 1946.[1]

There were protests from the trade about this Order, mainly because it allowed no increase in the price of half-pound packets of semolina (3½d.) which had now to be sold at half the new price of the one pound packet.[2] The whole subject was ticklish, because a small proportion of packeted semolina was put up by controlled millers as part of the 'included activities' covered by their Remuneration Agreement: most of the pre-packing trade was done by other firms or by millers as an 'excluded activity' outside the Agreement. Some of the packers applied for licences that would allow them to sell packeted semolina at prices above those prescribed in the Order, but the Ministry was not disposed to make any concession without further evidence.[3]

A fresh investigation into costs of producing semolina, however, showed a continued rise, and in March 1947 a new Order increased the price on first-hand sale to 85s. a sack. Pre-packed semolina was now to be sold at 8d. per pound and the price of the half-pound packet (at 4½d.) was now restored to its relative position before the 1946 Order.[4]

The rise in the cost of semolina was not at first reflected in the price of macaroni, as it was considered that the margin enjoyed by makers of the latter had been 'too generous' and that even with the higher semolina prices of 1946 the manufacture and wholesaler should still be able to make 10 per cent. profit each and the retailer 15 per cent. However, when the new semolina prices had been in force for a few months it was found necessary to allow macaroni to come into line by an additional halfpenny on the one pound packet.[5] In 1947, the price of macaroni had to be further increased—this time to 11½d. the one pound packet, following the rise in semolina prices.[6] By this time the supply of durum wheat for macaroni, which had hitherto been entirely insufficient to meet the demand, was at last becoming easier. Hitherto the small quantities of this wheat arriving from Canada had been allocated only

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[1] S.R. & O. (1946) No. 545. As the price of semolina was now brought up to the cost of rusks, all restriction on the use of the former in meat products and fish paste was thereby removed.

[2] The prices for pre-packed semolina had been amended solely on the evidence of the trading results of one packer, Reckitt and Colman Ltd.

[3] In July 1946, on the introduction of bread rationing, semolina and macaroni and its kindred products came into the Points Rationing Scheme as flour products (S.R. & O. (1946) No. 1143). At the same time an effort was made to economise in the use of semolina (an extravagant flour product as it took only 60 per cent. of the wheat) by restricting its use in meat products. As production of sausages and meat products was increasing their additional demands for filler were to be met by increasing allocations of flour for making rusk, but no increase in usage of semolina was to be allowed.

[4] S.R. & O. (1947) No. 548.

[5] S.R. & O. (1946) No. 1565.

[6] By S.R. & O. (1947) No. 1910.

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to the three main semolina mills, and even between these there was constant complaint of partiality in allocation. There was no doubt that the macaroni produced from Durum was far better than that made from Manitobas,[1] and several other mills making semolina for the macaroni firms continually petitioned the Ministry for supplies. At last, in mid-1947, they began to obtain it and home production of good quality macaroni was then thoroughly established, on a scale never before known.

[1] One advantage of Durum was that 70 per cent. semolina could be extracted from it.

APPENDIX K

International Wheat Negotiations after the War

FROM early 1946 onwards the International Wheat Council held a series of meetings to consider the revision of the Draft Convention of 1942.[1] Most of its provisions, conceived with a continuing surplus in mind, were evidently unsuited to the famine conditions of 1946; but the fixing of a maximum and minimum wheat price still had point, even though the practical emphasis would now be on the former instead of the latter, and the immediate beneficiaries the importers instead of the exporters. At the first meetings, attended by representatives of the big four producing countries and the United Kingdom, the Canadian delegate pressed eagerly for the early control of export prices. This would have improved his country's trading position compared with that of the other three exporters, all of whose prices were soaring far above the rate that Canada was getting from her principal customer Britain and even from the other countries with whom she was trading in wheat. The other three exporters were in no such hurry.

In July 1946 the Wheat Council was expanded to include representatives of a number of importing countries.[2] The Canadian delegate now put forward proposals for a new International Wheat Agreement to remain in force for four years. Maximum and minimum prices for all grades of wheat would be fixed, in terms of the rate for No. 1 Manitoba at Fort William; exporting countries would undertake to sell their wheat at prices within the agreed range, and importing countries would undertake to limit any purchases made from countries outside the agreement to a fixed datum figure. These proposals were referred to a preparatory Committee of the Wheat Council with a view to preparing a fresh Draft Agreement that could be put before a new International Conference. By this time the Anglo-Canadian wheat contract had been signed, and its terms could not but influence the Committee's deliberations. Everyone else regarded the contract as an attempt by the two signatories to safeguard their own position regardless of the needs for the rest of the world, but its terms nevertheless provided a touchstone for the proposed rates in the new Agreement, even though every one but the United Kingdom regarded the price as low.[3] The first year's price in the Canadian contract was one dollar 55 cents a bushel, and the United Kingdom wanted this to be regarded as the maximum price for the International Agreement with a minimum of one dollar per bushel. The United States proposed a range 25 cents a bushel above this and the Canadians put

[1] Vol. I, pp. 353-356.

[2] The countries that accepted invitations to join the Council at this point were Belgium, Brazil, China, Denmark, France, India, Italy, and the Netherlands. Ten other countries joined in the course of the following year.

[3] cf. the American suggestion in 1942 that the post-war minimum should be that of the last Anglo-Canadian bulk contract before the end of hostilities (Vol. I, p. 353).

forward a compromise range of one dollar 25 cents to one dollar 55 cents. The British were of course assuming that prices were bound to fall during the next four years. They were prepared to make some compromise to get an agreement on prices, but Argentina and most of the new members of the Council were disinclined to commit themselves.[1] The Canadians put forward a suggestion that a limited agreement might be made between themselves, the United States, Australia, and such of the importing countries as would come in. But the British, in their minds a disagreeable picture of themselves paying a highish price inside the Agreement while countries remaining outside bought wheat cheap from Argentina, were not disposed to welcome this. In spite of their objection to holding a Conference before there had been agreement in the Council itself, it was decided, at the end of 1946, to invite the world to the conference table.

The Secretary of the International Wheat Council[2] produced a draft agreement for consideration by the Conference that followed closely the restrictive patterns of 1941–2 and was equally unacceptable to the British Ministry of Food. The British indeed thought it inadvisable to put to the Conference any cut and dried agreement; that it would be far better to present all the facts of the wheat problem and leave it to the Conference to draw up its own agreed recommendations. In particular the Ministry of Food would object to any requirement that it should buy all its imported wheat from countries subscribing to the agreement within a fixed range of prices. It wished to reserve the right to buy a proportion of its needs, if they could be got more cheaply from countries outside the agreement.

The Conference was held in London in March and April 1947. The impetus towards an early attempt at agreement had come largely from the Wheat Council Secretariat; it might be considered premature, for the world wheat situation at this time was so far from normal that it was almost impossible either for exporters or importers of wheat to see future prospects clearly. No one could really tell what the trend of prices could be expected to be over the next few years, nor how soon world supplies of wheat would catch up with requirements. After four or five weeks the Conference nevertheless did succeed in producing a draft agreement. The agreement was to be for a period of five years from August 1947, during which each exporting country would guarantee to sell a fixed quantity of wheat each year and each importing country guarantee to take a specified quantity. These quantities were defined in the case of the three main exporters (excluding Argentina which chose to remain an observer) for five years and in the case of each importing country for four years. Minimum prices for the third and fourth years were put at one dollar 20 cents and one dollar 10 cents per bushel respectively, with a maximum in both cases of not more than one dollar 80 cents. The price range for the fifth year was not fixed but was to lie between one dollar and one dollar 80 cents per bushel. The Secretariat of the Wheat Council

[1] Several countries refused to make up their minds in advance of the forthcoming F.A.O. meeting on the world wheat situation.

[2] The late Mr. Andrew Cairns. Vol. I, pp. 349, 352.

was to act as a broker between Importers and Exporters who found difficulty in buying and selling wheat respectively, and both groups were to be required to keep records and notify the Council of all their foreign transactions in wheat. A minimum stock level was prescribed for each of the three exporting countries.[1] The Draft Agreement covered almost 500,000,000 bushels yearly and if Argentina could be brought in the total would rise to 600,000,000 bushels—a quantity practically equivalent to the entire world trade in wheat.[2]

The draft stood no chance of immediate acceptance, for the price provisions were unwelcome to other importers besides the United Kingdom, and a number of importing countries were unwilling to commit themselves to take as much wheat in the later years of the agreement as in the earlier. Perforce the draft was referred back to the Council for further consideration, and all chance of an agreement coming into effect for the 1947–8 season disappeared. Indeed the whole question was now allowed to fall into abeyance for several months. The Canadians, who had previously been anxious to get an agreement so as to be able to raise their contract price to the minimum specified in it, were far less interested now that they had obtained an advance to two dollars a bushel for wheat under the third year of the Anglo-Canadian contract. This rise in price would itself be bound to influence the next discussions of the International Wheat Council and would make it less even likely than before that a range of prices for an International Wheat Agreement could be brought down to those hitherto advocated by the United Kingdom, the more so as prices on the Chicago Exchange were rising sharply. The Americans, too, were very lukewarm towards the idea of any agreement that would limit their freedom to allocate their own grain exports where they wished, and they would certainly not agree to limit themselves to the quantitative basis for imports included in the discarded Draft Agreement. The British attitude was a good deal more complex. On the one hand they were averse to binding themselves to obtain all their wheat imports from signatories, so cutting themselves off from possibly advantageous purchases in, for instance, Argentina or Russia. By far the larger part of their requirements of imported wheat were now covered by the Canadian contract and a prospective contract with Australia; and they would be in an impossible position should the agreement in effect bind them to pay dollars for marginal wheat supplies. On the other hand, it would be decidedly advantageous to Britain if a price range similar to that already discarded could now be adopted and prices payable under the Anglo-Canadian and Anglo-Australian contract could be brought into line with this. The British could hardly stay outside the discussions about an agreement, but they took up a very reserved position towards them.

Not until 8th December 1947 did the International Wheat Council

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[1] Canada 70,000,000 bushels, Australia 25,000,000 bushels, and the United States 170,000,000 bushels, the latter to include farm stocks.

[2] The 500,000,000 bushels was divided between Canada 230,000,000 bushels, Australia 85,000,000 bushels and the United States 185,000,000 bushels. Provisional guaranteed import quantities would amount to between 500 and 600,000,000 bushels a year.

meet again to discuss whether to make another attempt at an agreement. Rather surprisingly every representative favoured doing so, though it was the general opinion that the price range would have to be somewhat higher than that previously proposed and that the period should be extended to five years. The general pattern of the previous draft was still considered suitable, though it was thought that it would need amendment in order to allow 'emergency' transactions outside its terms. The attempt to equate guaranteed import and export quantities might be dropped, so as to enable importing countries to obtain part of their wheat requirements outside the agreement and exporting countries to keep some wheat in reserve to meet emergency demands. The original price range was now modified to take in a minimum of one dollar 20 cents per bushel and a maximum of two dollars. This time there would not be a Conference but the Wheat Council itself would make an attempt to draft the agreement, at the end of January 1948.

The British were now in a difficulty. The Canadians, having obtained their two dollars a bushel for wheat to be supplied to Britain under the third year of the contract, were now trying to get the price fixed for the fourth and final year 1949–50. They contended that under the terms of the contract it had always been agreed that the price for the last year should take into account the losses they had suffered because of the low rate they had accepted during the first two years. If the British accepted this argument, it would involve them in paying a rate higher than the price they could consider reasonable as the maximum under an International Wheat Agreement for that year. Therefore, they said, they could not pay such a price; the most they would do was to accept two dollars as the maximum price under the Agreement for 1949–50, contending that this should be a sufficient compensation to the Canadians for the prices they had received in the first two years of the contract. The Canadians were still dissatisfied and the question of the fourth year's contract price remained open for some time.

At the series of Council meetings during January and February 1948, the British began by putting forward a price range for the intended five years of the agreement, beginning with two dollars maximum and one dollar 60 cents minimum per bushel for 1948-9, falling to one dollar 60 cents maximum and one dollar minimum for the final year 1952–3. Several other schemes were put up to the Council, all of them including a maximum price of two dollars for the entire five years, with minima somewhat higher than those proposed by Britain. In spite of the recent downward trend of wheat prices in the United States, none of the three exporters would consider reducing the maximum rate, and the United Kingdom delegation was finally authorised by the Government to accept the maximum of two dollars, providing that the exporting countries undertook not to attempt to maintain prices artificially at the maximum. The Wheat Council now found itself able to come to an agreement, to which 36 countries subscribed including the United States, Canada, and Australia. The exporting countries guaranteed sales of 500,000,000 bushels of wheat a year and the 33 importers guaranteed to make purchases to the same total. The United Kingdom's annual share was

179,930,000 bushels for itself and all areas for which it procured wheat, being 80 per cent. of its probable requirements. The whole document followed closely the original draft of 1947.[1] The agreement was signed on 3rd March 1948 and the delegates dispersed to get ratification from their respective Governments.

The British had signed the the agreement with some reluctance, as the prices had been forced up beyond what they expected to be competitive rates in the five years covered by the agreement. They would also have preferred more freedom to purchase; but as the world's largest importer they felt they could hardly stand aside from so important an experiment in commodity control, the first of its kind; one moreover intended to prevent violent fluctuations in prices, and to give producing countries a guarantee of market that would prevent them from drastically cutting acreage while there was still a world wheat shortage. Furthermore the agreement was supported by the majority of the countries within the Commonwealth, including two of the three exporters. With these considerations in mind the Cabinet agreed that the agreement should be ratified by the United Kingdom.

If the agreement were to come into effect for the new crop year 1948–9, the latest date for ratification was 1st July. A preparatory Committee had been trying to work out the construction of a new International Wheat Council that would operate the agreement, but by the time the delegates to the existing Council met in Washington early in July the preparatory Committee had to report that though a number of countries had already ratified the agreement and several more would be doing so shortly it was most unlikely that the United States would be one of them. Though the United States Democratic Administration had been strongly in favour of an agreement, the Republican Senate had not found time to consider ratification, and before the United States could operate under it there would have to be legislation to subsidise the farmers so that wheat could be exported within the price range. The earliest date at which the United States could ratify would be February 1949, and the choice before the other countries was to try to work the agreement without the United States, to bring it in in the middle of the crop year, or to postpone its operation to begin with the next crop year. None of these courses of action commended themselves to the United Kingdom; it would hardly be worth while trying to work the agreement without the United States' export quota, it would be of little value to bring it into operation after the greater part of the crops of the northern hemisphere had been disposed of and, finally, the British did not much like the range of prices written into the agreement and were not willing to accept them unaltered a year hence, when the maximum might be considered in excess of world market rates. Most of the countries subscribing to the agreement, therefore, decided to withdraw from it 'because the guaranteed quantities of the countries which had formerly accepted

[1] Minimum prices were one dollar 50 cents per bushel for 1948–9, falling by 10 cents each year to one dollar 10 cents a bushel in 1952–3.

the agreement were insufficient to ensure its successful operation.'[1] Considering, however, the extraordinary amount of support that had been obtained for the agreement, and in the hopes that the United States would see her way to come into it by next year, it was decided that another attempt should be made in the spring of 1949 to get an agreement made and actually into action.

The collapse of the wheat agreement when so nearly accomplished was such a disappointment to the United States Administration that the President recalled Congress for a special session at the end of July for the purpose of ratifying it. As Canada and several other countries had not announced withdrawal from the agreement, but merely declared that the withdrawal of other countries had made it inoperative, the agreement could be regarded as still legally in being. The President and his Party considered that it would be invaluable to American agriculture to be sure of a guaranteed market at a fair price for the next five years. The agreement was referred to the Foreign Relations Committee of the Senate who approved it, but announced that it would have till January to be considered by the full Senate. This meant, of course, that the whole question would have to be reconsidered by all the countries who had been a part to the 1948 agreement. After further deliberations the postponed agreement did come into operation in August 1949, though it was only to remain in force until the date originally fixed, July 1953. Most of its provisions were similar to those in the 1948 agreement, but the price range was considerably narrower: the maximum over the whole of the four years was now one dollar and 80 cents per bushel and the minimum began at one dollar 50 cents in the first year, descending by 10 cents yearly to one dollar 20 cents in the final year. The margin for fluctuation of prices was thus considerably narrowed.

By the time the agreement actually came into being, the danger of violent fluctuations in world wheat prices had considerably lessened. Production of wheat in the countries that had been over-run or occupied during the war had now recovered, or was fast recovering, and the rice famine in the Far East was over. The agreement was therefore likely to be much more useful to the exporting countries and of less value to the importers than if it had been signed two, or even one, years earlier. As far as the United Kingdom was concerned, her position of priority in the Canadian wheat market, and her renewed ability to buy in Australia, made the Agreement of little value to her, especially as the prices she paid for imported wheat were rarely below the permitted maximum.

[1] United States exports accounted for 37 per cent. of the 500,000,000 bushels of wheat covered by the agreement.

APPENDIX L

The Post-War Wheat Contract with Canada

Up to the end of August 1945 Canadian wheat supplied to the United Kingdom had been reckoned, for the purposes of Mutual Aid, at \$1·46 a bushel (for No. 1 Manitoba, at Fort William), while the Canadian Wheat Board paid the producers at the rate of \$1·25. From 1st September the Board raised the price of wheat for Britain to \$1·55, the current rate for export, though the price to producers was unaltered. From the British point of view the price was steep, even though, at the outset, the difference between the old and new rates would be covered by Mutual Aid.[1] Despite long standing fears of world wheat shortage, they went so far as to tell the Dominion Government that so high a price would encourage uneconomic wheat production on both sides of the Atlantic; the hope was expressed that it would be reduced as soon as conditions became more normal.

During the winter of 1945–6 negotiations were in train for a Canadian loan to the United Kingdom, in order that the latter might be enabled to continue buying Canadian produce; and, not for the first time, the possibility of long-term contracts was mooted. In January 1946, the occasion of a Canadian Ministerial Mission to London, to discuss contracts for bacon, cheese, eggs, and frozen meat, was used for an informal exploration of the wheat question, and Mr. James A. Mackinnon, Canadian Minister of Commerce, subsequently announced in Ottawa that he had in mind a contract for four years at \$1·55 a bushel. The premature publication of what was no more than a personal proposal proved a little embarrassing to both Governments for the actual terms of any contract would have to be agreed with the Canadian Minister of Agriculture (Mr. Gardiner), who had not been a member of the mission. But Mr. Gardiner, who came to London only a few days later, proved more modest in his claims. He proposed a four year contract at \$1·25 a bushel over the entire period, involving an immediate saving for the Ministry of Food of 30 cents for every bushel of wheat it bought. The Canadians were prepared to forgo the very high prices for which they could sell wheat at the moment so as to guarantee their farmers against a possible sharp fall within a couple of years. Having regard to the crisis then upon the Ministry of Food, one might have expected it to jump at the offer. But Godstone was confident that prices would fall

[1] With the end of the war the Canadian Mutual Aid scheme was wound up; but the Canadian Government agreed to set all sums due to Britain on their account and on account of the Canadian forces in the sterling area against the cost of Canadian commodities supplied to the United Kingdom after the date of the Japanese capitulation. It was thought that this should provide for British requirements from Canada to the end of 1945: if it did not, the Canadian Government would finance the British deficit by an overdraft until a new payments agreement was made. This arrangement was negotiated in Ottowa by a Treasury Mission headed by Lord Keynes. See also Hancock and Gowing, *op. cit.* p. 375.

after the 1947 harvest and would rather pay a higher price for the time being than be bound to pay over a dollar in 1948–9 and thereafter.[1] Unaware of the forces making for general inflation, it looked forward to a time when wheat would once again fetch no more than the pre-war price. This simple commercial view prevailed; the Canadians were told that the Ministry was unwilling to bind itself for more than two years until the harvest of 1946 should be in; as for quantity, it wanted to leave itself elbow room to buy some wheat in the open market.

Early in March the Minister of Food left for Ottawa to resume discussions with the Canadian Government over bulk contracts, and to urge them to increase their wheat acreage. The Canadians were now ready to agree to the British proposals on wheat prices; $1·55 a bushel for the first two years of the contract with a minimum of $1·00 for the last two. They also came some way to meet the Ministry of Food on quantity, by reducing the figure for each year from 200 to 180 million bushels as against the British suggestion of 160 million bushels. Even this much would commit the United Kingdom to obtaining almost all her requirements of imported wheat from Canada, cutting out the Australian market altogether.[2] The Canadians did not fail to point out the inconsistency in the British Government's attitude in pressing, on the one hand, for increased wheat acreage while, on the other, shying away from a long term contract that would guarantee the producers a market for their crops.

The British Government as a whole was now in favour of the contract, especially the Foreign Secretary who, with his obligations to the British Zone of Germany, pressed the Minister of Food to conclude the deal provided the Canadians had no objection to the resale of part of the wheat to Germany. The Minister of Food was authorised by his colleagues to conclude the contract at the proposed prices, and to fix the quantities, so long as Britain was safeguarded by a 'fall clause' under which the price would be reduced if during the period of the contract the Canadians sold any wheat cheaper elsewhere.

In May the Canadian Wheat Board put forward a fresh proposal for a five year contract to run to 31st July 1951 at $1·55 a bushel for three years and $1·00 for the last two years, covering 180 million bushels a year. The Ministry of Food still wanted only a four year contract, and would offer no more than $1·25 for the third year and $1·00 for the fourth. In these years, moreover, the guaranteed purchases should, it thought, be reduced to 110 million bushels. The Canadians for their part were beginning to think the initial figure of 180 million bushels too high in a period of crisis. Needless to say, they did not like the sharp drop to 110 million bushels in the third year, nor the proposed 'fall clause', for they thought that in return for letting Britain have wheat cheaper than the open market price they could currently get for it elsewhere they should be safeguarded (to the extent of the contract) against a possible

[1] The Canadian Government had guaranteed the farmers a minimum of $1 a bushel for their wheat up to the end of 1950.

[2] It was thought that India might take Australia's entire exportable surplus, at any rate for 1947, either in wheat or flour.

violent drop in prices in the future. As to the offer of $1·25 for the third year, they began to think they would prefer a 'floor' of only $1·00 to a fixed price for the last two years of the contract.

By mid June the Canadians were getting very restive: it was of vital importance to their agricultural policy to have the contract signed without further delay so as to give confidence to the farmers. In London there had been a change of atmosphere. The new Minister of Food[1] favoured bulk purchase and long-term contracts in principle, and was unmoved by Godstone's commercialism; he was moreover ready to have the negotiations concluded in Ottawa if this would please the Canadians. Accordingly a delegation[2] of officials was sent out to Ottawa in mid-June, and was shortly joined by the Minister himself. Mr. Strachey found that the Canadians had already come a good way to meeting the British wishes. The proposal for a fifth year had been dropped; they were now willing to sell 160 million bushels in the first and second years and 140 million thereafter, with prices as already agreed except for a floor price of $1·25 in the third year. They also promised that if the 1946 crop was a good one they would do their best to let the British have anything up to 200 million bushels without increasing the price.

The Minister was disposed to close with this offer, which gave him nearly everything he wanted. Though he would have liked a substantial reduction in quantity for the third and fourth year, he retained the right of resale for any amount in excess of his needs. True, it was doubtful if enough Canadian wheat would be forthcoming in 1946 to enable him to dispense with bread rationing, but he had protection against any wild rise in prices, and the opening rate, though fairly high, was so far below the prevailing market rates both in Canada and the United States, as to outweigh any loss the British might sustain because of a sharp fall in world prices in the last two years of the contract.[3] Indeed, the Canadian Wheat Board, farmers, and grain trade all thought the deal unduly favourable to the United Kingdom;[4] Mr. Gardiner, on the other hand, pressed the deal for the self-same reason as Mr. Rank opposed it; he was convinced that before long there would be a sharp drop in world wheat prices and that ultimately the contract would benefit the Canadian farmer.

At this point a not unexpected hitch arose. On 19th June the British and Canadian embassies in Washington informed the State Department of the intended contract. Their news was received with 'alarm and disappointment', together with a demand that the contract should not be

[1] Mr. John Strachey succeeded Sir Ben Smith as Minister of Food at the end of May 1946.

[2] Mr. J. V. Rank declined to lead the delegation because of his aversion to the whole policy of long term contracts. He believed, moreover, that the seller should have come to the buyer, and the signature of any contract take place in London.

[3] Market prices in Canada and the United States were well over 2 dollars a bushel and the British were paying the latter a dollar a bushel more for wheat for Germany than the Canadian contract price of $1·55.

[4] *The Times'* Correspondent in Washington reported that he had learnt from American grain interests that Senators and Representatives from the Wheat States were much concerned at the prospects of an agreement whereby Britain would be able to buy the greater part of her wheat requirements at less than world prices.

signed until the United States Government had considered its attitude to it. (The projected American loan to the United Kingdom was just about to be put before the House of Representatives and pressure was expected from grain interests in the United States for the loan to be withheld unless the Canadian contract were dropped.) The United States followed up with an *aide-memoire* making formal objection to the projected contract both on the general grounds that long-term bilateral trade agreements between Governments were contrary to the principles accepted by the British Government that any purchases they made abroad should be based solely on commercial considerations, and on the particular point that a wheat contract, signed at this moment, might prejudice the Wheat Council's forthcoming negotiations for an international wheat agreement.[1] Further, the contract might injure the efforts of producers in other countries to compete in world markets and so bring about a reduction in prices. The State Department moreover declared that the contract would be contrary to the International Emergency Food Council's allocation system, though, in fact, by the exporting countries' own wish, wheat was not subject to international allocation.

The British and Canadians agreed to postpone formal signature of the contract until Congress had authorised the loan to Britain provided this was hurried along with all speed, but at the same time they sought to convince the United States Administration that the contract was vital to them both and must go through. To the Americans' other objections they answered that the agreement would tend to stabilise reasonable prices and would in no way interfere with any further allocation of wheat by the I.E.F.C. since Britain could resell any amount not programmed for her own consumption.[2] The contract could not be held up for long, for the Canadian Minister of Agriculture wanted to make its terms known before the publication of wheat prices for farmers over the forthcoming season at the end of July. On the other hand, it was highly desirable that the American loan should go through Congress and the British reply to the *aide-memoire* be delivered in Washington before the contract was announced.

However, in mid-July the American loan duly went through and a few days later the British reply to the *aide-memoire* was delivered in Washington. It refused to accept American criticism of the contract as valid, declaring it to be 'entirely in accord with commercial considerations' and the 'principles of international trade'. The quantities entailed were no greater than Britain's war-time purchases from Canada (though above pre-war levels) and the rates should help stabilise world prices as they were far below those of the United States and the Argentine. On the Canadian side the length of the contract gave her farmers a guaranteed market for a few years at least. However, to still United States' criticism a clause would be inserted providing that 'its terms and conditions shall be subject to any modification or amendment which may be necessary

[1] Above, pp. 773-775.

[2] The British instanced their agreement for Brazilian rice—here they were sole buyers but none of it was allocated to themselves.

to bring it into conformity with any international agreements or arrangements hereafter entered into to which both Governments are parties'. This defence did not really answer American objections: the latter were complaining that Britain and Canada were trying to help themselves and each other regardless of all other interests (not excluding those of the United States),[1] and the former replied that they had to help themselves but their efforts might turn out to be to the ultimate benefit of others as well. American references to 'commercial considerations' and the 'principles of international trade' were, however, hardly capable of definition, still less of application to the particular issue. The State Department had perforce to accept the position with the glum observation that 'dress it up as one might it was an act of sheer bi-lateralism and a terrific gamble between the two Governments that might or might not come off'. The signature took place on 24th July, and was announced in both Houses of Parliament the following day. The 'fall' clause, which the Canadians had never liked, was omitted from the final agreement.[2]

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[1] These misgivings were not unknown in the Ministry of Food itself; above, p. 548, n. 2.

[2] There was some difficulty about the proportion of flour to be included in the contract. The British wanted to keep the amount of flour to the minimum so as to use the British mills to the full, to get as much wheat offals for animal feed as possible and to leave a niche in the British market for Australian flour. But they realised that some Canadian flour must be taken to satisfy the Canadians as well as to stimulate British milling by competition and to maintain the flow of trade in Canadian flour in case of need in another emergency. The Canadians, who wanted to maintain their own mills, suggested 416,000 tons of flour as the quota for each year of the contract, though this was above the pre-war average rates of flour to wheat imports (8-10 per cent.). The British made a counter offer to take half a million tons of flour in the first year (with an increase *pro rata* if total imports amounted to 200 million bushels), 400,000 tons in the second year, 300,000 tons in the third, and 250,000 tons in the last year of the contract. The Canadians accepted this offer provided the fourth year figure was raised to 300,000 tons, and this, rather reluctantly, the Minister of Food accepted.

APPENDIX M

Salt for Bakers

SALT is needed in bread making not only for flavour but to control the fermentation of the dough; the requirements of the bakery trade were put at about 50,000 tons a year, of which one-tenth was for flour confectionery—in all, about one quarter of the total used for food. No shortage of salt was expected, as the supply was entirely home-produced; its control was a matter for the Board of Trade, and the Ministry of Food, though concerned that adequate stocks should be held all over the country against emergency, set its face against procuring a commodity so difficult to transport and store. At one time in 1942 its London Divisional Office, intent on anti-invasion preparations and dissatisfied with the *non-possumus* attitude of Headquarters, did take upon itself to acquire some 200 tons as an emergency reserve; but this 'bad storage risk' was liquidated by Headquarters a year later, on the understanding that the firms comprising the British Salt Federation could provide a reserve supply for London at a few days' notice.

This policy was modified by reason of the preparations for invading Europe in the spring of 1944, which were expected to interfere severely with certain road and rail transport, especially from north to south.[1] As no salt was produced in the southern half of the country it was decided that the Ministry should buy and store in 26 'buffer depots' a four weeks' reserve of salt for the seven Food Divisions there. In the event few calls were made on this reserve during the summer of 1944, but it was maintained in being against transport difficulties the following winter; a precaution that was justified, for railway embargoes forced a number of bakers to draw on it. By this time, moreover, an actual shortage of salt became manifest; production had run down for lack of labour and other symptoms of industrial exhaustion, and altogether excessive amounts of salt had been earmarked for Relief by the War Office. By May 1945 the Ministry of Supply, which was now responsible for salt, had had to be pressed to grant priority to the food industries along with War Office demands, and shortly afterwards to prune the latter. The position was not fully alleviated, however, until the autumn. By that time the Ministry reserve of salt stood at about 1,350 tons, out of the original 1,888; some of it had become 'as hard as cement' by this time and had to be sold off at about half the original purchase price of around £6 a ton. After the severe winter of 1946–7, in which transport interruptions again produced salt shortages in the South of England, the Ministry bought another smaller emergency reserve of 400 tons; but this was never needed and was eventually disposed of at a heavy loss.

There was no statutory control of salt prices, but the British Salt

[1] Vol. II, pp. 346-7: C. I. Savage, *Inland Transport* (in this series) pp. 587-602, 613.

Federation had a schedule of fixed prices for each of the larger towns; elsewhere the price varied according to the distance from the supplier as well as the quantity taken at any one time. In 1944, however, the Ministry of Food prevailed upon the Federation to fix a uniform price, varying only according to quantity. As an average of only about 4 to 5 lbs. of salt was used to each sack of flour, its price (£5 odd per ton plus the cost of bags) did not enter largely into bread production costs, but its stability was nevertheless helpful to the Ministry in handling the bread subsidy (to say nothing of those on other foods).

Appendix Tables

APPENDIX TABLES

NOTE: As the figures in the Statistical Tables (I—XII below) are derived from various sources, they will not always balance. For example, totals for imports of foods are the final Customs and Excise figures, whereas the Ministry of Food worked on its own records of arrivals, production, stocks, and disposals, which were differently timed.

TABLE IA

Sugar: Annual Imports, Home Production, Stocks, and Disposals, 1940–47

'000 *tons*

	Imports tel quel[1]	Home Production[2]	Stocks at end of period[2 3]	Disposals: Total[2]	Disposals: of which exports as sugar[1]
			In terms of refined sugar equivalent		
Pre-war annual average	2,168[4]	450·7[5]	360·1[6]	2,480	345
1940	1,526·2	501·0	645·1	1,657·3	16·9
1941	1,652·0	418·7	1,078·3	1,549·9	44·4
1942	767·5	473·5	721·5	1,532·9	25·8
1943	1,425·5	557·2[7]	1,106·2	1,540·1[7]	3·7
1944	1,154·6	391·0	804·3	1,764·9	8·3
1945	1,066·0	470·5	520·9	1,753·7	79·9
1946	1,469·1	518·4	572·4	1,861·8	160·1
1947	1,872·4	556·3	775·4	2,106·1	272·5

[1] As recorded by H.M. Customs (calendar years), *i.e.*, the weight of sugar, as landed, whether refined or unrefined.

[2] From Ministry of Food records: in terms of refined sugar (statistical period of 52 week years and 13 week quarters). See pp. 46-47 of text.

[3] Government owned and controlled.

[4] Average of the years 1934–1938.

[5] Average of the campaigns 1934-1935 to 1938-1939.

[6] December 1939.

[7] 53 weeks.

TABLE IB

Sugar: Quarterly Imports, Home Production, and Stocks, 1940–47

'000 tons. In terms of refined sugar equivalent

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
1940 Imports[1]	304·3	540·6	361·0	320·3	1,526·2
Home Production[1]	65·0	—	—	436·0	501·0
Closing Stocks[1] ..	290·0	373·8	290·2	645·1	—
1941 Imports	284·4	272·4	544·9	550·3	1,652·0
Home Production	50·8	—	—	367·9	418·7
Closing Stocks ..	618·4	595·3	657·7	1,078·3	—
1942 Imports	293·3	219·7	132·2	122·3	767·5
Home Production	97·6	—	—	375·9	473·5
Closing Stocks ..	1,057·5	862·0	561·2	721·5	—
1943 Imports	194·1	351·6	384·9	494·9	1,425·5
Home Production	139·5	—	—	417·7[2]	557·2[3]
Closing Stocks ..	702·7	626·7	587·4	1,106·2	—
1944 Imports	160·4	314·8	378·5	300·9	1,154·6
Home Production	74·0	—	1·2	315·8	391·0
Closing Stocks ..	842·7	734·4	670·6	804·3	—
1945 Imports	179·7	484·3	270·0	132·0	1,066·0
Home Production	71·3	—	0·3	398·9	470·5
Closing Stocks ..	682·1	727·5	486·9	520·9	—
1946 Imports	184·5	632·0	423·6	229·0	1,469·1
Home Production	125·4	—	—	393·0	518·4
Closing Stocks ..	380·0	505·9	455·1	572·4	—
1947 Imports	231·1	686·0	680·0	275·3	1,872·4
Home Production	163·7	—	—	392·6	556·3
Closing Stocks ..	506·6	637·4	669·2	775·4	—

Source Ministry of Agriculture, Fisheries and Food

[1] As above (TABLE IA).

[2] 14 weeks.

[3] 53 weeks.

TABLE II

Syrup and Treacle: Annual Home Production, Stocks, and Disposals, 1940–47

'000 *tons*

	Home Production[1]	Stocks at end of period[1 2]	Disposals[1]
Pre-war average	95·3[3]	No information	95·3[3]
1940	72·1	3·1	72·1
1941	86·0	11·0	78·1
1942	81·8	6·5	86·3
1943	96·5[4]	8·1	94·9[4]
1944	108·4	6·3	110·2
1945	106·3	4·4	108·2
1946	111·0	3·3	112·1
1947	119·2	1·9	120·6

Source: Ministry of Agriculture, Fisheries and Food

[1] From Ministry of Food records, and relate to statistical periods of 13 week quarters and 52 week years.

[2] Held by manufacturers.

[3] Average of 1936–37 to 1938–39.

[4] 53 weeks.

TABLE IIIA

Meat (Carcase) and Offal: Annual Imports,[1] 1940–47, including Production from Imported Fat Animals[2]

'000 *tons*

	Beef and Veal	Mutton and Lamb	Pork	Offal	Total
Pre-War Average[3]	600·5	340·9	60·8	58·5	1,060·7
1940	556·5	407·2	60·7	71·1	1,095·5
1941	573·2	322·6	84·9	59·7	1,040·4
1942	485·3	371·5	99·9	53·7	1,010·4
1943	309·9	416·3	216·1	47·8	990·1
1944	344·4	372·1	365·1	66·0	1,147·6
1945	204·7	365·1	192·6	42·5	804·9
1946	409·9	411·3	79·9	41·1	942·2
1947	521·9	426·5	14·3	57·9	1,020·6

[1] As recorded by H.M. Customs.

[2] From Ministry of Food records.

[3] Average of the years 1934–1938.

TABLE IIIB

Meat (Carcase) and Offal: Quarterly Imports, 1940–47

'000 *tons*

		1st quarter	2nd quarter	3rd quarter	4th quarter
1940	Beef and Veal ..	138·6	138·0	131·6	148·3
	Mutton and Lamb ..	133·4	124·3	79·0	70·5
	Pork	16·2	22·7	11·3	10·5
	Offal	20·0	21·9	15·0	14·1
	Total	308·2	306·7	236·9	243·5
1941	Beef and Veal ..	99·1	131·6	173·2	169·3
	Mutton and Lamb ..	80·1	60·3	98·5	83·7
	Pork	13·3	16·1	31·1	24·4
	Offal	13·2	15·5	16·4	14·6
	Total	205·7	223·5	319·2	292·0
1942	Beef and Veal ..	106·8	137·7	153·0	87·8
	Mutton and Lamb ..	99·2	103·8	87·7	80·8
	Pork	24·0	19·2	38·8	17·9
	Offal	11·4	16·7	16·6	9·0
	Total	241·4	277·4	296·1	195·5
1943	Beef and Veal ..	65·4	98·6	67·4	78·5
	Mutton and Lamb ..	85·3	89·1	106·3	135·6
	Pork	29·6	48·2	47·6	90·7
	Offal	8·1	14·6	11·0	14·1
	Total	188·3	250·5	232·3	319·0
1944	Beef and Veal ..	96·4	87·4	80·9	79·7
	Mutton and Lamb ..	73·4	86·6	128·1	84·0
	Pork	86·7	128·3	78·6	71·5
	Offal	16·1	27·7	13·8	8·4
	Total	272·6	330·0	301·4	243·6
1945	Beef and Veal ..	73·1	30·1	36·8	64·7
	Mutton and Lamb ..	81·6	110·6	102·5	70·4
	Pork	88·1	54·2	27·7	22·7
	Offal	13·2	10·2	10·9	8·2
	Total	255·9	205·1	177·9	166·0
1946	Beef and Veal ..	154·1	64·0	105·7	86·1
	Mutton and Lamb ..	58·0	145·6	110·5	97·1
	Pork	27·7	31·3	19·8	1·1
	Offal	9·1	9·7	13·6	8·7
	Total	248·9	250·6	249·6	193·1
1947	Beef and Veal ..	106·1	103·9	147·8	164·1
	Mutton and Lamb ..	100·9	118·1	124·0	83·5
	Pork	2·8	5·0	4·1	2·4
	Offal	10·5	17·2	16·2	14·0
	Total	220·3	244·2	292·1	264·0

Source: Ministry of Agriculture, Fisheries and Food

TABLE IVA

Livestock: Annual Purchases for Slaughter at Collecting Centres in the United Kingdom, 1940–47

'000 *head*

Year	Cattle	Calves	Sheep and Lambs	Pigs[1]
1940	1,889	861	10,961	5,331
1941	1,863	1,062	8,452	3,428
1942	1,672	1,126	8,158	1,752
1943[2]	1,744	1,363	7,665	1,588
1944	1,866	1,357	6,830	1,316
1945	1,991	1,423	6,545	1,795
1946	2,035	1,481	7,362	1,606
1947	1,833	1,352	5,488	966

[1] Including purchases by Area Pig Allocation Officers.
[2] 53 weeks.

TABLE IVB

Cattle: Quarterly Purchases for Slaughter, 1940–47

'000 *head*

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940	351	435	554	549
1941	513	468	463	419
1942	313	415	460	484
1943[1]	353	499	468	424[2]
1944	358	474	525	509
1945	380	410	645	556
1946	352	346	646	691
1947	275	325	553	680

[1] 53 weeks.
[2] 14 weeks.

TABLE IVC

Calves: Quarterly Purchases for Slaughter, 1940–47

'000 *head*

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940	214	192	226	229
1941	296	313	240	213
1942	279	278	269	300
1943[1]	371	323	273	395[2]
1944	392	250	297	418
1945	432	255	304	432
1946	423	243	319	496
1947	415	246	294	397

[1] 53 weeks.
[2] 14 weeks.

TABLE IVD

Sheep and Lambs: Quarterly Purchases for Slaughter, 1940–47

'000 *head*

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940	2,060	1,454	3,637	3,810
1941	2,127	1,580	2,191	2,554
1942	2,029	1,296	1,813	3,020
1943[1]	2,037	1,378	1,387	2,863[2]
1944	2,004	942	1,255	2,629
1945	1,889	975	1,237	2,444
1946	1,858	901	1,530	3,873
1947	1,415	743	814	2,516

[1] 53 weeks.
[2] 14 weeks.

TABLE IVE

Pigs[1]: Quarterly Purchases for Slaughter, 1940–47

'000 *head*

Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940	1,083	1,552	1,403	1,293
1941	1,327	1,029	582	490
1942	468	452	407	425
1943[2]	439	463	370	316[3]
1944	290	353	336	337
1945	436	497	486	376
1946	432	455	427	292
1947	264	333	223	146

Source: Ministry of Agriculture, Fisheries and Food

[1] Including purchases by Area Pig Allocation Officers.
[2] 53 weeks.
[3] 14 weeks.

TABLE VA

Bacon and Ham: Annual Imports, Home Production, and Stocks, 1940–47

'000 *tons*

	Imports[1]	Home Production[2] [3]	Stocks[4]
Pre-war Average	383·2[5]	159[6]	27·0[7]
1940	238·6	192·5	21·0
1941	274·2	159·1	34·6
1942	326·0	98·9	21·9
1943	334·5	95·8[8]	28·6
1944	399·8	109·4	28·5
1945	243·5	118·8	23·6
1946	178·7	108·2	11·7
1947	131·8	62·1	17·4

[1] As recorded by H.M. Customs: relates to calendar periods. Excluding canned bacon and ham.

[2] From Ministry of Food records : relates to statistical periods of 13 week quarters and 52 week years.

[3] Commercial production.

[4] Government owned.

[5] Average of 1934–38.

[6] Average of 1935–36 to 1938–39.

[7] At end December 1939.

[8] 53 weeks.

TABLE VB

Bacon and Ham: Quarterly Imports, Home Production, and Stocks, 1940–47

'000 *tons*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940 Imports[1]	94·7	59·8	38·4	45·7
Home Production[1] ..	31·3	49·7	55·2	56·3
Closing Stocks[1] ..	31·7	25·7	13·6	21·0
1941 Imports	48·1	57·0	65·0	104·1
Home Production ..	52·4	42·1	35·8	28·8
Closing Stocks ..	26·1	23·7	24·2	34·6
1942 Imports	79·5	101·1	83·4	62·0
Home Production ..	24·0	25·1	24·5	25·3
Closing Stocks ..	36·5	56·6	49·5	21·9
1943 Imports	76·8	96·3	89·9	71·5
Home Production ..	22·9	26·4	24·1	22·4[2]
Closing Stocks ..	25·5	37·4	49·1	28·6
1944 Imports	96·4	145·2	100·6	57·6
Home Production ..	26·2	27·7	25·7	29·8
Closing Stocks ..	54·4	76·7	55·3	28·5
1945 Imports	80·3	73·7	48·1	41·4
Home Production ..	28·8	31·0	30·6	28·4
Closing Stocks ..	32·9	38·1	23·7	23·6
1946 Imports	48·2	51·7	46·0	32·8
Home Production ..	27·2	31·3	26·9	22·8
Closing Stocks ..	23·3	37·6	33·4	11·7
1947 Imports	31·8	45·0	38·5	16·5
Home Production ..	17·7	19·2	14·8	10·4
Closing Stocks ..	10·3	23·8	20·7	17·4

Source: Ministry of Agriculture, Fisheries and Food

[1] As above.

[2] 14 weeks.

TABLE VI

Self-suppliers' Pigs: Licences for Slaughter, 1941–49

Numbers of Pigs Slaughtered

Licences were first required for slaughter of pigs for self-suppliers in January 1940, but during that year there was no specific limit to the number of pigs that could be killed for one household. As no returns were made to the Ministry of licences issued during 1940, there is no record of the total number of pigs slaughtered for self-suppliers in that year.

From January 1941, the issue of slaughtering licences was limited to one in three months for each household, giving a maximum of four per annum. In September 1941, the maximum was reduced to two pigs for each household over the year September—August, with a similar rate of benefit for members of co-operative pig clubs. This rate remained unchanged until the end of control. From September 1944, slaughtering licences could be issued to farm workers at the same rate as for individual owners, but under easier conditions. Throughout the period the great majority of individual self-suppliers had one pig only killed each year.

Period	For Individual Owners	For Farm Workers	For Co-operative Pig Clubs (*a*)	Total for Self-suppliers	Total for Ministry of Food (*thousands*) (*b*)	Percentage of total killed for Self-suppliers %	Weekly Bacon Ration ounces
Jan.—Aug. 1941	167,220	—	1,600	168,820	2,455	6·4	4
Sept.—Aug.							
1941–42	400,300	—	8,400	408,700	1,601	20·3	4
1942–43	462,266	—	17,173	479,439	1,496	24·3	4
1943–44	494,107	2	19,171	513,280	1,158	30·7	4
1944–45	446,227	3,211	17,068	466,506	1,586	22·7	4
1945–46	525,556	3,551	15,159	544,266	1,563	25·8	3
1946–47	533,580	5,307	12,505	551,392	936	37·1	2
1947–48	617,999	6,872	12,002	636,873	776	45·1	1–2
1948–49	712,446	10,482	17,534	740,462	1,990	27·0	1–2

(*a*) Including Factory Canteen, School Canteen, Agricultural Workers' Hostel, and Institution Pig Clubs.

(*b*) Round figures.

TABLE VIIA

Oils and Fats[1]*: Annual Imports, Stocks, and Disposals, 1940–47*

'000 *tons*

	Imports[2]	Closing[3] [4] Stocks	Disposals[3] [5]
Pre-war Average	919[6]	379[7]	865[6]
1940	1,161	473	1,134
1941	1,019	411	1,112
1942	927	372	1,010
1943	982	557[8]	902[8]
1944	939	585	931
1945	698	341	1,003
1946	769	253	905
1947	1,005	335	937

[1] Includes vegetable oils, other than tuna and oiticica, together with the crude oil equivalent of oilseeds and nuts; marine oils and animal fats and tallows are also included, but not lard, butter, margarine, or compound cooking fats. Stocks and disposals exclude stillingia, copaiba, and teaseed oils.

[2] As recorded by H.M. Customs (calendar years).

[3] From Ministry of Food records (statistical periods of 52 week years and 13 week quarters).

[4] Government owned and controlled.

[5] Vegetable and marine oils, in terms of crude oil equivalent, and animal fats and tallows. The oil equivalent of oilseeds (some of which were disposed of other than for crushing into oil) is omitted.

[6] Average of the years 1934–38.

[7] December 1939.

[8] 53 weeks.

TABLE VIIB

Oils and Fats: Quarterly Imports, Stocks, and Disposals, 1940–47

'000 *tons*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940 Imports[1] ..	271	433	248	209
Disposals[1] ..	277	303	278	276
Closing Stocks[1]	364	537	535	473
1941 Imports	204	246	296	273
Disposals ..	285	273	270	284
Closing Stocks ..	400	402	420	411
1942 Imports	285	268	237	137
Disposals ..	273	250	245	242
Closing Stocks ..	441	474	478	372
1943 Imports	186	225	238	333
Disposals ..	234	205	224	239[2]
Closing Stocks ..	351	384	411	557
1944 Imports	267	206	243	223
Disposals ..	244	229	229	229
Closing Stocks ..	573	539	585	585
1945 Imports	193	163	175	167
Disposals ..	246	261	242	254
Closing Stocks ..	545	444	396	341
1946 Imports	191	221	150	207
Disposals ..	232	211	210	252
Closing Stocks ..	305	314	265	253
1947 Imports	175	302	292	236
Disposals ..	219	226	228	264
Closing Stocks ..	222	298	341	335

Source: Ministry of Agriculture, Fisheries and Food

[1] As above. (TABLE VIIA).

[2] 14 weeks

TABLE VIIIA

Margarine: Home Production, 1940–47

'000 *tons*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Pre-war Average[1]	—	—	—	—	182
1940	82·6	79·5	83·5	113·7	359·3
1941	102·6	89·5	110·1	117·2	419·4
1942	111·0	91·3	95·8	107·7	405·8
1943	107·8	92·7	95·1	95·9[2]	391·5[3]
1944	104·4	104·4	97·8	92·0	398·6
1945	106·6	106·8	95·6	97·3	406·3
1946	79·4	79·0	78·5	92·9	329·8
1947	85·6	83·0	85·4	99·5	353·5

[1] Average of 1934–38.

[2] 14 weeks.

[3] 53 weeks.

TABLE VIIIB

Compound Cooking Fat: Home Production, 1940–47

'000 *tons*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Pre-war Average[1]	—	—	—	—	94
1940	41·0	52·3	32·6	33·2	159·1
1941	45·4	50·1	27·2	22·3	145·0
1942	23·8	20·6	10·3	7·1	61·8
1943	11·2	14·9	17·4	9·9[2]	53·4[3]
1944	9·3	9·0	6·8	6·5	31·6
1945	12·3	23·4	20·8	28·9	85·4
1946	37·9	25·9	20·6	36·3	120·7
1947	38·4	34·4	40·1	37·3	150·2

[1] Average of 1934–38.
[2] 14 weeks.
[3] 53 weeks.

TABLE IX

Lard: Imports[1], *1940–47*

'000 *tons*

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Pre-war Average	—	—	—	—	87·7[2]
1940	17·9	7·1	9·3	0·5	34·8
1941	0·1	0·3	52·9	43·2	96·5
1942	37·4	66·8	77·5	36·8	218·5
1943	13·6	57·0	90·2	57·7	218·5
1944	30·2	38·7	98·4	21·9	189·2
1945	30·3	32·4	13·5	14·4	90·6
1946	19·1	10·8	1·3	4·4	35·6
1947	9·5	5·1	0·7	0·1	15·4

Source: Ministry of Agriculture, Fisheries and Food

[1] As recorded by H.M. Customs : relates to calendar periods.
[2] Average of 1934–38.

TABLE XA

Wheat: Annual Imports, Millers' Receipts (home-grown), Quantity Milled, and Stocks, 1940–47

'000 tons

	Imports[1]	Millers' Receipts of home-grown wheat[2]	Quantity Milled[2 3]	Stocks at end of period[2 4]
Pre-war average	5,031[5]	730[6]	5,537[6]	1,364[7]
1940	5,754	954	5,973	1,264
1941	5,393	955	6,067	1,346
1942	3,487	1,616	5,326	1,039
1943	3,256	2,365[8]	5,026[8]	1,585
1944	2,824	2,491	5,348	1,422
1945	3,552	2,061	5,716	1,191
1946	3,372	1,407	5,222	509
1947	4,193	1,476	5,307	806

[1] As recorded by H.M. Customs (calendar periods); includes wheat used other than for milling.

[2] From Ministry of Food records (statistical periods of 52 week years and 13 week quarters). Quarterly totals are not obtainable for the entire crop.

[3] Excluding diluent grains, included in the grist in the years 1943 to 1945. Wheat unfit for milling, whether imported or home-grown was sold for animal feed.

[4] Government owned and millers' stocks.

[5] Average of the years 1934 to 1938.

[6] Average of the crop years 1934–35 to 1938–39.

[7] At end August 1939.

[8] 53 weeks.

TABLE XB

Wheat: Quarterly Imports, Millers' Receipts (home-grown), Quantity Milled, and Stocks, 1940–47

'000 *tons*

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940	Imports[1]	1,630	1,759	1,389	976
	Millers' Receipts[1] .. (home-grown)	289	139	224	302
	Quantity Milled[1] ..	1,537	1,600	1,404	1,432
	Closing Stocks[1] ..	1,074	1,378	1,512	1,264
1941	Imports	1,118	1,992	1,467	816
	Millers' Receipts .. (home-grown)	251	127	151	426
	Quantity Milled ..	1,542	1,560	1,478	1,487
	Closing Stocks ..	1,038	1,553	1,599	1,346
1942	Imports	749	1,375	818	545
	Millers' Receipts .. (home-grown) ..	560	323	191	542
	Quantity Milled ..	1,544	1,298	1,200	1,284
	Closing Stocks ..	1,076	1,481	1,256	1,039
1943	Imports	535	1,220	1,083	418
	Millers' Receipts .. (home-grown)	587	532	430	816[2]
	Quantity Milled ..	1,268	1,203	1,216	1,339[2]
	Closing Stocks ..	865	1,396	1,686	1,585
1944	Imports	644	703	825	652
	Millers' Receipts .. (home-grown)	868	679	420	524
	Quantity Milled ..	1,463	1,380	1,194	1,311
	Closing Stocks ..	1,572	1,550	1,582	1,422
1945	Imports	498	1,040	1,269	745
	Miller's Receipts .. (home-grown)	634	615	416	396
	Quantity Milled ..	1,413	1,367	1,390	1,546
	Closing Stocks ..	1,071	1,361	1,590	1,191
1946	Imports	785	1,027	779	781
	Millers' Receipts .. (home-grown)	437	312	243	415
	Quantity Milled ..	1,532	1,274	1,072	1,344
	Closing Stocks ..	795	815	712	506
1947	Imports	907	1,244	1,207	835
	Millers' Receipts .. (home-grown)	445	300	425	309
	Quantity Milled ..	1,435	1,273	1,212	1,387
	Closing Stocks ..	468	743	1,066	806

Source: Ministry of Agriculture, Fisheries and Food

[1] As above.

[2] 14 weeks (TABLE XA)

TABLE XIA

Flour: Annual Imports, Production, Stocks, and Disposals, 1940–47

'000 tons

	Imports[1]	Production from home-grown and imported wheat[2]	Stocks at end of period[3]	Disposals[2]
Pre-war average	420[4]	3,876[4]	314[5]	4,296[4]
1940	577	4,391	695	4,573
1941	708	4,600	857	5,149
1942	374	4,394	664	4,967
1943	718	4,527[6]	801	5,138[6]
1944	792	4,470	831	5,234
1945	543	4,524	484	5,433
1946	535	4,416	290	5,122
1947	894	4,436	509	5,115

[1] As recorded by H.M. Customs: relates to calendar years.

[2] From Ministry of Food records: relates to statistical periods of 52 week years and 13 week quarters. Includes a small quantity produced from diluent grains in the years 1943 to 1945.

[3] Government owned and controlled: with, in addition, estimates of stocks held by bakers and wholesalers.

[4] Average, 1934–38.

[5] At end of December 1939.

[6] 53 weeks.

TABLE XIB

Flour: Quarterly Imports, Production, Stocks, and Disposals, 1940–47

'000 tons

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1940 Imports[1]	183	151	130	113
Production[1] ..	1,124	1,177	1,039	1,051
Disposals[1] ..	1,102	1,168	1,135	1,168
Closing Stocks[1]	499	665	703	695
1941 Imports ..	71	206	339	92
Production ..	1,145	1,187	1,137	1,131
Disposals ..	1,272	1,315	1,308	1,254
Closing Stocks ..	643	745	903	857
1942 Imports ..	30	116	120	108
Production ..	1,190	1,101	1,019	1,084
Disposals ..	1,287	1,219	1,207	1,254
Closing Stocks ..	792	790	728	664
1943 Imports ..	158	260	180	120
Production ..	1,114	1,097	1,116	1,200[2]
Disposals ..	1,263	1,220	1,260	1,395[2]
Closing Stocks ..	673	826	869	801
1944 Imports ..	106	294	167	225
Production ..	1,240	1,152	1,005	1,073
Disposals ..	1,346	1,328	1,263	1,297
Closing Stocks ..	795	918	823	831
1945 Imports ..	111	182	71	179
Production ..	1,116	1,080	1,097	1,231
Disposals ..	1,326	1,450	1,351	1,306
Closing Stocks ..	736	549	359	484
1946 Imports ..	187	161	135	52
Production ..	1,242	1,104	948	1,122
Disposals ..	1,384	1,320	1,188	1,230
Closing Stocks ..	528	459	345	290
1947 Imports ..	115	318	253	208
Production ..	1,196	1,063	1,013	1,164
Disposals ..	1,278	1,286	1,268	1,283
Closing Stocks ..	346	434	413	509

Source: Ministry of Agriculture, Fisheries and Food

[1] As above (TABLE XIA)

[2] 14 weeks.

TABLE XII

Biscuits: Production

	Production
Pre-war average[1]	300
1940	330
1941	361
1942	358
1943	278[2]
1944	272
1945	261
1946	246
1947	230·7

Source: Ministry of Agriculture, Fisheries and Food

[1] Average of 1934–38

[2] 53 weeks.

TABLE XIII

Remuneration of MINDAL, *1939–48*

Note. The remuneration of MINDAL, the organisation for handling imported meat, was expressed in the form of a gross commission on the tonnage of 'basic meats' (frozen and canned corned meat) handled in each year, calculated on a notional pre-war value (£52 per ton). The rate of commission was, however, determined after reference to the company's expenses, so that it was effectively on a cost-plus basis.[1] A further payment was made in respect of 'non-basic' meats (other canned meat, poultry, and rabbits).

Period	Tonnage		Remuneration			
					Percentage of £52 per ton on basic meats' tonnage	
	Total	Basic Meats	Gross Commission	Net Profit	Commission	Net Profit
	tons	tons	£	£	%	%
11.12.39—31.3.40	269,871	(all)	280,665		2	
1st April—31st March						
1940–41	1,069,677	(all)	834,363	(671,258)(*a*)	1·5	(1·21)(*b*)
1941–42	1,125,709	(1,000,168)(*c*)	812,722	(581,824)	1·5	(1·12)
1942–43	1,234,417	(1,005,631)	909,243	(619,596)	1·62	(1·18)
1943–44	1,481,443	(1,085,622)	959,465	(670,049)	1·56	(1·19)
1944–45	1,537,691	(1,198,702)	996,821	(719,253)	1·49	(1·15)
1945–46	1,141,977	(953,090)	832,845	(594,944)	1·59	(1·19)
1946–47	1,249,290	(1,122,609)	935,993	(695,959)	1·56	(1·19)
1947–48	1,154,882	(1,042,775)	891,526	(643,392)	1·59	(1·18)

(*a*) The difference being payment for expenses.
(*b*) Remainder being payment for expenses.
(*c*) Remainder being imports of 'non-basic' meats.

[1] See above, pp. 311-314.

TABLE XIV

Payments to the British Sugar Corporation, 1936–48

NOTE. Following the Sugar Industry (Reorganisation) Act of 1936, the British Sugar Corporation received from the Ministry of Agriculture an annual subsidy at a rate of assistance assessed on a forecast of income and expenditure (under certain standard conditions) to cover its net loss, being the difference between the cost of production of beet-sugar and the revenue from sales. The production year ran from 1st April to 31st March. In March 1938, the Ministry of Agriculture entered into an Incentive Agreement with the Corporation by which the latter received as part of this payment a share of the savings through its 'accumulated economies' in the production of beet-sugar.

From the second war year (1st April 1940 to 31st March 1941) onwards, as a forecast was no longer possible, the Ministry of Food, who had taken over control of the industry, made an annual deficiency payment to the Corporation based on the actual trading results of the year in question. The deficiency payment was calculated after the Corporation had been paid a price for its raw sugar comparable with the current c.i.f. price of Empire sugar products and the total production had then been sold back to the Corporation at a price comparable with the price at which raw sugar Empire products were sold to the refiners. The Corporation was paid for its white sugar production at the raw sugar price plus a refining margin.

The molasses produced by the Corporation was sold to the Molasses Control at controlled prices, but from 1942–43 onwards the Ministry of Food made the Corporation a deficiency payment to cover its losses on molasses, i.e. the difference between the sum actually received and the sum that would have been received if the molasses had been mixed with sugar-beet pulp and sold for animal feeding-stuffs.[1]

[1] See above pp. 92-103, 114-128

TABLE XIV *continued*

Period 1 April—31 March	Beet throughput	Sugar output (white sugar equivalent)[1]	Cost of Beet	Operating Costs	Income from Products	Government Assistance	Assistance per cwt. of white sugar equivalent
	tons	tons	£	£	£	£	s. d.
1935–36	3,403,785	471,704	6,604,114	1,884,735	6,177,976	2,218,787	4 8·4
1936–37	3,448,007	521,944	6,861,886	1,952,836	7,197,700	2,576,019	4 11·25
1937–38	2,582,808	377,136	5,235,141	1,766,297	5,554,122	1,108,320	2 11·2
1938–39	2,190,585	289,435	4,947,898	1,663,758	4,321,061	1,623,694	5 7·3

[1] In tonnage equivalent of refined sugar: remainder of production in molasses and plain dried pulp. The statistics of white sugar equivalent are calculated on the basis of the 6th Schedule to the Sugar Industry (Re-Organisation) Act, 1936 (26 Geo. V and 1 Edw. VIII ch. 18). Since the season 1957–8 the conversion of raw sugar to white equivalent has been made on a more precise formula which gives somewhat higher yields of white sugar. A recalculation on this basis for the years 1935–6 to 1958–9 was published in the Corporation's Annual Report (28th July 1959).

Period 1 April—31 March	Beet throughput	Sugar output (white sugar equivalent)	Cost of Beet	Operating Costs	Income from Products	Deficiency Payments	Incentive Element[1]	Supplementary Payments[2] for Molasses	Assistance per cwt of white sugar equivalent
	tons	tons	£	£	£	£	£	£	s. d.
1939–40	3,512,736	487,434	8,717,105	2,719,628	10,896,723	2,655,319	50,357	—	5 5·3
1940–41	3,176,361	479,943	10,410,948	2,635,526	10,949,722	2,116,063	153,273	—	4 5·5
1941–42	3,226,294	462,291	11,048,090	2,800,714	10,666,457	3,981,512	75,443	—	8 6·6
1942–43	3,923,400	515,545	16,996,956	3,494,470	15,707,352	4,947,095	49,800	432,108	9 7·1
1943–44	3,759,823	491,644	16,115,765	3,618,698	16,108,494	3,733,030	73,687	502,827	7 7·1
1944–45	3,248,230	387,303	13,287,377	3,518,016	12,858,326	4,058,756	59,251	457,318	10 5·7
1945–46	3,886,412	503,475	17,455,746	3,981,031	17,492,504	3,972,226	91,967	509,920	7 10·7
1946–47	4,522,140	556,731	20,713,585	4,553,264	22,922,982	2,749,780	319,610	184,903	4 11·3
1947–48	2,959,564	429,006	16,604,595	3,936,482	20,005,388	569,007	191,754	151,199	1 3·9

[1] Included in total of Deficiency Payment.
[2] Additional to total of Deficiency Payment.

TABLE XV

Remuneration of the Wholesale Meat Supply Associations, 1940–48

Note. The eight W.M.S.A.'s, one for each Meat and Livestock Area, undertook the allocation and wholesale distribution of both home-killed and imported meat. Each was paid an annual commission to cover expenses plus a profit equal to 1¾ per cent. on the members' pre-war turnover, expressed in terms of the current turnover valued at the pre-war price of £70 a ton. Special arrangements were made for London, where the fall in turnover resulting from the war would, it was claimed, produce hardship if the formula were not modified.[1]

(*a*) *Payments to W.M.S.A.'s other than London*

Period	Tonnage handled tons	Commission £	Expenses £	Net Profits £	Rate Distributed %
15.4.40—31.3.41	1,504,073	2,636,631	1,529,511	1,107,120	1·78
1 April—31 March					
1941–42	1,333,707	2,436,516	1,376,390	1,060,126	1·71
1942–43	1,328,329	2,359,172	1,287,040	1,072,132	1·73
1943–44	1,336,943	2,315,813	1,237,926	1,077,887	1·74
1944–45	1,428,788	2,325,010	1,252,709	1,072,301	1·74
1945–46	1,354,704	2,422,075	1,341,883	1,080,192	1·74
1946–47	1,536,952	2,567,751	1,483,827	1,083,924	1·74
1947–48	1,411,526	2,609,325	1,533,803	1,075,522	1·73

(*b*) *Payment to London W.M.S.A.*

Period	Tonnage handled tons	Commission £	Expenses £	Net Profits £	Rate Distributed %
15.4.40—31.3.41	358,981	1,465,904	747,956	717,948	1·75
1 April—31 March					
1941–42	257,031	1,011,151	519,927	491,224	1·375
1942–43	258,159	872,536	324,589	547,947	1·386
1943–44	264,822	834,077	279,983	554,094	1·4
1944–45	264,579	810,273	291,269	519,004	1·4
1945–46	275,993	869,493	314,980	554,513	1·4
1946–47	330,550	1,099,087	449,865	649,222	1·638
1947–48	304,387	1,078,670	481,210	597,460	1·508

Source: Ministry of Agriculture, Fisheries and Food

[1] For an explanation of this complicated formula, and for the special arrangements made for the London W.M.S.A. see pp. 304-311.

TABLE XVI

Remuneration of BINDAL, *1939–48*

Note. The Bacon Importers' National Defence Association Ltd. was paid a commission for first-hand distribution of imported bacon to cover remuneration and expenses (the latter amounting to about £45,000 yearly), other than transport and cold storage charges which were paid by the Ministry.

From September to December 1939, BINDAL received a provisional commission of 2¼ per cent. on the first-hand selling price of bacon (amounting to 2s. 7d. per cwt.) subject to a refund to the Ministry from the importer-wholesalers who handled a quarter of the trade. Under an Agreement beginning on 8th January 1940 (the start of rationing), BINDAL was paid a commission of 2 per cent. on the selling price of imported bacon with a maximum of 2s. per cwt. payable when the basic price of bacon (*i.e.* of Wiltshire sides) was £5 per cwt. or more, a price in fact always exceeded. No refund was payable under this Agreement.

As the increase in the volume of bacon imports in 1941 brought BINDAL's remuneration far above the expected total, a sliding scale of payments was introduced from 1st April 1942, providing for:

2s. 8d. per cwt. on imports of 125,000 tons per annum.
1s. 4d. per cwt. on imports thence to 250,000 tons p.a., giving an average of 2s. per cwt.
8d. per cwt. on imports thence to 300,000 tons p.a., giving an average of 2s. per cwt.
8d. per cwt. on imports thence to 300,000 tons p.a., giving an average of 1s. 9·3d. per cwt.
6d. per cwt. on imports thence to 350,000 tons p.a., giving an average of 1s. 7·1d. per cwt.
4d. per cwt. on imports thence to 400,000 tons p.a., giving an average of 1s. 5½d. per cwt.
2d. per cwt. on imports thence to 450,000 tons p.a., giving an average of 1s. 3·6d per cwt.
1d. per cwt. on imports thence to 500,000 tons p.a., giving an average of 1s. 2·1d. per cwt.
and 1d. per cwt. after.

This agreement remained in force until the end of Control.

Period	Tonnage (approximate)	Total Commission	Average Rate per cwt.
Sept.-Dec. 1939	85,000	£169,667	2/7 less refund
Jan.-Dec. 1940	284,000	£568,000	2/-
Jan.-Dec. 1941	274,700	£549,400	2/-
Jan.-Mar. 1942	80,000	£160,000	2/-
Apr.-Mar. 1942–43	325,000	£549,609	1/8
,, ,, 1943–44	325,000	£546,042	1/8
,, ,, 1944–45	391,000	£572,143	1/6
,, ,, 1945–46	214,000	£452,383	2/1
,, ,, 1946–47	186,000	£414,584	2/3
,, ,, 1947–48	140,000	£358,166	2/6½d.

TABLE XVII

Remuneration of Marcom, Limited, 1940–48

Note. Marcom Limited consisted of the manufacturers of margarine and compound cooking fat, who were at first paid their expenses plus a margin of profit covering both the manufacture and distribution of these foodstuffs on the Ministry of Food's behalf. After the advent of Lend/Lease lard and the admission of the lard importers to Marcom in April 1942[1] the margin was split into manufacturing and distributing portions, and the lard importers given a share in the latter.

The net manufacturing margin for cooking fat was thereafter fixed at a flat £1 15s. od. a ton; that on margarine according to a stepped scale of £7 14s. 8d. for the first 250,000 tons, £3 10s. for the next 150,000 tons, and £1 10s. for any tonnage above 400,000 annually. The net distributive margin for all products was set at 6s. 8d. a ton. The table shows the actual remuneration received under all these heads from the outset of control until March 1948, and also the realised rate per ton in respect of margarine manufacture.

Period	Total Sales '000 tons	MARCOM Expenses £1,000	Manufacturing† Profit Margins: Total £1,000	Manufacturing† Profit Margins: Per ton Margarine £ s. d.	Manufacturing† Profit Margins: Per ton Cooking Fat £ s. d.	Total Distributing Profits Margin at 6s.8d. per ton £1,000
1st July '40—31st March '41	366	—	1,877	6 13 2	1 7 6	included in manufg. margin
1st April—31st March 1941–42	515	640	2,791	6 12 10	1 7 6	—
1942–43	635	580	2,381	5 17 6	1 15 0	211 (42)*
1943–44	641	483	2,375	5 15 1	1 15 0	214 (43)
1944–45	661	433	2,399	5 12 9	1 15 0	221 (44)
1945–46	592	395	2,460	5 17 8	1 15 0	197 (39)
1946–47	490	390	2,327	6 7 6	1 15 0	163 (24)
1947–48	520	375	2,459	6 4 3	1 15 0	173 (35)

* Figure in brackets denotes sum paid by MARCOM to Lard Importers' Association.
† Also covers distributive margins from 1st July 1940 to 31st March 1942.

[1] Above, pp.459-460.

TABLE XVIII

Remuneration of the Grain Trade, 1939–48[1]

Note. The first remuneration agreement with the Grain Trade, for the control year September 1939—August 1940, covered 205 firms previously engaged in the purchase, shipping, sale, and distribution of imported grain. It provided for payment for their collective services to the Ministry in the importation of grain and its distribution through the Port Area Grain Committees. The basis of payment (to comprise both expenses and profits) was 2s. 6d. per ton with a ceiling at 10 million tons of imports. The actual sum received did not reach this total.

For the second control year (September 1940—August 1941) the total payment to the Grain Trade was fixed by agreement at £1,080,000 to include payment for any supplementary services required by the Ministry; for the third year (September 1941—August 1942) a similar agreement provided for a total payment of £1,015,000.

Under a new and continuing agreement coming into force with the fourth control year in September 1942, the Grain Trade was to receive its expenses plus £500,000 a year for profits, a sum amounting to about 57 per cent. of the pre-war profits of the firms subscribing to the agreement. This agreement remained in force until August 1951, and gave the Grain Trade a much higher rate of profit per ton than the original agreement, although its total profit was less than for the first and second years of control. The profits were shared among a decreasing number of firms, for the original 205 participants had fallen within ten years to 160.

The firms participating in the agreement were permitted to undertake work unconnected with the Ministry, but any earnings from this for grain imported into the United Kingdom were returnable to the Ministry and reduced the net cost of the control. From the eighth year of control (September 1946—August 1947) onwards a deduction from outside earnings was also made, so as to offset the additional expenses, both direct and overhead, incurred on their behalf. In the year 1946–47 this surcharge amounted to £72,000, thus reducing gross expenses of £576,000 to £504,000.

Period Sept.— August	Expenses £ (*a*)	Profit £	Returnable Income £ (*b*)	Total paid £	Net Cost per ton s. d.	Profit per ton s. d.
1939–40	567,000	663,000	172,000	1,058,000	2 5½	1 6½
1940–41	520,000	560,000	158,000	922,000	2 8	1 7½
1941–42	533,000	482,000	88,000	927,000	4 1¾	2 2
1942–43	432,000	500,000	76,000	856,000	4 5½	2 7¼
1943–44	428,000	500,000	35,000	893,000	5 6½	3 1¼
1944–45	428,000	500,000	27,000	901,000	3 10½	2 1¾
1945–46	480,000	500,000	34,000	946,000	4 4¼	2 3¾
1946–47	507,000	500,000	37,000	970,000	3 8¾	1 11
1947–48	504,000	500,000	51,000	953,000	3 2¼	1 8¼

(*a*) Total after deduction of surcharge on returnable income (*e.g.* surcharge in 1947–48 £72,000).

(*b*) Deducted from total of expenses plus profits.

[1] Above, pp. 647-652.

TABLE XIX

Remuneration of Flour Importers, 1939–48

Note. Unlike the grain trade, the flour importers, 41 firms in all, were formed into a special war-time company—the Flour Importers' (Distribution Control) Association—which entered into a remuneration agreement with the Ministry of Food.[1] The initial agreement, covering the three years September 1939—August 1942, provided for a 'double-deck' commission of 5s. for each ton of wheat imported, and 6s. for each ton distributed at the request of Port Grain Committees. The total commission in any control year was not to exceed £200,000, but excess tonnage not ranking for commission might be carried over into the following year. By September 1942, tonnage equivalent to £86,000 was outstanding. This claim was, however, cancelled as part of a new form of agreement whereby FIDCAL was paid its members expenses plus a 'profit element' of £110,000 a year, corresponding roughly to the pre-war profits of its members increased *pro tanto* for the increased tonnage they handled. Payment of expenses was limited to those incurred in handling flour; profits and commissions received from other sources in respect of flour or feeding-stuffs had to be handed over to the Ministry.

Period Sept.— August	Expenses £	Profits £	Total £	Returnable Incone £	Net Cost of Control £
1939–40				11,778	
1940–41	264,312	336,000	600,312	12,066	569,493
1941–42				6,975	
1942–43	78,282	110,000	188,282	4,402	183,880
1943–44	76,752	110,000	186,752	3,308	183,444
1944–45	75,960	110,000	185,960	3,061	182,899
1945–46	82,420	110,000	192,420	8,708	183,712
1946–47	85,154	110,000	195,154	80,358	114,796
1947–48	87,121	110,000	197,121	24,779	172,342

[1] Above, p. 653.

TABLE XX

Remuneration of Flour Millers, 1940–48[1]

Note. The first remuneration agreement, signed on 10th November 1941. between the Ministry of Food and British Millers' Mutual Pool Ltd, covered the first three control years, September 1939—August 1942. The Ministry agreed to pay the Pool Company for each control year the total trade deficiency incurred by members in flour milling, selling, and distribution—flour being sold at a price below cost—plus the sum of their annual 'standard average profit' being the yearly average for the industry of three calendar years 1935–37 or 1936–38 (the alternative being at the choice of each Pool Miller) with the addition, agreed later, of 6 per cent. per annum for interest on each miller's fixed capital in excess of the capital employed by him in his standard period. No payment would be made for excess output in a control year above the total yearly production in the standard period, but any excess could be carried forward to the next following control year. The average rate of profit for the industry in the standard period (the 'National Standard Margin') was finally determined at 2s. 8d. per sack of flour.

A revised contract for the fourth control year, September 1942—August 1943, provided for payment for excess output above the standard at a reduced rate. By a further contract covering the next three years, September 1943—August 1946, it was agreed that the millers should receive annually for each year from September 1942 onwards 45 per cent. of the national standard margin on excess output up to 5 per cent., 40 per cent. on excess production between 5 per cent. and 10 per cent., and so by 5 per cent. down to 30 per cent. output above the standard. beyond which they would receive 15 per cent. extra. A supplementary agreement was made for the two following years, September 1946—August 1948, when the addition for interest on excess capital employed was allowed.

Control Year ending 31st August	Total Payment	Total Remuneration	Interest on Excess Capital	Addition for Excess Production
	£	£	£	£
1940	17,700,000	4,325,000	110,000	—
1941	33,800,000	4,244,000	111,000	—
1942	20,100,000	4,246,000	121,000	—
1943	30,600,000	4,563,000	121,000	417,000
1944	37,500,000	4,643,000	119,000	399,000
1945	30,600,000	4,593,000	126,000	342,000
1946	39,000,000	4,653,000	143,000	385,000
1947	51,300,000	4.638,000	142,000	371,000
1948	62,600,000	4,692,000	150,000	417,000

The Standard Average Profit included in the total remuneration each year was £4,125,000.

[1] Above, pp. 653-664,

TABLE XXI

Flour and Bread Subsidy Payments, 1939–48[1]

Note. From the outbreak of war the price of flour was controlled; flour millers received rebates (regarded as payments on account) to cover the difference between the price at which they were required to sell flour to distributors and the cost of production, including purchase of wheat, milling expenses, and a remuneration by way of profit ultimately fixed at the rate of each miller's profits in a three year pre-war period. In the case of purchases of imported wheat (from the Port Area Grain Committees) the rates of rebate were fixed by computation of the loss of an average flour miller on each ton of imported wheat he milled; the rebates were given as allowances deducted from the invoices rendered by the P.A.G.C's.

The rates of rebate on home-grown wheat were computed on the loss of an average miller on each ton of home-grown wheat he milled, calculated from the M.R.1 returns (of production, deliveries, and stocks) rendered weekly by each controlled flour miller to Cereals Division; they were paid by the latter fortnightly to each flour miller direct.

During the periods when diluents and dried milk powder were put into flour, rebates in respect of these were allowed on the same principle as for wheat: those for barley, oat products, and dried milk powder were treated in the same way as imported wheat, those for rye as for home-grown wheat.

The rates of rebate had to be adjusted frequently to take account of changes in the prices of wheat and of millers' expenses and of increases in the prices of flour and by-products.

A bread subsidy of a halfpenny per quartern loaf was introduced on 1st December 1940, payable to bakers selling bread at the rate of 8d. per quartern loaf or less. In October 1941, when maximum prices were fixed for bread and the price of flour was increased, the bread subsidy was raised to 7s. 9d. per sack of flour together with a temporary graduated subsidy payable on the first 400 sacks of flour used each week by a baker for baking 2 lb. and quartern loaves. Subsequent variations were made in the rate of the bread subsidy to meet changes in flour prices, the size of loaves, and bakers' expenses.

The total of the rebates to millers was regarded as a subsidy on flour, being allowed on the whole production regardless of the purpose to which it was put. The bread subsidy was paid in addition only on flour used for specified bread production. As the bread subsidy was paid only to bakers who claimed it, bread produced by some thousands of bakers was unsubsidised.

The figure given for total subsidy on flour included losses on sales to millers of imported wheat and on imported flour issued to millers for incorporation into National flour.

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[1] Above, pp. 625-.644

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