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THIRTEENTH REPORT
FROM THE
SELECT COMMITTEE ON
ESTIMATES

TOGETHER WITH THE MINUTES OF EVIDENCE
TAKEN BEFORE SUB-COMMITTEE C
AND APPENDICES

Session 1948—49

THE MINISTRY OF FOOD

Ordered by The House of Commons to be printed
23rd November 1949

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Wednesday, 17th November, 1948.

Ordered, That a Select Committee be appointed to examine such of the Estimates presented to this House as may seem fit to the Committee, and to suggest the form in which the Estimates shall be presented for examination, and to report what, if any, economies consistent with the policy implied in those Estimates may be effected therein.

Ordered, That the Committee do consist of Thirty-six Members.

The Committee was accordingly nominated of :—Mr. Arthur Allen, Mr. Alexander Anderson, Mr. Barton, Mr. Nigel Birch, Mr. Champion, Mr. Geoffrey Cooper, Mr. Corlett, Viscountess Davidson, Mr. Edward Davies, Mr. Walter Fletcher, Sir Ralph Glyn, Viscount Hinchingbrooke, Mr. H. D. Hughes, Wing Commander Hulbert, Mr. Kirby, Mr. John Lewis, Mr. Kenneth Lindsay, Mr. Selwyn Lloyd, Mr. Low, Sir Hugh Lucas-Tooth, Sir Peter Macdonald, Mr. Niall Macpherson, Mrs. Leah Manning, Mr. Manningham-Buller, Mr. Parkin, Mr. Thomas Reid, Mr. Wilfrid Roberts, Mr. William Ross, Mr. Scott-Elliot, Mr. Norman Smith, Mr. Sparks, Mr. William Wells, Mr. West, Mr. Frederick Willey, Mr. Willis and Mr. Yates.

Ordered, That Seven be the Quorum.

Ordered, That the Committee have power to send for persons, papers and records ; to sit notwithstanding any Adjournment of the House ; to adjourn from place to place ; and to report from time to time.

Ordered, That the Committee have power to appoint Sub-Committees and to refer to such Sub-Committees any of the matters referred to the Committee.

Ordered, That Three be the Quorum of every such Sub-Committee.

Ordered, That every such Sub-Committee have power to send for persons, papers and records ; to sit notwithstanding any Adjournment of the House ; and to adjourn from place to place.

Ordered, That the Committee have power to report from time to time Minutes of Evidence taken before Sub-Committees.—(Mr. Robert Taylor.)

Wednesday, 15th December, 1948.

Ordered, That Sir Peter Macdonald be discharged from the Select Committee on Estimates ; and that Mr. Turton be added to the Committee.—(Mr. Popplewell.)

Friday, 11th March, 1949.

Ordered, That Mr. Walter Fletcher be discharged from the Select Committee on Estimates ; and that Mr. York be added to the Committee.—(Mr. Robert Taylor.)

The cost of preparing for publication the shorthand Minutes of Evidence taken before Sub-Committee C was £276 17s. 6d.

The cost of printing and publishing this Report is estimated by H.M. Stationery Office at £1,210.

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THIRTEENTH REPORT

The Select Committee appointed to examine such of the Estimates presented to this House as may seem fit to the Committee, and to suggest the form in which the Estimates shall be presented for examination, and to report what, if any, economies consistent with the policy implied in those Estimates may be effected therein, have made further progress in the matters to them referred, and have agreed to the following Thirteenth Report:—

THE MINISTRY OF FOOD

1. Your Committee have examined the Estimates for the Ministry of Food. Witnesses were heard from the Treasury and the Ministry of Food; the Meat Importers' National (Defence) Association and the Imported Meat Traders' Association; the Wholesale Meat Supply Associations and the National Wholesale Meat Advisory Joint Committee; the National Federation of Meat Traders' Associations, the Scottish Federation of Meat Traders' Associations and the Association of Multiple Retail Meat Traders; and the National Federation of Corn Trade Associations, the National Association of Corn and Agricultural Merchants, the National Association of British and Irish Millers and the National Association of Flour Importers. Memoranda were submitted by the witnesses and by the Co-operative Union.

THE ESTIMATES

2. Your Committee heard evidence during the months of December, 1948, to July, 1949. They based their inquiry on the Estimates for 1948-49, as the Estimates for 1949-50 had not been published when their inquiry began. It was thus possible to see how the facts had borne out the forecast for the first nine months of the financial year, and how they influenced the estimated spending for the last three months. The result, as the House is aware, was a Supplementary Estimate of £52,214,124 for 1948-49.

3. The total of the Estimate for 1948-49 was £320,041,013; for 1949-50 it is £409,580,863. The Ministry is engaged in very large trading operations, and by far the greatest part of the Estimate is the sum for Trading Services under Subhead H. This is the net cash requirement for financing those operations during the year. For 1948-49 it was £302,100,000 and for 1949-50 it is £388,500,000. The balance of the original Estimates for the Ministry of Food is made up as follows:—

<i>Subhead</i>	1948-49	1949-50
	£	£
A. Salaries, etc.	13,003,348	13,736,403
B. Travelling and Incidental Expenses	931,500	891,250
C. Miscellaneous Expenses, Special Services, etc.	599,325	661,100
D. Advertising and Publicity	532,000	472,000
E. Payments to British Sugar Corporation	3,000,000	3,700,000
F. Contribution to the Food and Agriculture Organisation of the United Nations	186,340	182,610
G. War-time Meals and Emergency Arrangements	450,000	1,600,000
I. Capital Cost of Factories	20,000	1,000
J. Carriage of American Relief Supplies and Commonwealth Gifts	—	370,000
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	£18,722,513	£21,614,363
<i>Deduct</i>		
Z. Appropriations in Aid	781,500	533,500
	<hr/>	<hr/>
	£17,941,013	£21,080,863
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THE SUBSIDY ON FOOD

4. The trading operations of the Ministry of Food are carried on at a loss to enable the public to buy staple articles of food at a low price. The net loss on the trading account of the Ministry for the financial year is the amount of the subsidy on food in that year. It was originally estimated by the Ministry that in 1948-49 the subsidy would be £431,000,000; by January, 1949, this estimate had risen to £484,000,000. The final amount which will have been found by the taxpayer, however, will not be known until the trading accounts have been closed. These accounts will in due course be examined by the Committee of Public Accounts.

5. The estimated amount of the subsidy on food appears nowhere in the Estimate. The amount under Subhead H, which is often wrongly thought to represent the subsidy on food,* is the excess of cash spent on purchases over cash received from sales. Since it is purely a cash deficit it does not necessarily correspond with stock variations, or take into account debtors or creditors or services given to or received from other Government Departments without cash payments.

Q. 330. 6. For example, under the Andes Agreement, an advance of £100,000,000 was made to the Argentine at the end of the year 1947-48, and was charged to the Vote for that year. Shipment of goods from the Argentine to the value of £86,200,000 was, however, not due to be made until the following year, and the loss on these goods forms part of the food subsidy for the year in which they are consumed.

7. To take another example, the Ministry of Food hold a stock of Algerian wine. This has now been sold, and the cash requirement for 1949-50 will be reduced by the amount realised in that year. As the wine was sold at a loss, so far as the 1949-50 accounts are concerned, the subsidy for the year will be increased by the amount of the loss. There has, however, been no loss on Algerian wine over the years in which it has been handled.†

8. Other items which are included in the cash requirement, and which do not affect the subsidy, are the cash required for such transactions as stock piling, the settlement of non-commercial liabilities, and the purchase of rice for resale to Ceylon, India and Malaya.

9. The total of the subsidy on food is calculated after all the expenses of the Ministry have been paid and it therefore includes those charged under subheads other than Subhead H. It also includes charges borne on the Votes of the Agricultural Departments and the Board of Trade.‡ The expenses of the Ministry include the salaries and wages of all the staff directly employed by the Ministry; the payment of management fees to the various bodies employed as its agents; the cost at the successive stages of distribution; and insurance, advertising and publicity. Customs duties on certain foodstuffs are paid to the Board of Customs and Excise. The Ministry of Food also carry on their Vote the cost of the schools milk scheme on behalf of the Ministry of Education, and the cost of the welfare foods on behalf of the Ministry of Health. Notional charges are made for interest on the advances from the Exchequer to finance the Ministry's trading activities, and for

* The reconciliation of the estimate of the cash requirement of Subhead H and the original estimate of the subsidy for 1948-49 is shown in Part I of Appendix I.

† See Appendix IV.

‡ These charges which amounted to £31,040,000 on the Estimates for 1948-49 and to £31,045,000 on the Estimates for 1949-50 comprise acreage payments borne by the Agricultural Departments and the subsidy for fertilisers and molasses borne by the Board of Trade.

services rendered by other Departments, such as the Ministry of Works and the General Post Office.

10. The total of the subsidy on food thus includes a number of diverse elements. Of these some are merely paper transactions which recognise the fact that the Ministry of Food should account for services rendered by other Departments, whilst some are customs duties and in fact are payments out of the Exchequer through the Ministry of Food back to the Exchequer.

11. Part II of Appendix I shows how the original estimate of the subsidy of £431,000,000 is related to the estimate of £484,000,000 as revised in January, 1949. The latter estimate is based on the working of the nine months of 1948 and on a forecast for the three months of 1949. The increase is due to increases in certain rations during the year (including the Christmas bonus of tea) accounting for £22,700,000; to variations in quantities and costs of imported and home-produced supplies, accounting for £24,900,000; and, finally, to an increase of £5,400,000 on the payments borne on the Votes of the Agricultural Departments and the Board of Trade. Moreover, the saving of £45,000,000, assumed to arise from an average ten per cent. increase of selling prices, was not realised, because the Government, after their announcement of a policy of price stabilisation in February, 1949, did not give effect to these increases.

12. When presenting the Budget for 1949-50 the Chancellor of the Exchequer stated that the Government would not allow the subsidy to rise above £465,000,000 in the current year.* To keep the subsidy within this figure, the prices of meat, margarine, butter and cheese were then raised and the customs duties on tea and sugar were reduced. The price increases give a reduction in the subsidy consisting in a transfer of the cost from the taxpayer to the consumer; the reductions in duty, being only a transaction within the Exchequer accounts, give no gain to the Exchequer.

13. Any increase in the consumption of a subsidised foodstuff must in itself increase the subsidy on food by the amount of subsidy borne by the extra quantity consumed. As a limit has now been placed on the admissible total of the subsidy on food, an increase in the consumption of one subsidised foodstuff is therefore only possible either by a price increase, or by a reduction in the consumption of another subsidised foodstuff, assuming that purchase prices and the expenses of the Ministry remain unchanged.

14. When the commodity is produced at home, the purchase price is a matter of consultation with the Agricultural Departments and the Board of Trade; when it is produced overseas, the price is a matter of negotiation in many instances with Governments or Government-sponsored organisations. The costs of handling the foodstuffs in this country are within the control of the Ministry. As their inquiry was confined to the Estimates of the Ministry of Food, Your Committee investigated the methods of purchase, storing, processing and distribution employed by the Ministry; they did not inquire into price-fixing procedure.† They chose, for detailed inquiry, meat and cereals, two commodities which have a large turnover; and, for less exhaustive investigation, milk and milk products, sugar, tea and cocoa.

* Calculations based on the actual subsidy for the 6 months to 30th September, 1949, indicate that the subsidy is now running at the rate of £462,600,000 a year (see Appendix II).

† See paragraphs 106 to 109 of the Third Report from the Committee of Public Accounts (H.C. 233 of Session 1948-49).

MEAT

15. As part of a plan for the control of foodstuffs in an emergency, the Government prepared a scheme for the control of the distribution of meat. This scheme, which was drawn up in consultation with all sections of the trade and was put into effect at the outbreak of war, is still in operation. Although control is exercised directly by the Ministry, full use is made of the trade organisations. The meat ration is a value ration, so that the quantity handed to the consumer in the shop depends on its quality and cut. Home-killed meat forms the basic supply for distribution and the full amount of the ration is made up with frozen meat and canned corned beef.

16. Home-killed meat is sold at a loss to the Ministry of £35,778,000. Imported frozen meat, which is costed with its full overheads, sells, however, at a profit to the Ministry of £2,860,000. The loss on imported canned beef is £478,000, and the profit on other imported canned meats is £1,787,000. The net loss of £31,609,000 is the subsidy on meat.*

HOME-KILLED MEAT

MARKETS

Q. 923. 17. The livestock to be killed for meat is brought to the markets from the farms and bought for the Ministry by their agents, the District Chairmen of Auctioneers.* In their part-time capacity as Ministry agents, these Chairmen do not conduct fatstock auctions. Their function is to arrange for markets, receive advance notification from farmers of animals to be brought in for each market, and pass on this information to the Area Food Office; receive the stock and see that it is inspected, weighed and graded; and arrange its dispatch to the slaughterhouse. They register the sales, and forward a record to the County Chairmen of Auctioneers who make the payments to the farmers. Grade determines the price, which is arranged after consultation with the Agricultural Departments and the farmers' organisations. It was stated by the Ministry that the present procedure involves more time and clerical work than the procedure before the war.

Qs. 947-61. 18. For their services to the Ministry, the District Chairmen of Auctioneers receive a commission on each animal passing through their hands. The rates were fixed on the outbreak of war, and the total of this commission is £725,220. Additional expenses amounting to £54,000 are paid for lairage and weighing. Contributions towards clerical work at the markets amount to £85,000.

Q. 976. 19. The County Chairmen of Auctioneers receive the records of the weight and grade of livestock sold in the markets and make the payments to the farmers on behalf of the Ministry. They are paid salaries out of which they have to pay their office and clerical expenses. The salaries are paid into a pool, and are allotted to the County Chairmen by their Association, according to the amount of work in the county. There are 52 County Chairmen and the total of their salaries comes to £134,000, £115,000 for England and £19,000 for Scotland.

Qs. 931-34. 20. In Northern Ireland the scheme is operated by, and all market expenses are paid to, the Ministry of Agriculture. The cost of this service is £66,000.

21. Grading fees amount to £114,873. Actual disbursements are refunded for transport and droving away from the markets to the slaughterhouses, and

* See Annex 1.

the total for these charges is £1,405,805. The cost of bringing cattle bought in Eire to the slaughterhouses is £100,000.

22. The cost to the Ministry of the operations from the arrival of the stock at the market to its arrival at the slaughterhouse is therefore the total of the figures discussed above and amounts to £2,684,898. This represents about 2.5 per cent. on the cost of the animals which is £110,077,225 and 3.2 per cent. on the selling value of the meat and offals which is £85,064,166.

Grading of Cattle

23. Under the Cattle Subsidy Regulation of 8th July, 1938, cattle were graded, in order to qualify for subsidy, into "Normal" or "Quality". There were three graders in a market, consisting of representatives of the producers and of the butchers, with an auctioneer as chairman. After this preliminary grading, the beasts were sold in the open market, the butchers appraising the animal with their bids. The Ministry of Agriculture paid a subsidy which made up the difference between the average market price and the guaranteed price. This arrangement was superseded by the wartime system, which still continues, under which the live animals are placed in a number of grades.

24. The grading of the livestock at the markets on behalf of the Ministry is now done by a panel of three, the District Chairman of Auctioneers who acts as chairman and arbitrator, a butcher member and a farmer member. The Chairmen do not receive any payment for this duty. The other two members receive grading fees at a rate per head of the livestock graded with a weekly maximum and minimum.

25. The fatstock market is now not so much a market as a collecting centre. The butcher's skill is still used in grading, but that skill was acquired at the butcher's own expense in a hard school of experience. When the supply of meat improves and there is a prospect of release from the present system of rationing, Your Committee recommend that a scheme should be considered which would provide for consumer choice, the skill of the butcher in buying, and guaranteed prices for the farmer.

SLAUGHTERHOUSES

26. At the slaughterhouse, the animal is killed and the carcass prepared for sale to the butchers along with certain by-products. Other by-products, such as the hides, are sold for the Ministry's account. It is at this point that the meat is taken over by the Wholesale Meat Supply Associations,* who supplement it with frozen meat and canned corned beef to make up the amount needed for the butchers to meet their ration registrations. Qs. 1014-36.

27. The number of slaughterhouses has been reduced from the pre-war number of 16,000 to the present number of 580. Each is under the control of an official of the Ministry, the slaughterhouse manager, who is assisted by a clerk and a checkweighman, all of whom are paid direct by the Ministry.† The slaughtermen and "humpers" are employed by a contractor who receives payment at a fee either to include his expenses, or in addition to his expenses, which are reimbursed by the Ministry. Rent for the slaughterhouses is paid to the owners, and costed by the Ministry of Works at a notional charge for requisitioned premises. The cost under Qs. 994-1006.

* See paragraph 39 of this Report.

† Their salaries are included in Subhead A and are £200,000 for the managers and £160,000 for the clerks and checkweighmen.

the two headings is £653,700 for the slaughterhouse rent and maintenance and £1,640,266 for the slaughtering.

Slaughterhouse By-products

28. In addition to the preparation of the carcasses, there is the preparation of the hides and skins for the tanners, and the processing of the offals. The hides and skins are taken from the slaughterhouse and prepared by them for delivery to the Leather Control of the Board of Trade by the Hides and Skins Commission, which is an association formed by the trade. The fee, based on a costings investigation, is paid on the number of hides and skins actually handled, and amounts to £470,832. The processing of other by-products amounts to £60,000. The amount received for the sale of the by-products is £6,237,000.*

Costs of Slaughtering and Transport to Retailers

29. The commission paid to the Wholesale Meat Supply Associations for handling home-killed meat is £1,700,000. The cost of transport of the meat away from the slaughterhouses is £1,663,928. These two figures added to the costs at the slaughterhouse give £6,188,726 for the total of charges from the arrival of the animals at the slaughterhouse to the delivery of meat and by-products to the retailers and commercial users. This figure is about 5.6 per cent. on the cost of the animals and about 7.3 per cent. on the selling value of the meat and offals.

Qs.
211-27.

30. Owing to the drastic reduction in the number of slaughterhouses, slaughtering is now over-centralised. Some of the old slaughterhouses were primitive and would have had to be condemned, and there is no question of a return to the full number of 16,000 in use at the outbreak of war. The witnesses from the trade were in no doubt that the 580 in use are too few for efficient and economical working. Many of the slaughterhouses are now required to supply far larger areas than they were designed to do. Your Committee consider that a reduction in distributive costs as well as a better service would result from an increase in their numbers. These slaughterhouses, conveniently sited, would bring down the cost of transport, with the added advantage that, with the shorter journeys, the meat would arrive in better condition.

Q. 2018.

31. At present, there is no opportunity for a young man to learn the trade in its wider aspects. The trade witnesses therefore considered it to be of importance that as many slaughterhouses as possible should soon be re-opened. They were in favour of having a variety of ownership, from the small country slaughterhouse to co-operative† or municipal abattoirs, but they gave a warning that the very large factory abattoir was not suitable to this country.

32. While Your Committee do not propose a return to the full number of slaughterhouses that were in use before the war, they are of the opinion that a considerable increase in the number is essential. They were informed in evidence that the general plan for new slaughterhouses had been considered by the Ministry and they recommend that a decision should not be delayed.

* This is included in the figure £85,064,166, shown in Schedule A of Annex 1 against the selling value of meat and offals.

† The word "co-operative" here is used in the general sense, and not with reference to Co-operative Societies.

GENERAL OVERHEADS

33. The financial transactions at all the stages are supervised by forty-four County Accountants. These are professional firms who are paid a charge for their services based on the number of livestock brought into the markets in their county, and are reimbursed for the staff specially employed on the work of the Meat and Livestock Division. They supervise the accounts of the County Chairmen of Auctioneers, meet all the slaughterhouse expenditure and receive the money taken by the Wholesale Meat Supply Associations for sales; and report and account to the Ministry through six Area Accountants, also professional firms, who are reimbursed for their specially employed staff and receive a fee in addition. The cost of the services of these two sets of accountants, acting as agents of the Ministry so that their Finance Division is not deployed in the country, is £140,000 for the County Accountants and £8,552 for the Area Accountants, a total of £148,552.

34. The Meat and Livestock Division's share of the Ministry's administrative costs, on a basis of turnover, amounts to £1,292,216. Finally, there is the interest charge of £440,000 on cash withdrawals from the Treasury, and a charge of £10,000 for insurance on cattle in movement in the United Kingdom. General overheads therefore add up to a total of £1,890,768. This is about 1.7 per cent. on the cost of the animals and about 2.2 per cent. on the selling value of the meat and offals.

TOTAL COST OF DISTRIBUTION OF HOME-KILLED MEAT

35. The figures thus analysed* are shown in Schedule A to Annex 1, and may be summarised under the headings under which they have been discussed as follows:—

	£	Approximate Percentage	
		On cost of animals	On selling value of meat and offal
Charges from arrival of stock at market to arrival at the slaughterhouse	2,684,898	2.5	3.2
Charges from arrival at the slaughterhouse to arrival at retailers and to commercial users of by-products	6,188,726	5.6	7.3
General overheads	1,890,768	1.7	2.2
Total	£10,764,392	9.0	12.7

36. As the Wholesale Meat Supply Associations have to make up the allocation of home-killed meat to the ration requirements with imported frozen meat and canned corned beef, it will now be convenient to trace how these come under their control, and then to describe how the whole ration goes forward to the retailers.

IMPORTED MEAT

IMPORTERS

37. All imported meat, frozen or canned, bought through government agency is handled on behalf of the Ministry by the Meat Importers National (Defence) Association Limited (M.I.N.D.A.L.) from arrival at the port to

* Your Committee were unable to obtain comparative figures for pre-war years, as they were not available.

allocation to the Wholesale Meat Supply Associations. M.I.N.D.A.L. is an organisation set up by the request of the Ministry and has 63 member firms.* The conduct of its business is in the hands of a Management Committee, on which serve officials of the Ministry, who have an overriding veto in the transaction of business, but no voice in the distribution of the remuneration to the members. Briefly, the services carried out by the Association consist in unloading meat at the docks, clearing it through the customs, moving it by road or rail to cold storage or other depots, storing it until it is handed over to the Wholesale Meat Supply Associations, and doing all the clerical work involved.†

- Qs. 1360-75. 38. A management fee, out of which all expenses are met, is paid by the Ministry to M.I.N.D.A.L., which divides it among its member firms. The scale of the fee was fixed in June, 1941, and was based on the profits made by importers before the war, arrived at after a costings inquiry carried out by the Ministry. The importers' profit before the war was 1.86 per cent. gross and 1.34 per cent. net on an actual value of £50 7s. 1d. a ton. A gross commission of 1.5 per cent. was adopted in 1941 as it was based on a slightly higher notional value of £52 a ton, and because it was considered that the services performed by the Association were less onerous than those carried out by firms before the war. It was understood that controls would eventually be removed, and that the firms would resume their business. For this to be possible, certain parts of their organisation were kept in being though not required under control. An example is the meat salesman. The firms have retained some of their salesmen, employed them in less responsible positions and made up their salaries. The Association also makes payments to a few members who are not now in business. In the remuneration payment there is thus also a small element of compensation.
- Q. 1088.
- Q. 1371.

WHOLESALE

- Qs. 1509-30. 39. The wholesalers have formed themselves into eight regional Wholesale Meat Supply Associations, comprising 1,135 member firms. The qualification for membership was an annual turnover in 1938 of £10,000 a year. The duties of the Association are to distribute both home-killed and imported meat to the retailers.‡ This entails supplementing the home-killed meat from the slaughterhouses with the amount of frozen meat demanded from the depots and cold storage under the control of M.I.N.D.A.L., so as to honour the retailers' registrations.
- Q. 1534. 40. In Scotland, distribution is made direct to the individual retailers. In the rest of the country, distribution is made to the Retail Buying Committees. These are groups of retailers who take over the bulk allocation of the full ration registration of fresh and imported meat and are responsible for the fairness of the distribution as regards quality between their members. The shipping butchers, certain institutions and some of the larger manufacturers take meat direct. In addition to being responsible for the distribution of the meat the Wholesale Associations invoice and receive payments from the retailers on behalf of the Ministry.
- Q. 1535.
- Q. 1537.

* The shares of M.I.N.D.A.L. are held by firms as follows:—

35 per cent. by English.	8 per cent. by Argentine.
2 per cent. by New Zealand.	18 per cent. by agents of various kinds.
37 per cent. by U.S.A.	(see Q. 1186)

† See Annex 1, Schedule E.

‡ See Annex 1.

41. The remuneration paid to the Associations is calculated to meet their approved expenses, with the addition of a percentage management fee.* The fee was settled, after a full costings investigation by the Ministry, at 1½ per cent. on the qualifying membership tonnage, taken at its pre-war value of £70 a ton. There was an understanding that the trade should be handed back when controls were lifted, and the settlement therefore has an element for care and maintenance of unused buildings, for staff pension schemes, for sick pay, for supplementing staff salaries and for other compensatory payments. In some instances where men have been employed by the Ministry their salaries are being supplemented by the firms. Also, skilled men whose particular work is in abeyance under controls have been employed by their firms on routine work and have been paid a supplement to retain their services. Men who have returned from the Forces have been paid at rates which they would have earned had their service with the firms been continuous, in order that they may be available to take their places when normal business is resumed. Qs. 1556-79.

42. Before the war, meat importers competed in the British market with producers of home-killed meat. The United Kingdom offered the biggest market in the world for meat, whether purchased abroad or imported on consignment, and a dominant factor in the fixing of prices was the great market at Smithfield, which served a very wide area and drew on meat of all kinds. The importers brought in chilled beef, which offered a serious challenge to home-grown fresh meat. No chilled beef has been brought in since the beginning of the war, as the meat has to go into immediate consumption on arrival. Qs. 1161-1172.

43. The importers now handle the meat from the ships to the cold stores and depots until they hand it over to the wholesale associations. They have no personal interest in, or control over, the quality or amount of the meat they handle, though their fee depends to some extent upon the quantity that passes through their hands.

44. The wholesalers are performing a routine distributive function and are carrying out no slaughtering.† They are doing less work and employing considerably less staff than before the war. They have no control of the amounts and quality of meat passing through their hands though, again, their remuneration has an element which depends on the amount they handle.

45. The commissions paid to M.I.N.D.A.L. and other agents, and to the W.M.S.A.s as percentages on the sales value of imported frozen meat and on canned corn beef are as follows:—‡

	<i>Frozen Meat</i>		<i>Canned Corn Beef</i>	
	£	<i>per cent.</i>	£	<i>per cent.</i>
Sales value of meat	96,549 000		5,195,000	
Commission to M.I.N.D.A.L. ...	745,000	·8	23,000	·4
Commission to W.M.S.A.s ...	2,150,000	2·2	70,000	1·4

* The total so paid to the W.M.S.A.s is shown under Sales Commission in Schedule C of Annex 1, and is £2·22 million. This is exclusive of the £1·7 million paid to them for handling home-killed meat (*see above*, paragraph 29).

† Individual firms, however, may act as contractors for slaughtering.

‡ *See Annex 1, Schedules B and C.*

DISTRIBUTION TO THE RETAILERS

Qs. 1893-
1903,
2040-3,
2651-2.

46. The Retail Buying Committees are formed and paid by the retailers and normally include representatives of the multiple shops and co-operative societies, as well as the individual butchers. They take over the full ration allotment of home-killed and imported meat from the Wholesale Meat Supply Associations. They then divide this among the retailers whom they represent so that, over a period, a fair allocation of meat, home-killed and imported, is made to each shop and so to the customers. They send out accounts to the individual retailers, collect the money and make the payments to the W.M.S.A.s. In Scotland, the retailers have never had Retail Buying Committees. Instead, they have arranged with the W.M.S.A.s to do the work of detailed allocation and pay a levy of 1d. (originally 1½d.) in the £1 for the same services. To check the fairness of allocation, the retailers have Vigilance Committees, the members of which are unpaid.

47. It appears that the detailed allocation is being done fairly. The English retailers prefer to have it under their own control, so that they can themselves have the right of inspection at any time, and they claim that complaints can be very quickly dealt with. To achieve the same result, the Scottish butchers prefer to have the allocation done by disinterested agents, and complaints are very few.

48. The retail butcher is allowed to sell on a unit margin. An agreed price list was drawn up in 1940, based on a cutting test schedule. The margin was at first 22 per cent., with a cutting allowance of 7½ per cent., and was later raised to 24 per cent. In 1941 the wholesale prices increased, and, in effect, eliminated the cutting allowance. There has recently been a further costings investigation by the Ministry, and the margin is now 28.17 per cent.* On canned corned beef a margin of 20 per cent. is allowed, but, owing to loss in cutting, this is realised only if a whole tin is sold.

Q. 2586. 49. The retail butchers complain that their present gross margin of 28.17 per cent., the outcome of a costing test by the Ministry, is too low. They claim that it was based, not on random samples, but on samples taken from shops with more registrations than the normal, and that the substantial rise in their costs was not given due weight. When the ration was reduced,† the Ministry to some extent met their demand by giving a rebate of 11d. in the £1. Owing to the low turnover the situation presses very heavily on the small butchers, particularly in thinly populated rural districts, where it is very difficult to see how the retail butcher who distributes to the scattered community can be helped.

CONCLUSIONS

Qs. 1354-9. 50. The meat trade now presents a very different pattern of distribution from that of its normal pre-war state. Before the war, consumer demand predominated, and it was the business of the farmers, butchers and importers, and of the distributive side of the trade, to meet this demand. The concern of the present organisation is to fulfil the ration; it is purely distributive and there is little element of competition or salesmanship at any point. Consumer choice is severely restricted. The retail butcher alone can make some small attempt to meet the wishes of his customers.

* See Annex 6.

† Subsequently increased to 1s. 4d. with effect from 15th August.

51. The machinery of distribution which was designed for the war emergency has now been operative for four years since the war ended. The trade witnesses assured Your Committee that it was, on the whole, still working smoothly. As their evidence unfolded, however, it was clear that they were not at all happy about the present state of affairs. They came into the scheme on the understanding that their business would be restored to them after the emergency and they see no sign of this happening. The comment of the principal witness from the Ministry of Food was that the machinery was creaking, and Your Committee agree with him.

Qs. 1263,
1267-1286,
1430-1456,
1583-4.

52. Control by the Ministry introduced another party at some stages of the operations. For example, the Port Meat Agents seemed to be duplicating the work already done by M.I.N.D.A.L. However, during their inquiry Your Committee were informed that it had been decided to abolish the post of Port Meat Agent.*

Qs.
1318-22.

53. All sections of the trade have prepared schemes which can be put into operation as a preliminary to the lifting of controls.† These schemes aim at getting back in some measure to consumer choice and are intended to ease the return to normal practice. The trade witnesses felt that their approaches to the Ministry over these schemes had not been given due consideration. Their general view, however, appeared to be that a substantial increase of the ration would be necessary before there could be full release from the present system of controls.

54. There is little doubt that, with the present low turnover, the meat trade is carrying a heavy burden of overheads of distribution, to which must be added the overheads of the Ministry itself. This burden must to some degree affect the meat subsidy. Shortage of supplies of meat is likely to persist for some time and it is clear that some form of control of distribution of meat ought therefore to continue. Indeed the shortage creates an overriding difficulty, in that the turnover of trade is really too small to support the overheads of distribution. Your Committee, while recognising the great service that has been rendered over the past ten years in ensuring the fair and equitable distribution of meat, nevertheless believe that there is room for economy and that the present machinery of procurement and distribution should be overhauled. They consider that the time has now come when a scheme might be prepared which would be more in accordance with present needs and would provide a more satisfactory form of distribution both to the retailer and the public. Your Committee therefore recommend that the Ministry should give active attention to the various schemes already prepared and should consult with all sections of the meat trade in a re-examination of the present methods of procurement and distribution with a view to the elimination of duplication of work between Ministry officials and trade agencies; the consideration, without prejudice to arrangements when the trade is released from control, of a more economical organisation of distribution; and, while accepting the continuance of the system of guaranteed prices, the re-organisation of the methods of handling and control of home-killed meat.

CEREALS

55. The control of cereals, which was introduced to ensure supply and fair distribution, is carried out in the Ministry of Food by four Divisions, those for Imported Cereals, Home-Grown Cereals, Cereal Products and Bakery.‡

* See Annex 4.

† See Annexes 2, 3, 5, 6 and 7.

‡ See Annex 8.

The two sources of supply are home-grown and imported ; but, since grain can be stored either in stacks or silos for long periods, imported cereals can be joined to the home supply with flexibility over a long term. The rationing of bread and flour to the consumer has been lifted, but that of animal feeding-stuffs still continues. Home-grown cereals, except surpluses, are not bought by the Ministry, but the Ministry is the purchaser for all imports.

56. The trading losses on imported wheat, flour and feeding grains and on home-grown cereals purchased by the Ministry amount to £41,841,000. Against this is a profit on other imported cereals of £437,000, leaving a net loss of £41,404,000. There is also a subsidy on flour amounting to £79,568,000,* accounted for by the rebates and payments on account to the controlled millers. There is the further subsidy to bakers of £9,187,000 and a recovery from the biscuit manufacturers of £2,700,000. The total of the subsidies on all cereals, both for human and animal consumption, is therefore £127,459,000.*

HOME-GROWN GRAIN

57. Home-grown grain is sold by the farmer at a fixed price to approved buyers, who are corn and agricultural merchants licensed by the Ministry. This price is fixed at the annual February price review following negotiations between the Agricultural Departments and the farmers. The Agricultural Departments receive the advice of the Ministry of Food throughout the negotiations. It should be noted that each Government Department maintains its own accountancy staff for this purpose. The farmer has a free choice of the merchant with whom he will deal, and to that extent business depends on goodwill.

58. Except for a small amount of wheat sold direct by farmers to country millers, all home-grown wheat is sold to the merchants, who buy it as millable, potentially millable or non-millable. Should the farmer and merchant fail to agree as to the quality of wheat, the farmer can appeal to the Local Wheat Committee, of which the members are farmers, millers and merchants, appointed by the Minister of Agriculture and Fisheries through the Wheat Commission. The merchant then disposes of the wheat to those miller customers who are able to take quick delivery. Most transactions are in small lots. Finally the merchant acts as an intermediary between the miller and the farmer to settle complaints about quality and quantity, and remove any part of a consignment which has been refused.

59. The non-millable wheat, except that which the farmer is allowed to keep for his own livestock, is sold to buyers for animal feeding-stuffs as quickly as possible so as to avoid deterioration. For barley, the merchant has to know the needs of his customers, particularly the brewers ; and judging the qualities of individual lots to meet their demands requires skill and long experience. The price structure under control has to allow for wide variation in price according to quality and condition, and there is therefore a wide spread between maximum and minimum prices. The differences in value of oats, although qualities vary, tend to be less than those for other home-grown cereals. Lastly, there is the important marketing of seed grain.

* In Schedule D of Annex 8 the rebates and payments on account to the controlled Millers are shown in Item 10 as £79,730,000, but this must be adjusted by subtracting the £162,000 shown in Item 13 which is the overpayment to them on account. This reduces the amount of Item 10 to £79,568,000 and the total, shown as £127,621,000, to £127,459,000.

Many merchants specialise in this and have expert staffs. The market is free and the price paid is negotiated between the buyer and the seller.*

60. For these services, and for the cost of financing the transactions, the merchant is allowed by the Ministry the following profit margins :—

	<i>Growers' Price, April, 1949 per cwt. s. d.</i>	<i>On sale by Merchant per cwt. s. d.</i>	<i>Profit Margin per cwt. d.</i>	<i>Profit per cent.</i>
Wheat	23 9 (fixed)	24 1	4	1·403
Barley:				
(a) for human consumption ...	30 0 (maximum)	30 7½	7½	2·08
(b) millable	23 0	23 6	6	2·01
Oats	21 3 (maximum)	21 9	6	2·33
Rye	23 0 (fixed)	23 6 (maximum)	6	2·01

61. The totals of these margins do not appear as separate items in the Ministry's accounts. The buying price is calculated to give a fair return to the grower, but the calculation takes no account of amounts such as acreage payments, which the grower has already received from the Agricultural Departments, or benefits from the reduced price of fertilisers, the cost of which is borne on the Board of Trade Vote. These, however, are listed as general items in the calculations of the total of the subsidy on food.

62. Some difficulty is being caused by use of the harvester-thresher combine. The threshing of wheat cut and stacked in the ordinary way can be spread over ten months, but the speeding-up caused by the combine throws the grain on the market in the five weeks of harvest. The grain has to be stored either by the farmer or the merchant, and neither at present has the storage capacity. Not all farmers wish to invest capital for this purpose, and the provision of a considerable amount of storage capacity may fall on the merchants. Buildings for storage, if provided by the merchants, would not be classed as agricultural buildings for the purpose of an allowance under Section 33 of the Income Tax Act, 1945. There is the feeling that a change in agricultural policy might move the emphasis from wheat-growing to stock-raising, for instance, and for this reason there is some reluctance to invest capital in providing storage capacity for grain harvested with the combine unless the same relief for depreciation is allowed as on agricultural buildings. Qs. 2923-5.

63. Your Committee consider that the provision of such stores is essential for the efficient gathering of the harvest, and they therefore recommend that consideration should be given to treating new buildings for storing grain as agricultural buildings so that they would qualify for the depreciation allowance of 10 per cent. per annum under the Income Tax Act, 1945.

64. Although no proposals have been made to the Ministry, the corn and agricultural merchants wish to return as soon as conditions permit to a system based on the Wheat Act, 1932, which, they consider, produced an outstandingly successful example of marketing organisation.† On the other

* The services rendered by the approved buyers are fully set out in the paper submitted by the National Association of Corn and Agricultural Merchants at the request of Your Committee. See Annex 9.

† See Annex 9, Part III. The recommendations of the Lucas Report are very much to the same effect.

side of their business, that of supplying the farmers with agricultural requisites, they wish for a return to freer competition. The corn and agricultural merchants have established an Institute for training new staff, and they claim that full use is made of existing Colleges and Institutes. They find, however, great difficulty in attracting new entrants, which they ascribe to the limited opportunities under existing conditions.

IMPORTED CEREALS

Qs.
2106-23,
2144-9,
2151-61.

65. The Ministry of Food are the sole purchasers of all cereals and cereal products brought into the country.* The agents for handling imports are the Port Area Grain Committees. These were organised in 1938 and became operative on the outbreak of war. They are composed of the principals of firms importing grain, and operate for the seven port areas of London, Bristol, Liverpool, Hull, Glasgow, Leith and Belfast, in which Corn Trade Associations already existed. All grain-importing firms and the flour importers are represented, except some foreign firms whose business in the United Kingdom was only a small part of their activities. They worked under the Cereals Control Board, and made the actual purchases abroad, until June, 1940, when the Board was abolished. The Government then began to purchase, although the firms continued to arrange for shipment from ports abroad on behalf of the Ministry. The committees are responsible for discharging cargoes on arrival at the port, storing the grain and distributing it to the millers and other users. They deal with all claims regarding damage, condition and loss of weight, and with all financial aspects of the operations, receiving the proceeds of all sales for the Ministry's account.

66. The flour importers operate rather differently. They act as the Ministry's agents for importing flour, and buy abroad on instructions from the Ministry. Flour imports pass on arrival into the control of the Port Area Grain Committees and are stored by them. The flour importers then deal with the flour, both home and imported, handed to them for distribution. They are restricted in their customers by a registration scheme, and, in the amount, by the Restriction of Deliveries Order. Within these limits they trade freely, and they can to that extent keep their goodwill with their customers.

67. The remuneration to the Port Area Grain Committees was originally a gross margin, calculated on a rate per ton on the quantity handled, and out of which all expenses were paid. It is now their costed operating expenses with a fixed sum in addition, which is in the nature of a management fee. There is a separate agreement on the same lines with the flour importers. Qs. 2995-6. The present fixed fee is £500,000 and in fact represents little more than half the pre-war profit and about 0.55 per cent. of the value of the imports. It includes the fee paid to the flour importers. The National Federation of Corn Trade Associations maintained that, while the amount of grain handled was rather less than before the war, the actual work involved was greater, and they expressed dissatisfaction with the present remuneration agreement; but, as a new agreement is being negotiated, Your Committee refrain from comment.

68. The Federation also expressed their dissatisfaction with the present position of the grain trade.† They emphasised that as the Ministry of Food are the sole importers in the United Kingdom, the grain trade is debarred

* See Annex 8.

† See Annex 10.

from performing its primary functions, and from sharing in the international grain trade. They further stated that radical improvement of world supplies of wheat, maize and feeding grains warranted a fundamental revision of the policy of bulk buying and long-term contracts. They received a certain amount of encouragement when authority was given to traders to deal in cereals for shipment from exporting countries to foreign buyers for whom the Ministry of Food do not act as procurement agents, and limited facilities were given to acquire foreign exchange for the purpose.

69. The Federation nevertheless maintained that the opportunity to share in any international trade in grain has largely disappeared, and therefore proposed that all United Kingdom requirements (other than those for which commitments have already been made) should be purchased by the Imported Cereals Division on behalf of the Ministry of Food through trade channels and pressed for freedom to participate in business conducted for certain sterling area countries and to buy for re-export so as to re-establish London and Liverpool as the focal points of the grain trade for western Europe, with the consequent profits of freight, insurance and banking. Your Committee were impressed by the evidence given in favour of opening these markets. At the same time they realise that factors such as currency problems may make such a step difficult at present. In view of the advantage of regaining our pre-war position in the international grain trade, however, Your Committee consider that decisions should now be reached without further delay. Qs. 2959,
2970.

70. The Ministry of Food, through the Port Area Grain Committees who are responsible for the storage of grain, purchase all surplus home-grown grain. Recently there have been surpluses of oats and barley. Use is made of several old flour mills which were re-conditioned as grain stores during the war. These are run by Recommissioned Mills, Ltd., a company formed for the purpose at the end of 1940 and financed by the Ministry. Q. 2380.

THE MILLERS

71. The millers buy home-grown wheat from the approved buyers at fixed monthly prices, and imported wheat through the Port Area Grain Committees at a price which includes delivery. The Ministry determine the proportion of wheat, home and imported, of various qualities, in the grist, and the extraction rate for milling National Flour. Since the millers buy wheat at full unsubsidised prices, they receive cash advances from the Ministry.

72. The financial arrangements are the subject of a remuneration agreement with the British Millers' Mutual Pool, Ltd., a company formed by the industry for the purpose and comprising 300 firms. The main agreement was negotiated on 10th November, 1941, modified by supplementary agreements and extended to September, 1949. The terms of its renewal are now under discussion. With unimportant exceptions, all the millers in the country are parties to the agreement, and the millers outside the pool are in fact aided on the basis of the agreement. By the terms of the agreement, the Ministry undertake to pay the millers for their services a yearly sum equivalent to the "total standard average profits." The "standard average profits" of each miller are his average profits for three consecutive years in the four years 1935-38. When the standard average profits and the standard average productions for the same period of all the millers of the pool have been aggregated, the "standard margin" is arrived at by dividing the aggregated profits by the aggregated production, and gives a flat rate per ton at which the remuneration is paid. Qs.
2339-62.

Q. 2341. 73. All payments are made through the Mutual Pool Company. Advances are made during the year and brought to account at the end of the year for final settlement. If a miller makes a profit, he retains it up to his standard profit and pays any excess over the standard profit to the Pool for the credit of the Ministry. If he makes a loss, he is paid the amount of the loss by the Ministry and the whole amount of his standard average profit by the Pool. If he makes a profit short of his average, the amount is made up out of the Pool fund. By a supplementary agreement made in 1945, if the industry as a whole deals with more than the pre-war standard production in a year, payment at a considerably lower rate per ton than the standard is made on the excess to those millers who have earned it. Present production is about 25 to 30 per cent. in excess of pre-war output.

74. The remuneration agreement thus guarantees the millers their pre-war profits, which contain an element for capital charges. The actual cost of the payments and rebates to the controlled millers was £79,568,000 for 1948-49. Of this sum, £4,500,000 represents a profit margin of 4.6 per cent. on turnover at subsidised prices and about half that percentage at unsubsidised prices.*

Qs.
3068-70.

75. The witnesses from the National Association of British and Irish Millers expressed dissatisfaction with some of the provisions of the present agreement.† The restriction placed on the number of millers from whom a baker can buy has cut them off from many customers. Before the war, millers adjusted their grist according to their particular type of trade and their situation. The control of the proportions of different corn in the mix for the grist by the Ministry in order to produce a uniform flour prevents the millers from meeting an individual customer's requirements, and leads to uneconomical transport of home-grown wheat. The millers fear that, owing to the restriction on the export of flour, the overseas markets, of which the principal were Scandinavia, Finland, the West Indies and West Africa, may be permanently lost.

Qs.
3052-67.

76. Many mills were destroyed or badly damaged during the war, but only one large new mill has been completed since the war ended.‡ Many mills, moreover, are uneconomical units, and the plant in all has been running under severe strain. New mills are required in many areas now served from considerable distances, and their construction will save transport. Under the present arrangements the distribution of imported wheat is frequently uneconomic, as the cargoes, having arrived in port, must sometimes be taken inland to a temporary store, later to be returned to the port to be milled. The programme of modernisation depends on labour, material and equipment being available, and its completion will take some years. Until it is completed the industry will not be on an economic footing.

77. The cost of the capital work necessary has to be found out of profits, unless new capital is raised. The remuneration under the agreement is based on pre-war profits, which have no relation to present prices for labour, material and equipment. The millers contend that not only is the reward for efficiency frozen at pre-war levels but the remuneration is inadequate to provide for capital replacement at current costs. Moreover, when new efficient plant is installed, the miller reaps no benefit from the improved efficiency. The only incentive which the millers have apart from a sense of public service is the need to keep their expenses down to the lowest possible level, so that they can face competition when controls are lifted.

* The pre-war profit of £4,250,000 represented a profit on turnover of 9 per cent.

† See Annex 11.

‡ The mill of the Co-operative Wholesale Society at the Victoria Docks, London, which was partly constructed before the war and has been completed and brought into operation.

78. Specific proposals in the form of a detailed scheme for complete or partial decontrol have not yet been submitted by the National Association of British and Irish Millers or by the Ministry. The Ministry have, however, been informed of the general desire on the part of the millers that decontrol should be effected to the fullest practicable extent as soon as possible, and Your Committee were told that the whole question of some measure of decontrol and the method of remuneration under the agreement is at present a matter for discussion with the appropriate Government Department. Your Committee question the necessity for so strict a uniformity in the production of flour as is in force at the moment. A relaxation will give variety, with some saving of transport in country districts. They therefore recommend that wider limits should be set for the proportions of wheats in the grist; and that the Ministry should give consideration, in consultation with the millers, to allowing some flour to be milled at a lower extraction rate for sale at an appropriate price.

BREAD

79. All flour is sold at subsidised prices. The selling price of bread is controlled. This price is not high enough to cover the costs of baking and distribution and to provide for the agreed average profit of 5s. a sack on flour baked into bread. A payment is therefore paid to the bakers, amounting to £9,187,000, as estimated for 1948-49. The accounts are made up and settlements are made with the bakers every eight weeks in order to keep them in funds. The Ministry employ about 70 clerical staff on this routine work, and six investigating accountants to make test checks at the bakers' premises. This does not appear to Your Committee to be an excessive staff for the purpose. Qs.
2477-89.

80. Shop baking has increased by about 25 per cent. since before the war, due possibly to the fact that the housewife who bakes bread at home gets no benefit from the bread subsidy.

81. A charge is made against biscuit manufacturers to recover the subsidy on the flour sold to them. This amounts to £2,700,000, as estimated for 1948-49.

OTHER COMMODITIES

82. Your Committee had before them memoranda from the Ministry of Food on milk, milk products, sugar, tea and cocoa. They took evidence from witnesses from the Ministry, but did not take any evidence from trade witnesses on those commodities.

MILK

83. The Ministry decided to take over control of milk in order that they should be able to subsidise milk when considered desirable; to impose rationing when necessary; and to divert more milk from manufacture to consumption. There are three different schemes of milk purchase and distribution. In England and Wales the Ministry buy the milk from the Milk Marketing Board; in Northern Ireland, the Ministry of Agriculture of Northern Ireland act as the Ministry's agent; and in Scotland the Milk Marketing Boards both buy and sell the milk and their deficiencies are made up by the Ministry. The three systems of control, which were introduced to suit the various areas served, are under review at the moment.*

84. The estimated trading loss for 1948-49 was £37,500,000. To this must be added the loss on Welfare Schemes. The net cost of supplying milk free

* See Annex 12.

or at a reduced price to children and to expectant mothers under the Welfare Foods Service is £22,000,000, whilst the cost of supplying milk free to children under the Milk in Schools scheme is £8,500,000. This brings the total of the subsidy as originally estimated for 1948-49 to £68,000,000. On 1st January, 1949, it was estimated that the subsidy for 1948-49 would be increased by £2,500,000.* The increase was in the main due to the removal of the subsidy on feeding-stuffs and, to a small extent, to an increase of consumption of milk. The total of the subsidy on milk for 1948-49 may therefore be expected to be about £70,500,000.

85. Your Committee are satisfied that the cost of milk supplied under the Welfare Schemes is best carried, as at present, on the Vote of the Ministry of Food. Although the control of the schemes is in the hands of the Ministry of Health and the Ministry of Education, the method is the most convenient administratively and shows at a glance the addition to the general subsidy on milk.

86. The control in England and Wales of the financial arrangements, which involve an elaborate system of profit margins and remunerations, is exercised at a number of stages from the producer to the consumer. These will be found in Schedules III and VII of the memorandum submitted by the Ministry.† These profit margins and remunerations are under constant review. In Scotland and Northern Ireland the systems are less elaborate and the financial results are shown in Schedules VIII and IX.

87. The general administrative overheads are given in Schedule X. The Ministry's overheads amount to £2,000,000, and are calculated on a basis of turnover; since the turnover is large, the charge is higher than it would be if it were calculated on the basis of actual staff employed in the Milk Division.‡

Q. 3197.

88. Some relaxation of control has been made. Consumers have from time to time been given limited freedom to change their dairymen and retailers to change their wholesalers. Although it was stated that there is no immediate prospect of permanently derationing milk, Your Committee nevertheless believe that further relaxation of control should be examined. The systems of control are at present being reconsidered and Your Committee recommend that the opportunity should be taken to simplify the present arrangements.

89. The distributors have proposed the formation of a Milk Commission. While rationing continues, however, final control must in any case be vested in the Government, and so long as a subsidy on milk is considered necessary, some system of central financial control by Parliament is needed.

MILK PRODUCTS

90. The Ministry of Food are the sole importers of milk products, with the exception of small quantities for high grade infant foods. All home-produced milk products, with certain minor exceptions, are purchased by the Ministry.§ Home production, as estimated for 1948-49, is of the value of £17,100,000, and the value of imports is £88,600,000. The total of the subsidy on milk products is £35,600,000, made up of the gross trading loss of £28,500,000 and expenses and charges of £7,100,000.

* See Appendix I, Part II.

† See Annex 12.
§ See Annex 13.

‡ See paragraph 145 below.

91. For the distribution of cheese and butter, the Butter and Cheese Association Limited (BACAL) act as agents for the Ministry. This association was formed voluntarily by the trade in 1940 and later became the agent of the Ministry. In July, 1946, the individual member firms resumed their trading but, for convenience, BACAL has remained the Ministry's agent and is useful to the trade for equalisation of earnings. The commission, fixed at the beginning of the war as the result of a costings investigation by the Ministry, has remained unchanged at £500,000 for butter and £200,000 for cheese. Qs. 3390-8.

92. The Milk Powder Pool act as agents for distribution of milk powder. The rate of their commission was fixed by negotiation on a tonnage basis, and cannot rise above the limit of £45,000 in any one year. This maximum was determined in relation to the supplies expected under Lease-Lend. Qs. 3399-3405.

93. The Condensed Milk Pool distributes condensed milk, but do not act as agents of the Ministry. The Pool was formed to effect economies in distribution. There is continuous examination of its accounts by the Ministry and the major share of the benefit of the substantial economies effected has been taken by the Ministry. Qs. 3406-7.

94. The Combined Milk and Milk Products through-put scheme was brought into operation to equalise the effect of an average price on the output of individual manufacturers. The total production of milk products is considerably less than pre-war and the reduction has not been spread evenly between manufacturers. Many are manufacturing considerably less, while some are manufacturing more. Those whose through-put is in excess of that in a selected year pay a sum calculated on that excess into a trust fund, and those with less receive a payment from it. The outgoings are in excess of the receipts and the deficit is contributed by the Ministry, and was estimated at £300,000 for 1948-49. If, in due course, the through-put of milk became high enough for the trust fund to show a profit, this would accrue to the Ministry, but there is little doubt that the trade would with justification ask for the Pool to be abolished. Qs. 3408-3440.
Q. 3411.

95. The processing of cheese is carried out by Associated Cheese Processors, Ltd. This is an association formed in furtherance of a concentration scheme, under which 15 factories were closed down and 7 retained. The remuneration is on the basis of approved costs together with an agreed amount to cover profit and the care and maintenance costs of the 15 factories which have been closed. Your Committee recommend that the use of these factories should now be reviewed. Qs. 3441-9.

96. Your Committee were informed that protests from the trade have been made against the present rates of remuneration, but, as the Ministry consider them fair, no change has been made. It is somewhat surprising, however, that these remunerations have remained constant since their introduction.

97. The allocated share of the Ministry's overheads, is based, as in general, on the value of the commodities handled, and amounts to £1,590,000.

SUGAR

98. The Ministry purchase and import all raw sugar from abroad, and purchase all home-grown raw beet sugar from the British Sugar Corporation.* The purchases from abroad are from the sugar-producing colonies and from Australia, and the balance of the supplies comes mainly from the dollar area.

* See Annex 14.

The contracts with the sugar-producing colonies provide that the Ministry shall take the exportable surplus until 1952. The prices are reviewed yearly with the Colonial Governments. Your Committee were informed that a levy is made by the Colonial Governments in respect of welfare services and improvements to the plantations. The actual purchases are made through brokers who deal direct with the plantations and offer supplies to the Ministry as they come forward.

99. Before the devaluation of the pound sterling, the Ministry claimed that the average prices which they paid for Cuban sugar were lower than the prices which they fixed for their purchases from the Colonies, but the Cubans were paid in dollars. It is nevertheless doubtful whether the colonial producer was in fact even then receiving as great a price differential as he did before the war, when the full benefit of the preferential tariff was returned to him by the purchasers of raw sugar in this country.

100. During the present year, it was estimated that on a total consumption of 2,030,000 tons of sugar, of which 1,622,000 tons is imported, the United Kingdom would need only 96,000 tons (costing about £2,500,000 in dollars*) to be independent of dollar sugar, and on the basis of this consumption, would be independent of dollar sugar next year. In fact, to avoid dependence on sugar from dollar countries, the Chancellor of the Exchequer announced in the House on 14th July that the sugar ration would be reduced by 2 oz. from 14th August.

Qs.
3688-98.

101. The raw sugar produced from home-grown beet is bought from the British Sugar Corporation at the average cost of imported sugar. As this is less than the cost of production, a deficiency payment is made by the Ministry under the Sugar Industry Act, 1942. This payment was £2,750,000 for 1946-47 and £569,007 for 1947-48. The original estimate of £3,000,000 for 1948-49 was increased by a supplementary estimate to £4,500,000; the estimate for 1949-50 is £3,700,000. The difficulty of making an accurate forecast of the money required was attributed in evidence to the uncertainties of the beet crop.

Qs. 3631-4.

102. The price paid for raw sugar is according to quality, determined by a polarisation test. The test is carried out at a refinery while the raw sugar is in bond in the presence of representatives of the broker, the Board of Customs and Excise and the Sugar Association, which is a trade association of pre-war sugar buyers, and acts, following pre-war practice, as arbitrator.

103. The cost of imported cane sugar is estimated for 1948-49 at £48,016,000 and that of home-grown beet sugar, excluding the deficiency payment, at £18,165,000, amounting to £66,181,000 in all. The subsidy is broadly equivalent to the difference between this sum together with the deficiency payment of £4,500,000 and the total sales of refined sugar less refiners' costs and margin.† The raw sugar is still invoiced to refiners at the price fixed in 1940. The total for 1948-49 is estimated at £39,015,000, thus leaving a deficit of £27,166,000. The refiners in turn sell through ordinary trade channels at prices which are fixed by the Ministry at every stage, but they are only permitted to retain an amount which represents this purchase price with the addition of any duty actually paid, a sum representing refining costs based on pre-war costs in certain refineries, and the pre-war unit margin. A monthly payment, estimated at £2,000,000 for the year, is made to them to cover increase in costs since 1939.

* This evidence was taken before the devaluation of the pound sterling.

† The British Sugar Corporation refine the home-grown sugar. The raw sugar which has been bought from them is sold back, therefore, to them to refine.

104. Domestic sales of refined sugar are controlled in price by the Maximum Prices Order and in amount by the ration. On a forecasted domestic consumption of 917,000 tons the deficit to the refiners was estimated at £229,000. Sales to manufacturers, which were estimated at 700,000 tons, are intended to be made on a "no profit, no loss basis" to the Ministry, but to be on the safe side a surplus of about $\frac{1}{4}$ d. per lb. is allowed for in the Ministry's calculations. In the current year, owing to the remission of customs duties, it is anticipated that a margin of 1.63d. per lb. will be realised. For the year 1948-49 the surplus accruing to the Ministry on sales to manufacturers is estimated at £13,066,000. Thus, allowing for the deficit of £229,000 on domestic sugar, the balance handed by the refiners to the Ministry is estimated to amount to £12,837,000. In addition a surplus of £1,000,000 is expected to accrue to the Ministry on exports of refined sugar. Export prices are based on the unsubsidised landed cost of Cuban sugar. Refiners are limited to the profit margin which they obtain on their home trade. These exports are important, as apart from sales to certain Colonies, markets include hard currency countries such as Switzerland.

105. When the estimated surplus on refiners' sales is set against the deficit on purchases invoiced to the refiners, the result is a net loss of £13,329,000. Expenses amounting to £7,352,000, of which £1,458,000 represents the overheads of the Sugar Division, and a payment of £600,000 to the British Sugar Corporation, in respect of loss on the sale of pulp and molasses at controlled prices, bring the trading loss up to £21,281,000, and the deficiency payment to the British Sugar Corporation amounting to £4,500,000 makes the estimated 1948-49 subsidy on sugar £25,781,000.

106. It was estimated that the subsidy on sugar for 1949-50 would be £14,250,000 but, as announced by the Chancellor of the Exchequer in his Budget statement, the remission of customs duties on sugar will give a relief of £22,500,000. Since no change is being made in the selling price of sugar to consumers, this relief will accrue to the Ministry, and there will therefore be a profit on sugar of £8,250,000, which will make a reduction in the total of the food subsidy.

107. Whatever basis of calculation is adopted, however, there will be a net loss on home-grown sugar. The price paid to the British Sugar Corporation for home-grown sugar is the average price of imported sugar. If, therefore, this latter price falls, and the costs of production of home-grown sugar remain at the present level, the deficiency payment will increase. Your Committee consider that this payment is an obligation of the Agricultural Departments rather than of the Ministry of Food, and therefore recommend that, subject to the agreement of the Committee of Public Accounts, the deficiency payment, although forming part of the food subsidy, should be shown on the Votes of the Agricultural Departments, in a similar manner to Crop Acreage Payments.

TEA

108. The Ministry of Food are the sole importers of tea for the United Kingdom, except for additional supplies handled by private traders under licence. These amount to less than 1 per cent. of the total imports, and consist of China and Formosa tea for home use and of teas of any origin held in bond for re-export. The operations of the Tea Division, which is responsible for purchase abroad, importation and distribution, are described in a memorandum submitted by the Ministry.*

* See Annex 15.

109. The consumption of tea in the United Kingdom before the war was 440 million lb. a year, and the Estimates for 1948-49 were based on an allocation of 415 million lb. The estimated subsidy was originally £9,189,000 but was increased by £600,000 by the Christmas bonus issue of tea and by £1,900,000 owing to a rise in prices. The subsidy, as forecast at 1st January, 1949, was estimated to be £11,689,000.

Q. 3908.

110. The subsidy for 1949-50 was estimated at £21,970,000, but the remission of the customs duty has reduced it by £8,000,000 and it is now estimated that it will be about £15,000,000.*

Q. 3913.

111. To negotiate the purchase and arrange the shipment of tea, the Ministry make use of organisations in India, Ceylon and East Africa. The provision for these organisations in 1948-49 in the Estimates was £28,500 for India, £28,500 for Ceylon, and £1,000 for East Africa.

Qs. 3963-4000.

112. In India, the Tea Controller still performs certain duties for the present Government of India, and the Ministry of Food pay only two-thirds of his salary. He also administers from Calcutta the contracts with the tea gardens in Assam which are now in the East Bengal Province of Pakistan, as it would not have been economical to have had a separate organisation there. The Commissioner for Tea in Ceylon carries out no duties for the Ceylon Government. The provision of £28,500 for his organisation for 1948-49 was estimated to include arrears of audit, and makes allowance for the higher costs of living. In East Africa, the Tea Commissioner is a retired Commissioner for Customs, and a commercial firm at Beira handle the shipments at an agreed agency rate.

113. At the beginning of the season negotiations open with the appropriate department of the Government concerned. Information becomes available on the quantities of tea likely to come forward, and agreement is reached on the total amount required and the prices to be paid. The tea estates are then asked to contract for the quantities which they are prepared to supply at these prices.

Qs. 4057-60.

114. On arrival in this country, the tea is warehoused and made ready for allocation, the operations being supervised by Port Officers with small staffs.

Q. 4055.

115. Twenty-three firms of selling brokers act as agents of the Ministry for inspecting and valuing the consignments. The allocation and invoicing to the primary wholesalers is carried out by a Selling Section specially formed by the brokers. The brokers are paid £300,000 for their services, a figure agreed after negotiation.† To this a further £30,000 was added after detailed costings in September, 1948, though the figure put forward by the brokers was £50,000. The cost of the Selling Section is £25,000 and is included in the £300,000.

Q. 4049.

116. On purchase by the primary wholesalers, the Ministry's ownership ceases. Thereafter control is by rationing and by Price Order. Retailers are restricted to four suppliers and secondary wholesalers to six suppliers. A small Distribution Committee from the distribution side of the trade provides liaison with the Ministry and its cost, £2,000 for 1948-49, is borne directly by the Tea Division.

117. World supplies of tea are now rising, and Japan and Indonesia are again beginning to come into the export market. The time should not be far off when it will be possible to obtain the full requirements of this country. The Calcutta, Colombo, Batavia and Amsterdam markets have now reopened, but it was only the London market that was organised to meet the

* See Appendix II.

† In the first year of the war the sum was £290,000; it was raised to £300,000 in the following year.

pre-war demand of the United Kingdom. The size of this demand, which is about half the pre-war world production, determined, and still determines, the world price of tea.

118. There are clear advantages in re-opening the London market, which would also deal with purchases for re-export, and produce income from freight, insurance and banking. The brokers are still in touch with the tea estates, though the trade would need a little time to become accustomed to the free market. If supplies become sufficient, rationing could be ended; but, at least for some time, a subsidy would have to be continued to maintain present retail prices. Some other methods of injecting the subsidy on the removal of controls would have to be devised. Though this may be difficult, it is not impossible. Any method would depend on the co-operation of the trade, but the successful working of the present system gives good ground for believing that this would be forthcoming.

119. Your Committee are of the opinion that, in view of the prospect of increased supplies of tea, it should be possible to prepare now for an early re-opening of the London Tea Market, a step which would lead to administrative economies.

COCOA

120. Cocoa beans are bought and imported by the Ministry.* The trading is in principle on a "no profit, no loss" basis. In fact, an estimated profit of £1,600,000 was made by the Ministry for 1948-49. This will contribute towards the reduction of the general food subsidy. The West African Colonies produced 386,000 tons of cocoa and the British West Indies produced 11,000 tons out of the total world supply of 702,000 tons in 1948-49. Thus, the Colonies were responsible for four-sevenths of the total production. Marketing of West African cocoa is controlled by two Marketing Boards, which are statutory bodies set up by the Colonial Governments of the Gold Coast and Nigeria. The Ministry buy their raw cocoa from two companies in London, the Gold Coast Cocoa Marketing Company Limited, and the Nigerian Produce Marketing Company, which act as the selling agents of the African Boards. Q. 4147.
Qs. 4273-5.
Qs. 4155-61.

121. The Ministry have set up an Advisory Panel of three expert buyers from the trade, but they do not disclose even to this small panel of experts either the prices paid for cocoa or the stocks of raw cocoa held in this country. The Panel, who are not present at the negotiations, cannot therefore fully advise on purchasing. Qs. 4221-7.

122. Your Committee believe that the relaxation of this restriction would enable the experts to give more useful advice, and therefore recommend that the Advisory Panel should be placed upon a more effective basis.

123. Although they were assured when they took evidence that, owing to world supplies being too small, the time was not then ripe for changes to be made, Your Committee have formed the opinion that it should now be possible to consider the transfer of buying, warehousing and distribution to the trade, subject to any import or other restrictions as may be necessary. Qs. 4116-8.

GENERAL

WAREHOUSING AND COLD STORAGE

124. The Ministry of Food store commodities in warehouses and cold stores owned or requisitioned by the Government, in privately owned premises

* See Annex 16.

and in 63 aerodromes. Sixteen old flour mills which were reconditioned as silos at the beginning of the war are also being used for storing home-grown grain.

Qs.
524-534,
613-630,
654-667.

125. Firms are employed as agents to manage stores for the Ministry. Where the store is owned or requisitioned by the Government, the firms are paid the cost of the staff employed, which has been approved by the Ministry, and a management fee, based on the capacity of the store. For costing purposes a notional charge for rent is made in the trading accounts. On the other hand, when the firms provide the storage accommodation, they are paid a management fee which includes rental, and 5 per cent. on the profits of the store above a certain figure. They have no control, however, over the amounts of the commodities which are directed to particular stores.

126. The reconditioned mills are managed by Recommissioned Mills, Ltd., which is financed by the Ministry.* The actual disbursements for staff, running expenses, maintenance and rentals are met by the Ministry, so that there is no profit or loss on the management account, but, as a notional charge is made for the interest on the value of the stocks held, the company's trading account always shows a loss.

Q. 681.

127. The rates for warehousing are negotiated with the warehousing associations by a Rates and Charges Panel of the Ministry on the basis of the rates commercially current. Your Committee were assured in evidence that the expenses of management based on these rates were under continual and close scrutiny and they have accepted the arrangements as being economical.

Qs.
376-403.

128. Large stocks of commodities are being held by the Ministry. Witnesses stated that losses of stock were surprisingly small, even where the accommodation, such as the hangars at the aerodromes, was not designed for storage purposes. Your Committee were satisfied with the arrangements made by the Treasury and the Ministry for authorising the writing off of losses. The total losses cannot be foreseen, and inquiry into any abnormal losses is more appropriately a matter for the Committee of Public Accounts.

Q. 469.

129. The Government-owned cold stores present a particular problem which has already attracted the attention of the Committee of Public Accounts.† Forty-eight modern cold stores of large capacity were built at a cost of £7,000,000 and sited for strategic reasons. Firms are employed to manage these stores at a flat rate management fee with an additional small percentage commission on net profit.

130. There is now more cold storage capacity in the country than is required. Whilst the refrigerating plant in 39 Government-owned cold stores is fully available for use, in five it is partially closed down, and in three it is on a care and maintenance basis. One of the Government-owned stores has been handed over to the Ministry of Civil Aviation.

Qs. 580-3.

131. Being forewarned by their experience at the end of the 1914-18 war, when the disposal of surplus capacity was a serious embarrassment to the trade, the cold storage firms at the beginning of the last war asked for an undertaking from the Government that their interests should be safeguarded. They were accordingly verbally assured that wherever practicable the Government stores would be used merely to supplement the existing cold storage space, that they must not be looked upon as in any way in competition with the trade, and that when they were no longer required for Government

* See Annex 8, paragraph 1 (a).

† Second Report from the Committee of Public Accounts, 1947-48.

purposes they would either be placed on a care and maintenance basis as a permanent reserve, or dismantled or offered to the trade at a price determined by an independent valuation.

132. The assurance that the Government stores would not be operated in competition with privately-owned stores still obtains. The Committee of Public Accounts have on several occasions reviewed the consequent arrangements made by the Ministry of Food and in their Second Report of Session 1947-48 they called attention to the fact that the average return on capital earned by the cold storage undertakings was then still about 13 per cent. In May, 1948, a modified agreement was negotiated which is expected to reduce this return, but there was not enough information available for Your Committee to determine whether this expectation had been achieved.

133. In their Second Report, the Committee of Public Accounts also noted that only about 33 per cent. of the capacity of the Government stores was in use in 1946-47 as compared with 57.5 per cent. of the capacity of the privately-owned stores and commented that it appeared "to be open to serious objection that the use of modern Government stores with up-to-date equipment should be restricted in favour of possibly less efficient storage paid for at remunerative rates by the Ministry of Food."

134. In 1946-47 the Government stores showed a loss, but during that time many of them were closed for overhaul of the plant. In 1947-48 they showed a profit of £114,000, and a higher profit is expected for 1948-49. Part of the profit is due to using some of the accommodation for other purposes such as dry storage. In 1947-48, 41 per cent. of the capacity of the Government stores was in use compared with 59 per cent. of the capacity of the privately-owned stores. Q. 604.
Q. 601.

135. The Committee of Public Accounts noted that a review of cold storage policy was in progress and recommended that special consideration should be given in this review to ensuring that the fullest possible use is made of those Government stores which it may be decided to keep in operation. Your Committee share this opinion and were assured that it was being given special consideration in the review which is now being made.

136. Some of the Government-owned cold-stores should be held available for use in an emergency. Since the Ministry of Food have the skilled inspection and maintenance staffs and would operate all the stores again in an emergency, it is clear that they are the appropriate Department to be responsible and the cost of maintaining refrigerating plant which is not in use can most conveniently be borne on their Vote. The cost, however, is in reality a Defence charge and should not, as it is at present, be charged against the current food subsidy. Your Committee therefore recommend that, for the Government-owned cold stores, the charge for the care and maintenance of refrigerating plant which is not in use and of the buildings which are closed, should be costed separately, and should be excluded from the food subsidy.

INSURANCE

137. Your Committee took evidence on insurance from a Treasury witness, and the Treasury later submitted a memorandum.* As has already been noted by the Committee of Public Accounts, the placing of insurance by the Government on the insurance market is a departure from their normal pre-war practice. When foodstuffs and other commodities were bought overseas

* See Annex 17.

by the Government during the war and shipped in Government ownership, the insurance market contended that the removal of so large a part of their marine and fire business would adversely affect the premiums they could charge for their foreign transactions. The Treasury accepted a plan for commodity insurance and entered into agreements which have been revised from time to time, and of which the latest, made in 1948, prevents the profits rising above 20 per cent. of the premium income.

138. Your Committee noted that insurance was only a small part of the overhead charges on the commodities which they investigated. It is an advantage to include insurance as a charge because a better comparison of costs is possible. The rates for insurance were negotiated by the Treasury, and, as other Departments besides the Ministry of Food were concerned, Your Committee considered that a full investigation of the subject was outside the scope of their present inquiry.

MARGINS

139. Any detailed inquiry into the margins allowed to the various agencies employed in the distribution of foodstuffs controlled by the Ministry of Food, and into the other forms of remuneration received by them, was beyond the scope of Your Committee's inquiry. Some evidence on the subject was, however, taken and Your Committee noted that generally these margins are based on pre-war average profits determined after costings investigations conducted by the Ministry.

140. On the evidence they heard, Your Committee have formed the opinion that these margins should now be carefully re-examined by the Ministry. While the common basis for determining margins appears to be pre-war earnings, the application of this principle varies widely and little advantage seems to have been taken of the experience gained on the relative merits of the different schemes.

141. In any case, while the present machinery of control has worked remarkably well, it should be borne in mind that it was expressly set up to meet a wartime emergency. Attention has already been drawn in this Report to the arrangements made for compensatory payments.*

142. Furthermore, the actual remuneration, whether in the form of a fixed management fee or a unit margin, has sometimes remained unchanged since its introduction at the beginning of the war. Costs have unquestionably increased since 1939, so that either the original basis was too generous in view of the services rendered or alternatively the representations for an increase made by the associations and rejected by the Ministry have not been adequately and fairly considered.

143. Your Committee believe that some effort should be made to introduce a competitive element wherever it is clear that controls are likely to persist for some time. Though there may well have been justification in war-time for the introduction of systems of fixed management fees and unit margins, negotiated with and often paid through trade associations, it is time that they should be reconsidered. Your Committee therefore recommend that a comprehensive and critical review of the operation of the systems of determining margins should be held forthwith.

* See paragraphs 38 and 41.

APPORTIONMENT OF MINISTRY OVERHEADS

144. The whole cost of the Ministry of Food, other than Subhead H, is charged to the subsidy on food. The cost has been apportioned to the Commodity Divisions on the value of their turnover. This is a rough and ready method and is open to two objections; it bears no relation to the actual staff employed, and it includes the whole cost of the machinery of rationing.

145. The staff employed in dealing with a commodity such as tea, which is of high value for bulk, is clearly less than that required in relation to a bulky and less valuable commodity such as raw sugar. To charge both with overheads on the basis of the value of turnover gives a false result. The effect would be apparent on release from control, when tea, for instance, would leave behind to be absorbed elsewhere the proportion of the overheads of the Ministry with which it had been overcharged. Your Committee therefore welcomed the information given in the later stages of their inquiry that a change was to be made, and that the apportionment of the overheads between the Commodity Divisions would in future reflect with reasonable accuracy the cost of the staff.

146. It would be very difficult to give a separate estimate of the cost of rationing but it is inaccurate to charge all commodities, some of which are not rationed, with a share of the cost of rationing. The bulk of the work connected with rationing and with the allocations arising therefrom is done in the Divisional and Local Food Offices. Your Committee were informed in evidence that a survey was recently carried out by the Ministry to determine the proportion of time spent by the staff of these offices on their various activities.* The cost of the salaries of the staffs in the Divisional and Local Food Offices is shown in Subhead A (vi) (a) and (b) and amounts to £9,140,385 for 1948-49 and £9,362,002 for 1949-50. To these figures must be added the notional charges for office accommodation, telephones, postage and stationery, including about £250,000 for the printing of ration books and cards, made by other Departments. Evidence was given that with these additions the total cost of Food Offices can be taken as £11,500,000, and that in the current year 36 per cent of this sum will be charged against rationed commodities, and 15 per cent. against points-rationed commodities. Some part of the Headquarters expenses must also be allocated to rationing but this allocation cannot avoid being largely arbitrary. Since the cost of rationing commodities does not depend on the size of the ration, this charge will be divided equally in the Trading Accounts among the commodities affected. Your Committee consider that this is a reasonable calculation for obtaining a figure for the cost of rationing and further that it is now important to separate this figure so that, as commodities are taken off the ration, its weight on those remaining on the ration can be easily seen.

* The survey gave the following result for the proportion of time spent on various activities in the Divisional and Local Food Offices:—

	<i>Per cent.</i>
Rationed commodities	36
Points-rationed commodities	15
Welfare foods, including milk in schools, free and assisted milk	16·5
Milk	13·5
Soap	7
Animal feeding stuffs	2
Activities on behalf of the Registrar General	10

(See Q. 4312).

147. Your Committee therefore recommend that a note should accompany the presentation of the food subsidy showing the cost of rationing and the commodities over which it is distributed ; and also the cost of printing ration books and cards.

RECONCILIATION OF THE SUBSIDY ON FOOD WITH THE CASH REQUIREMENT

148. The ruling figure in the preparation of the Trading Estimates of the Ministry of Food is the amount of the subsidy, but this figure is not shown in the Estimates. Now that the Chancellor of the Exchequer has announced the figure of £464 million above which the Government will not allow the subsidy on food to rise, the relation of this figure to the cash requirement of Subhead H can be made known. Your Committee consider that a reconciliation statement such as that provided in Appendix I to this Report should be furnished to the House either in the Estimates themselves or as an accompanying White Paper.

149. As has been explained, the subsidy is the trading loss of the Ministry. The real part of the subsidy is the net loss resulting from the fact that selling prices are less than the selling value of the commodity. Other amounts, such as customs duties and notional charges, can be changed, as has been done this year with the remission of the duties on certain commodities, so as to produce an apparent fall in the total of the subsidy without giving any real gain to the Exchequer or to the tax-payer. For the purpose of comparison with previous years, the cost of the welfare schemes incurred on behalf of the Ministries of Health and Education should be continued to be shown as part of the subsidy. These various elements, however, should be clearly differentiated.

150. Your Committee, therefore, recommend

(a) that a statement reconciling the subsidy on food with the cash requirement under Subhead H should be presented to the House ;

(b) that this statement should differentiate clearly between the following elements in the subsidy on food :

(i) the net loss on the sale of commodities ;

(ii) the cost of welfare schemes incurred by the Ministries of Health and Education but borne on the Vote of the Ministry of Food ;

(iii) the cost of services borne on the Votes of the Agricultural departments and of the Board of Trade but included in the subsidy on food ;

(iv) Customs duties ;

(v) notional charges, for which no cash passes, for services rendered by other Departments and on cash withdrawals from the Treasury.

The statement should be accompanied by a note showing the cost of rationing and the commodities over which it is distributed, and the cost of printing ration books and cards.

GOVERNMENT PURCHASING

151. The Ministry of Food are the sole purchaser of the various commodities about which Your Committee inquired. Your Committee therefore made some investigation of the methods of purchase and had the advantage of hearing the opinions of witnesses representing the meat, grain and flour importers as well as the views of witnesses from the Ministry.

152. Although the purchase of several commodities formerly bought on Government account has now been restored to private trade,* nevertheless, owing to the continuing shortage of world supplies of certain essential foodstuffs, the wartime method of procurement through Government purchase has been continued. The shortage of at any rate a number of foodstuffs seems likely to persist for some time.

153. The supplies of some commodities, such as sugar, are now more plentiful, but all needs cannot yet be met from soft currency areas alone and currency difficulties hamper this country in obtaining all the supplies required. Indeed perhaps the outstanding problem that faces the United Kingdom at present arises not so much from a world shortage of food as from a Commonwealth shortage of dollars. This shortage severely limits the quantities of food the United Kingdom can obtain. For instance, purchases of Cuban sugar are now to be reduced and additional supplies of meat and grain are difficult to obtain from dollar areas because of currency problems. Moreover, the accentuated demand for the limited supplies from non-dollar countries may further serve to increase the prices of such supplies. Thus Your Committee gained the impression that in some cases shortage of dollars was felt by the Ministry to be an impediment to the relaxation of controls and that the same considerations cause the Ministry to hesitate to restore free commodity markets, on the ground that a leakage of dollars might result.

154. In spite of the fact that it is widely used, the term "bulk purchase" is not a term of any exactness. Indeed it was pointed out in evidence that "sole importation by the Government" would describe more accurately the form of trading whereby foodstuffs are procured on Government account. Qs. 21-8.

155. Government trading is, in fact, conducted in a variety of ways ranging from long-term agreements between Governments to spot purchases by private traders. The sellers include Governments, marketing bodies whose policies are Government-controlled,† organisations of private exporters, producers and exporters acting through London agents, and importers acting as principals. Again, the agreements may be for specific quantities or for the whole or part of the exportable surplus of a particular commodity; they may be of short duration or may cover a period of years. Some of these agreements, moreover, form only part of wider commercial agreements for the procurement and supply of many different commodities.

156. Purchases on behalf of the Government are usually negotiated by senior officials of the Ministry, many of whom were outstanding personalities in their own trade and whose services have been enlisted by the Government. Their functions, are, of course, somewhat dissimilar from their pre-war commercial activities, except inasmuch as they have to make spot purchases. Where the Ministry retain responsibility for procurement, they generally employ commercial firms when it is necessary to seek out supplies.

157. If a trader fails to carry out his contract, he is liable both to be sued and also to suffer in his commercial reputation. When agreements are made between Governments, however, they are not enforceable in the ordinary way and to secure their fulfilment representations may have to be made through diplomatic channels. Obviously, the closer the relations which the United Kingdom has with the country concerned, the more likely is effective action to be taken. Where the agreement provides for the supply Q. 856.

* See Appendix III.

† The practice of Government purchase has encouraged the development of systems of Government and Government-controlled selling in the exporting countries.

of an exportable surplus, the size of such surplus is dependent on conditions obtaining in the exporting country. It is well known, for instance, that supplies of meat from the Argentine did not fully accord with the terms of the trade agreement. On many occasions, however, the Governments of countries supplying food to the United Kingdom under inter-governmental arrangements have themselves taken steps to ensure the fulfilment of their undertakings. The Canadian Government, for instance, requisitioned cheese to facilitate the delivery of the supplies promised. Again, for the purpose of increasing exportable surpluses, both the Australian and New Zealand Governments imposed restrictions upon home consumption. Although trade witnesses said that the restrictions upon home meat consumption in Australia had not been altogether effective in augmenting the export surplus, Your Committee were impressed by the co-operation afforded by several of the exporting countries in their endeavours to secure maximum supplies to this country.

Q. 2218.

Qs. 1424-5.

Qs. 1405-13,
1426.

Qs. 840-2.

Qs. 3561-4.

158. Sometimes the price negotiated includes an element retained by the selling Government. The New Zealand Government has retained some £20 million to offset inflation. In the negotiations with the Argentine Government over the Andes Agreement, it was understood that a certain sum would be passed on to the packers, but Your Committee were informed that in fact no part of this payment was made to the packers.

159. In the sugar-producing Colonies, the Colonial Governments have taken and devoted to development and welfare part of the monies received by the exporters. Your Committee recommend that, where the price negotiated by the Ministry includes an element for colonial development, that element should be clearly shown as such, and the question should be considered whether such a payment should be borne on the food subsidy.

160. The prices so far paid for commodities under Government trading appear to compare favourably with prices paid by other buyers. Regarding the long-term agreements, however, it may well be that whereas such agreements may be favourable at the outset, they may nevertheless become burdensome when increases in world supplies react on prices. Your Committee were assured that almost without exception these long-term agreements were negotiated on the basis of annual price reviews, although in some cases price variations are allowed only within defined limits. Some trade witnesses maintained that even a yearly review was too infrequent. Your Committee recommend that the utmost flexibility for price review consistent with the reasonable assurances required by the producers should be sought, and that this aspect of the operation of Government purchasing should be kept constantly under examination.

RECOMMENDATIONS AND CONCLUSIONS

161. The recommendations of Your Committee are as follows:—

(1) When the supply of meat improves and there is a prospect of release from the present system of rationing, a scheme should be considered which would provide for consumer choice, the skill of the butcher in buying, and guaranteed prices for the farmer (paragraph 24);

(2) A decision should not be delayed on the general plan for new slaughterhouses which has been considered by the Ministry of Food (paragraph 32);

(3) The Ministry should give active attention to the various schemes already prepared and should consult with all sections of the meat trade

in a re-examination of the present methods of procurement and distribution with a view to the elimination of duplication of work between Ministry officials and trade agencies ; the consideration, without prejudice to arrangements when the trade is released from control, of a more economical organisation of distribution, and, while accepting the continuance of the system of guaranteed prices, the re-organisation of the methods of handling and control of home-killed meat.

In making this recommendation, Your Committee recognise the great service that has been rendered over the past ten years in ensuring the fair and equitable distribution of meat, but they nevertheless believe that there is room for economy and that the present machinery of procurement and distribution should be overhauled. They consider that the time has now come when a scheme might be prepared which would be more in accordance with present needs and would provide a more satisfactory form of distribution both to the retailer and the public (paragraph 54) ;

(4) Consideration should be given to treating new buildings for storing grain as agricultural buildings so that they would qualify for the depreciation allowance of 10 per cent. per annum under the Income Tax Act, 1945 (paragraph 63) ;

(5) Wider limits should be set for the proportions of wheats in the grist ; and the Ministry should give consideration, in consultation with the millers, to allowing some flour to be milled at a lower extraction rate for sale at an appropriate price (paragraph 78) ;

(6) As the systems of control of milk are being re-examined, the opportunity should be taken to simplify the present arrangements (paragraph 88) ;

(7) The use should now be reviewed of fifteen factories for the processing of cheese, which were closed down under a concentration scheme (paragraph 95) ;

(8) The deficiency payment to the British Sugar Corporation should be considered as an obligation of the Agricultural Departments rather than of the Ministry of Food, and such payment, although it forms part of the food subsidy, should, subject to the agreement of the Committee of Public Accounts, be borne on the Votes of the Agricultural Departments in a similar manner to Crop Acreage Payments (paragraph 107) ;

(9) The Advisory Panel on Cocoa should be placed on a more effective basis, to enable them to give more useful advice (paragraph 122) ;

(10) The charge for the care and maintenance of refrigerating plant which is not in use in Government-owned cold stores, and of the buildings in such stores which are closed, should be costed separately, and should be excluded from the food subsidy (paragraph 136) ;

(11) A comprehensive and critical review of the operation of the systems of determining margins should be held forthwith (paragraph 143) ;

(12) (a) A statement reconciling the subsidy on food with the cash requirements for Ministry of Food Trading Services (Civil Estimates, Class IX, Vote 2, Subhead H) should be presented to the House ;

(b) This statement should differentiate clearly between the various elements in the subsidy on food ;

(c) The statement should be accompanied by a note showing the cost of rationing and the commodities over which it is distributed, and the cost of printing ration books and cards (paragraph 150) ;

(13) Where the price negotiated by the Ministry of Food for a commodity includes an element for Colonial development, that element should be clearly shown as such, and the question should be considered whether it should be borne on the food subsidy (paragraph 159) ;

(14) The utmost flexibility for price review consistent with the reasonable assurances required by producers should be sought, and this aspect of the operation of Government purchasing should be kept constantly under examination (paragraph 160) ;

162. Your Committee also concluded that decisions should not be delayed on the matters raised by the National Federation of Corn Trade Associations, especially regarding the opening of the London and Liverpool Grain Markets (paragraph 69) ; that, in view of the prospect of increased supplies of tea, it should be possible to prepare now for an early re-opening of the London Tea Market, a step which would lead to administrative economies (paragraph 119) ; and that it should also be possible to consider the transfer of the buying, warehousing and distribution of cocoa to the trade, subject to any import or other restrictions as may be necessary (paragraph 123).

APPENDIX I

MINISTRY OF FOOD

PART I

Reconciliation of original subsidy estimate with cash estimates

At the time when the 1948-49 Estimate was being prepared, food subsidies for the year on the basis of existing selling prices were expected to be at the rate of £431 m. It was thought, however, that it might be possible to reduce this total by about 10 per cent. by increasing selling prices. A saving of the order of £45 m. was therefore assumed for Estimates purposes, and the calculations were based on a subsidy figure of £386 m. This was equivalent to a cash requirement of £320 m. In the event, however, the assumed savings were not realised.

	£ms.	£ms.
<i>Estimated Food Subsidies</i>		431·0
<i>Deduct:</i> Assumed saving through increased selling prices		45·0
		<u>386·0</u>
Subsidies borne on Votes of other Departments:—		
Acreage payments for potatoes, wheat and rye	17·4	
Subsidy on fertilizers and molasses food	8·2	25·6
		<u>360·4</u>
<i>Add:</i> Cash required to finance stockpiling	55·6	
Cash required for settlement of non-commercial liabilities	0·9	
Cash required to finance purchases of Far Eastern rice for Ceylon, India and Malaya during February/March, 1949, to be refunded in 1949/50	1·1	57·6
		<u>418·0</u>
<i>Deduct:</i> Amount paid in advance in 1947/48 under Andes Agreement in respect of supplies to be received in 1948/49	86·2	
Proceeds of sales of surplus stores and foodstuffs	0·8	
Variations in debtors and creditors	0·5	87·5
		<u>330·5</u>
<i>Deduct:</i> Notional services for which cash does not pass:		
Storage, rents, etc.	1·2	
General Overheads	15·4	
Less: Salaries, travelling, etc. paid in cash	14·6	0·8
Interest on Exchequer advances	8·5	10·5
		<u>320·0</u>
<i>Net Cash Requirement (All Subheads)</i>		320·0

October, 1948

PART II

Reconciliation of original subsidy estimate with subsidy estimate as at 31st December, 1948

The original Estimate 1948/49 envisaged a total subsidy figure of £431 m. The subsidy total increased during the year and the estimate at 31st December, 1948, is £484·0 m. The increase is explained as follows:—

	<i>£ms.</i>	<i>£ms.</i>
<i>Original Estimate</i>		431·0
<i>Add</i> Difference between rations allowed for in Estimate and actual distribution:		
(a) <i>Bacon</i> —increase from 1 oz. to 2 oz. per week for year with exception of 4 weeks from 21st November, 1948, and a further 4 weeks from 2nd January, 1949	5·4	
(b) <i>Butter</i> —increase of 1 oz. per week for 8 weeks from 23rd May, 1948, and a further 8 weeks from 30th January, 1948	4·0	
(c) <i>Cheese</i> —increase from 1 oz. to 1½ oz. per week from July, 1948... ..	6·0	
(d) <i>Cooking fat</i> —increase of 1 oz. to 2 oz. per week from 5th December, 1948	1·2	
(e) <i>Margarine</i> —increase of 1 oz. per week for year with exception of 8 weeks from May, 1948, and a further 8 weeks from January, 1949	1·9	
(f) <i>Milk</i> —general increase in distribution	2·5	
(g) <i>Potatoes</i> —increase in supplies for stockfood, etc.	2·1	
(h) <i>Sugar</i> —increase in distribution to domestic users and manufacturers from 5th December, 1948	[1·0]	
(i) <i>Tea</i> —Xmas bonus issue of 1 oz. per week for 4 weeks	0·6	22·7
		<hr/>
Variations in quantities and costs of imported and home-produced supplies		453·7
		24·9
Increase in Board of Trade fertiliser and molasses food subsidies		4·1
Increase in acreage payments borne on Votes of Agricultural Departments:—		
Potatoes	1·1	
Wheat	0·1	
Rye	0·1	1·3
		<hr/>
		484·0
		<hr/>

January, 1949

APPENDIX II

MINISTRY OF FOOD

Forecast of the subsidy on Food to the end of the Financial year 1949-50, taking into account the actual subsidy for the first six months to 30th September, 1949.

<i>Commodity</i>								<i>Estimated Subsidy</i>
								1949-50
								£ms.
Bacon	...	...	...	...	...	...	...	30·2
(a) Bread	...	...	...	...	...	...	...	(c) 64·1
(a) Flour	...	...	...	...	...	...	...	35·5
Shell Eggs	...	...	...	...	...	...	...	30·7
Carcase Meat	...	...	...	...	...	...	...	40·8
Milk	...	...	...	...	...	...	...	51·3
(b) Butter	...	...	...	...	...	...	...	53·3
(b) Cheese	...	...	...	...	...	...	...	25·2
Margarine	...	...	...	...	...	...	...	16·0
Lard and Cooking Fat	...	...	...	...	...	...	...	5·6
(a) Potatoes	...	...	...	...	...	...	...	14·7
Sugar	...	...	...	...	...	...	...	8·1
Tea	...	...	...	...	...	...	...	15·0
Fish	...	...	...	...	...	...	...	4·0
Sundries	...	...	...	...	...	...	...	[Credit] [32·2]
Total	...	...	...	...	...	...	...	362·3
 Welfare Foods								
Milk-in-Schools	...	...	...	...	...	...	...	9·0
National Milk Scheme	...	...	...	...	...	...	...	22·0
Vitamin Foods and National Dried Milk	...	...	...	...	...	...	...	6·1
Animal Feeding Stuffs	...	...	...	...	...	...	...	36·7
Loss on stockfeed potatoes	...	...	...	...	...	...	...	11·5
Fertilisers	...	...	...	...	...	...	...	15·0
								462·6

(a) Includes acreage payments.

(b) Includes subsidy on manufacturing milk.

(c) Includes £8·4 m. subsidy payable to bakers.

November, 1949

APPENDIX III

MINISTRY OF FOOD

Commodities formerly bought on Government Account now restored to private trade

<i>Commodity</i>	<i>Date of Restoration</i>	<i>Reasons for Restoration</i>
Canned Haddock ...	3rd February, 1946.	} No longer considered necessary to import on Government account.
„ Catfish... ..	1946.	
„ Cod Roes ...		
„ Curried Fish ...		
„ Fried Fish in sauce.		
Canned Imported Herrings	31st December, 1946.	
„ Cod		
„ Fish Balls ...		
„ Fish Cakes ...		
Canned Shrimps and Prawns	31st December, 1946		} No longer considered necessary to import on Government account.
„ Anchovies ...		
„ Perch	18th August, 1946	
Home Canned Fish ...		
Canned Jam and Marmalade (Imported).	December, 1946...	It was no longer necessary to maintain a large reserve stock as it was during the war. Supplies were now sufficient to enable the trade to maintain a wide distribution.
Canned Tomatoes (Imported).	30th June, 1948...	Government purchase was intended to facilitate a special distribution in industrial areas. It has now become possible to restore the trade to private hands.
Canned Tomato Purée (Imported).	December, 1947...	The supply position has materially improved.
Canned Beans (English)	November, 1946...	It was considered no longer necessary in order to ensure satisfactory distribution, to purchase the total production on Government Account.
Pepper	December, 1946...	Government purchase was introduced to prevent speculation when supplies were short. Improved supplies made Government purchase no longer necessary.
Ginger	December, 1946...	As for pepper.
Walnuts (Dried)	1947	} Supplies available were considered sufficient to prevent profiteering. Owing to the currency crisis there were, however, no imports on private account until the Autumn of 1948.
Almonds		
Hazel Nuts		
Brazil Nuts		
Peels-in-Brine	1948-49 Crop ...	Buying of peels-in-brine from Italy and Sicily had been co-ordinated with the buying of lemons, fruit juices and essential oils. The termination of Government purchase of these other commodities made it impracticable to continue buying peels-in-brine alone on Government account.
Cherries in Sulphur Dioxide	1947-48 Crop ...	Only small quantities were bought on Government account in 1946-47. It was considered that the quantities being imported were too small to handle on Government account, particularly as the commodity is semi-perishable.

<i>Commodity</i>	<i>Date of Restoration</i>	<i>Reasons for Restoration</i>
Dried Bananas ...	... 1945-46 ...	Only a small quantity was imported by the Ministry in 1944. The quantities were too small to be included in normal dried fruit allocations and so the import was restored to private trade.
Wet Salted Fish	... 1945 ...	War-time purchases were intended to supplement home food supplies, but this type of fish was not popular. Importation was restored to private trade and is now mainly for re-export.
Imported Onions	... End of 1946 ...	Likelihood of plentiful supplies becoming available.
Lemons ...	... October, 1948 ...	The prospect of greater supplies throughout year.
Lemon Juice	... September, 1948...	Improved supply position.
Rose Otto	... January, 1948 ...	The material is extremely expensive and is usually bought in small lots. It was felt that it was more appropriate for it to be handled by private trade.
Peppermint Oil	... September, 1947...	During the war only U.S.A. lend-lease supplies were available. When the Italian market re-opened it was felt that importation could be restored to the trade.
Argols, Tartaric Acid ...	21st April, 1948...	Government purchase was originally resorted to in order to stabilise prices in the liberated countries. When prices became stabilised importation was restored to the trade.
Citric Acid ...	... 21st April, 1948...	Government purchase ended as supplies became adequate.
Hog casings from U.S.A. and Canada.	End of 1946 (U.S.A.) 1947 (Canada).	U.S.A. Suppliers preferred to ship to their own houses in the United Kingdom and it was therefore decided to open the trade to all private interests. Government purchase of Canadian casings continued until the dollar crisis in 1947 for domestic Canadian reasons.
Olive Oil ...	... April, 1947 ...	Supplies of salad oils were expected to become more plentiful.
Seed Potatoes for <i>export</i> to certain markets only.	1948-49 season ...	It was desired to restore the trade to private enterprise, but as there were difficulties in exporting to certain areas it was agreed with the trade that initially South Africa, Rhodesia, Portugal, Spain and Spanish Possessions alone would be opened to private exporters.
Imported Honey	... 1944 ...	Quantities were small and did not warrant employment of Government staff on accounting and recording.
Dehydrated Onions	... 1st March, 1947 (powdered), 1st July, 1948 (kibbled).	A minor foodstuff. No real justification remained for Government trading.
Farinoca	... 1946 ...	Supplies had become adequate and prices were falling.

March, 1949

APPENDIX IV

STOCK OF ALGERIAN WINE

Letter from the Ministry of Food to the Clerk of Sub-Committee C

Dear Yule,

22nd November, 1949.

You wrote me on 17th November about Algerian wine.

The position is that the Ministry of Food's stock of Algerian wine has now been sold. The cash requirements for 1949-50 will be reduced by the amount received for the wine in that year. As the wine was sold at a loss, so far as the 1949-50 accounts are concerned, the total subsidy for the year will be increased by the amount of the loss. There has, however, been no loss on Algerian wine taken over the years in which it has been handled.

Col. J. S. Yule, O.B.E.,
Select Committee on Estimates,
House of Commons, S.W.1.

Yours sincerely,
(Sgd.) J. G. CARNOCHAN.

MINUTES OF EVIDENCE TAKEN BEFORE THE 519
SELECT COMMITTEE ON ESTIMATES
(SUB-COMMITTEE C)

THURSDAY, 16TH DECEMBER, 1948.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.

Mr. Corlett.

Mr. Walter Fletcher.

Viscount Hinchinbrooke.

Mr. Niall Macpherson.

Mr. Yates.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. J. G. CARNOCHAN, a Deputy Accountant-General, Ministry of Food, called in and examined.

Chairman.

1. Mr. Bailey, we understand that you are the Principal Finance Officer of the Finance Department of the Ministry of Food, and Mr. Carnochan is a Deputy Accountant-General?—(Mr. Bailey.) I am the Principal Finance Officer and Mr. Carnochan is a Deputy Accountant-General; that is a Civil Service grade; and he is head of the Finance (General) Home Division.

2. We are a Sub-Committee of the Estimates Committee, and our task is to inquire into questions regarding the Ministry of Food. We should be much obliged, on Subhead H of the Estimates, if in the first instance you would kindly expand one or two of the points which you have already made in the paper which has been submitted to us.* Perhaps we can first turn to Subhead H. I wonder whether you could expand a little the reference you make to services for which cash does not pass?—That is the result of a Governmental accounting principle, that there should be no settlement in cash for services rendered to or by Government Departments.

3. What sort of services have you in mind?—His Majesty's Stationery Office, for instance, render services to the Ministry of Food in the printing of all the printed matter which it uses, but does not render a debit, nor is there a settlement of any debit between the two Government agencies. (Mr. Carnochan.) A notional debit is agreed. (Mr. Bailey.) But no cash passes.

4. Apart from His Majesty's Stationery Office, what other services are covered?—The Postmaster-General, the Office of Works, and quite a number of Government Departments.

* Not printed.

Mr. Corlett.

5. No other than Government Departments?—No other than Government Departments.

6. No individual outside?—No individual outside, no. This is only a matter of inter-departmental accounting.

Chairman.

7. Under sub-paragraph (c) of your Memorandum you state that "food subsidies include items charged on the Votes of the Agricultural Departments and the Board of Trade." What are those items?—Acreage payments payable by the Ministry of Agriculture and fertiliser subsidy payable by the Board of Trade. Those are the only two.

8. Amounting in all to rather more than £25½ million?—Yes.

Mr. Corlett.

9. Could that be broken down?—They are figures given to us by the other Departments, but I think we have particulars of them. (Mr. Carnochan.) I think I can give them. The breakdown of the figure of £25.65 million is: £14.39 million for potato acreage payments, £2.92 million for wheat acreage payments, and £0.09 million for rye acreage payments, making a total of £17.4 million. Those are borne by the three Agricultural Departments. The subsidy borne by the Board of Trade for fertilisers and molasses is £8.25 million. There have been changes since then, but those are the figures in the Estimates.

Chairman.

10. Then, returning to sub-paragraph (b) of your Memorandum, you say: "The food subsidy total is calculated after all

16 December, 1948.]

Mr. E. E. BAILEY, C.B.E., and
Mr. J. G. CARNOCHAN.

[Continued.]

the expenses of the Ministry have been paid." What do "all the expenses of the Ministry" amount to?—(Mr. Bailey.) All the expenses under all the subheads from A to J, or whatever it is.

11. Why is the food subsidy calculated after taking those into account?—The answer is not simple. It depends to some extent upon what you mean by "subsidy." In broad terms the subsidy is the trading loss of the Department on commercial accounting principles, and the trading loss is the subsidy.

12. To take a specific point: Why should the machinery of rationing be charged against the subsidy?—It is so charged by Treasury direction, and it would be extremely difficult to separate out the elements of that item of expense which were attributable to the subsidy and the elements which were not. It is not so difficult in the case of that particular item, as it is in the case of other items. You have taken the most obvious case.

13. Is it fair to ask you this question: What is the estimated cost of the machinery of rationing?—I do not think it is set out in the Estimates in exactly those terms, but, of course, the divisional and local organisation of the Ministry of Food is primarily concerned with rationing machinery. That appears under item (vi), subdivision (a): £1,191,385, and the £7 million under item (vi) (b). It would not be true to say, however, that the whole of the cost of rationing is included in those figures. Some part of the cost of administration at headquarters would be attributable to rationing. There are Divisions which are specifically concerned with rationing and which direct the divisional and local Food Offices organisation. (Mr. Carnochan.) And, furthermore, you have some of these notional services, like accommodation which is supplied by the Ministry of Works; obviously some of it is due to rationing, but it would be quite impossible to allocate that. The actual cost of subsidisation superimposed on the administrative costs of the Ministry must be very slight, although those cannot be flaked off. If subsidies were stopped, the administrative cost of the Ministry would not be greatly altered. It is difficult, however, to flake them off and say exactly which is which.

14. Regarding Subhead H, you say it is a forecast. Can you say how firm a forecast it is?—(Mr. Bailey.) I should like to answer that by giving you figures to show how close the forecast is from year to year. I have before me the draft Appropriation Account for the Ministry of Food for 1947-48, and we show in that Appropriation Account an excess due to be surrendered to the Exchequer of £25 million on a total turnover, that is, I think, the relevant figure, of £1,524 million.

Viscount *Hinchinbrooke*.

15. For what period is it?—1947-48. Corrections have to be applied to the original Estimate by way of a Supplementary Estimate, to take account of the changes in the various factors upon which the Estimates depend; but by means of, first, the original, and, secondly, the Supplementary Estimate, if one is necessary, we do get pretty close to the actual outturn, and indeed at times we get surprisingly close.

Chairman.

16. I do not want to disturb you, but, considering the position at present, how far do you anticipate your Estimates being affected by the factors to which you call our attention, if we take first of all what you call the upward pressure owing to the lack of world stocks?—It would be difficult to segregate that one factor and put a figure to it. I have no doubt that we may have to introduce a Supplementary Estimate in respect of the current year, but I would rather not anticipate that, if you will agree. Figures have been given which indicate that the subsidy total, which is not on a cash basis, however, is running considerably in excess of the figure assumed in December of last year for the now current financial year.

17. You attribute that to this particular factor, do you?—In part. I have some figures before me that might assist the Sub-Committee on that. The increase in rations, for instance, in the current year has resulted in an increase in the subsidies by £15.9 million. The extra allocation of feed grains, for instance, will result in an increase of subsidies of £3.5 million, and so on. One could go right through the list.

18. Yes. Is there anything you wish to add on what you describe as "a new complication" caused by the "suspension of sterling convertibility"?—It is clearly obvious that we cannot now purchase where we would wish; we must purchase within the limits of our convertibility to foreign currency, and so we are, to some extent, driven into markets that may not be the most advantageous markets, and our freedom of manoeuvre in those markets is somewhat circumscribed by our currency position. That, of course, leads us to bilateral negotiations, and the outcome of those negotiations is never certain. It is a matter of hard bargaining, and in the result the currency crisis which came to a head in August of last year does complicate our operations, and particularly our forward estimating.

19. You have already referred to the price stop, and in your Memorandum you call our particular attention to the Treasury's refusal to a proposal to increase herring prices. In general, how are you being affected regarding your Estimates by

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the policy of frozen prices?—It has an effect, of course, on our subsidies, since, if our selling prices are fixed, and our buying prices move against us, the total subsidy increases.

20. Does that mean that in practice we have abandoned what is earlier described as the new policy of concentrating food subsidies on a smaller number of essential foodstuffs?—Broadly, I would say no to that question, but if prices have to be held for purposes of stabilisation, selling prices that is, and if buying prices move against us, then it is obvious that commodities which we have not planned for subsidies enter the subsidies field in the sense that we do incur a trading loss on them, and that trading loss adds to the total subsidies.

21. I want to ask you a topical question. I noticed in "The Times" newspaper recently an article, to which your attention has been called, headed "Protest by the Trade" with the unfortunate sub-title of "The Dead Horse of Bulk Buying"?—Yes, I have seen that, but I have not got its terms in mind.

22. There is this one particular point; it is dealing with Argentine meat, of course. It says: "Meanwhile, shipments are being discharged at ports in Holland and Belgium of meat which should be coming here, because it is of a quality too good for Continental uses."—I read that particular passage with some surprise, and I do not accept it. I do not know on what basis it was made. It is the fact that meat is passing from the Argentine to certain Continental buyers at higher prices than we have agreed to pay under the Andes Agreement.

23. I do not want to deal with any particular example at this stage, but what would you say generally about the effect of bulk purchase, in view of such complaints that are being made?—"Bulk purchase," in the first place, is rather an uncertain term.

24. It would perhaps help the Sub-Committee if you would define that?—I would regard it as synonymous with sole importation by the Government. You can call it centralised importing or you can call it State trading, but bulk purchase in itself is not a term of any exactness. I would rather treat it as synonymous with sole importation by the Government.

Viscount *Hinchinbrooke*.

25. Is not it Government trading, not only Government importation?—Not necessarily. The methods by which so-called bulk purchase is undertaken are quite varied, and I would not think that it was limited to that particular form of it.

Chairman.

26. It would help us, perhaps, if, with example, you gave us the different types

of what you describe as "sole importation by the Government"?—I would say, in answer to that, that Government purchases are made in a variety of ways, ranging from a straight Government to Government sale under a long-term contract, at the one extreme, to a spot purchase from a private trader, that is to say, for example, oilseeds from India, at the other extreme. Purchases may be made, for instance, from any one of the following, that is to say, purchases by the Government in this country: (a) an exporting Government; (b) an official board or institute of a quasi-governmental character; (c) a non-governmental organisation of exporters; (d) exporters or producers acting either directly or indirectly through their London agents; (e) United Kingdom importers acting as principals. That is, broadly speaking, the range of Government importation.

27. Of these categories, which in fact is the one of which greatest use is made?—It would be difficult to say. One would have to take all the examples and see into which categories they fitted, and then it might be that the number of different heads in that way would give no real indication of the importance of one method compared with the other.

Mr. Corlett.

28. If you took any particular product, it would not be so difficult to say?—No. You could say at once that bananas from Jamaica are bought from the exporting Government. You could say that Argentine meat is bought in the second way, that is to say, from an official board or institute of quasi-governmental character.

Mr. Barton.

29. "Quasi-governmental character"—would you mind defining that?—An organisation which has a connection with the Government and whose policy is governed by that Government.

30. So it really is a department of the Government?—I would not say, for instance, that the nationalised corporations in this country are departments of the Government.

31. Is it a free agent?—I should say not. It is subject to governmental control. (Mr. *Carnochan*.) Some are. (Mr. *Bailey*.) The Australian Wheat Board is not subject to governmental direction, for example.

32. I want to be clear about this "quasi-governmental character"?—Take the Australian Wheat Board: it is set up by the Australian Government, but it is left with a considerable measure of independence and freedom of action.

33. But the Argentine one is pretty much a Government Department, is it not?—It is under governmental direction.

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Chairman.

34. I have a general inquiry upon which I feel sure we would appreciate your advice. If it is felt desirable to inquire in greater detail into examples of the sole importation of foodstuffs by the Government, would we get a fair picture by selecting examples of foodstuffs coming from a hard currency area, a sterling area, a soft currency area, and finally an example of home-produced foodstuffs?—I should think that a more profitable approach would be commodity-wise; that is to say, to take particular commodities and follow them through their full course.

35. Regardless of the considerations which are implied in the way in which I put the question?—They would have their bearing, and that bearing could be brought out. Our purchase programmes do take into full account those four factors, the currency and the source.

Mr. Barton.

36. I just want to turn to Subhead H of Class X, Vote 2, First of all, does the whole of this subhead deal with both home-produced and overseas bought food?—It deals with all food in which the Ministry trades.

37. Home and overseas?—Home and overseas.

38. And the figure of £1,343,600,000 for "purchases, freight, storage, etc.," I take it, includes the cost of all staff within this head?—Only of industrial staff.

39. Only industrial staff?—Yes, only industrial staff.

40. So that it is not complete in itself?—No; the other staff is to be found under Subhead A.

41. Does it include fees to buying agencies if there are any?—It does.

42. Take, for instance, the item for sugar: £14,900,000: you have a payment above under Subhead E of £3 million to the British Sugar Corporation, Ltd., for 1948-49. In order to give the true picture, would that sum have to be added to the £14,900,000?—Yes. Of course, that true picture of the total cost of subsidies is given by the trading accounts of the Ministry, which are now published.

43. But you see, from your preliminary remarks on this Vote, I took it that the subsidy in the main was the trading loss as shown in this subhead?—No, I do not think I said that. It is the trading loss as shown in the trading accounts of the Ministry, which are published, as I say, and examined at the end of the year by the Public Accounts Committee. This is the cash requirement. The difference between the two is explained in the first part of the paper which you have seen.

44. That is the difference between £320 million and £302 million?—No. £320 million is the total Estimate, of which £302

million is the Estimate under Subhead H. The difference is the difference between the £320 million and the total cost of subsidies in the year of account.

Mr. Barton.] I see.

Chairman.

45. Which, at present, is running at £470 million?—Approximately, yes. The reasons for that difference, of course, are given in the paper.

Mr. Barton.

46. There is a figure of £65 million for "Milk, including Milk Welfare Schemes." Does that include such services as free milk for schoolchildren?—It does.

47. Why is that charged against the Ministry of Food account and not against the Ministry of Education account?—It is very difficult to say. I appreciate the question, and it is one that I have pursued in the past in an endeavour to get the charge moved off my Vote on to the Ministry of Education Vote; but it is hard to say when food ceases to be a food and when it becomes a subject of health or education.

Mr. Corlett.

48. That raises the whole question of what is an education service?—Yes.

49. It is a big question?—Yes.

Mr. Barton.

50. Is the cost of subsidised school meals included in that Vote?—No.

51. Why the inconsistency?—I think that is a question you must ask the Treasury. Of course, there are arguments on both sides. It has been found better that the cost of the Milk-in-Schools Schemes should fall on our Vote. It would be a matter of some difficulty for any other Department to account for it.

Chairman.

52. What is the cost?—£8½ million. That is given on page 50 of the Estimates.

Mr. Barton.

53. What about subsidiary foods, for instance, which are provided through the Maternity and Child Welfare Services of the local authorities, like orange juice, which is obtained on a chit through one's District Food Officer?—They are part of the charge here under the heading of "Miscellaneous" in Subhead H.

54. That is part of the credit of £2,200,000?—That is a net item. It is a number of items lumped together which have resulted in a net credit of £2,200,000.

55. You have got a figure of £22½ million for "Transport, warehousing and ancillary services." Is it possible to give us a breakdown of that figure?—Yes. That is under quite a number of headings: Warehousing,

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£2.1 million; Cold storage, £4.8 million; Rail goods, flat rate, £7 million; Passenger, flat rate (that is, goods carried at the passenger rate), £0.050 million; Non-flat rate, £0.050 million; Road haulage, £6.905 million; Charter party, £0.110 million; Railway claims, £0.050 million; Public warehouse claims, £0.005 million; General average, £0.250 million; Port dues, £1 million; Interest, £0.050 million; total, £22½ million.

56. Are you satisfied that the flat rate terms you get from the railways themselves are satisfactory to the Ministry?—Yes.

57. What is it—25s. a ton, goods?—40s. a ton. That is the goods flat rate. The passenger rated traffic is at 104s. 1d. a ton.

58. Do you carry out tests on a zone basis?—Tests are being carried out at this moment, to test those rates.

59. And it is completely satisfactory against the scheduled rates?—We find it satisfactory at the present level. I am not so sure that the railways find it quite so satisfactory.

60. What is your general approach to the warehouse problem? Do you warehouse in bulk on a rental basis or do you take it on the railways' terms or the dock companies' terms, or what?—We warehouse at controlled rates settled by the Board of Trade. We do the best deal that we can.

61. I am now talking about warehousing at terminals, either railheads or docks?—The rates that we pay are closely controlled by the Division concerned. I think that is all I can say without notice of that question.

62. I think we have got to know what is the approach of the Ministry to this problem. It looks to be pretty expensive, £22 million?—The warehousing is, of that total, a comparatively small element, £2.1 million.

63. We shall probably have some details of the arrangements for warehousing?—Yes. Cold storage, of course, is part of the warehousing operation, and that is under extremely close control by ourselves. There is a control scheme, and the rates are a matter of negotiation from year to year with the cold storage industry. We also have our own Government cold stores.

64. Then the Miscellaneous figure, which gives your £2,200,000 credit: what is the extent of the turnover when that figure is arrived at?—(Mr. Carnochan.) Regarding warehousing, quite a large part of the warehousing charge consists of the buffer depots which we operate ourselves on a management basis; we pay a management fee.

Mr. Walter Fletcher.

65. What do you mean by "management fee"? Do you requisition them, or what?—They are provided to us by the Ministry of Works, and we put in firms of warehousemen to operate them on a management fee basis.

66. But where is the rent, or whatever it is? Is that reflected in this Vote?—No, that cannot be reflected in this Vote, because it is one of those notional services, of which we spoke earlier.

67. So that what is really paid for rent for warehouses is not reflected in this Vote?—No, but it is reflected in the trading accounts of the Ministry of Food, which is the way we calculate the subsidies.

Mr. Barton.] I do not think Mr. Fletcher was in the room at the time that was explained.

Mr. Walter Fletcher.

68. There is an item of "interest" which you mention there?—Yes, £.050 million.

69. What is that?—That is a notional charge also for Exchequer interest. We get our money from the Exchequer for nothing. We could not raise that money if we were a trading organisation for nothing, and therefore we charge ourselves with a notional charge of 2 per cent. on the volume of the money passing through our accounts.

70. You mean the amount borrowed during the year?—No. We do it from month to month, on the money coming from the Paymaster's account.

71. Whatever money you have out is calculated on a monthly basis at a rate of 2 per cent.?—Yes.

Chairman.

72. I think it would be better if we now could get a reply to Mr. Barton's question?—it consists of surpluses in the following items: canned fruit and vegetables, £5.7 million; fresh fruit and vegetables, £6.9 million; dried fruits, £0.5 million; fish, £0.4 million; starch, £0.3 million; losses on welfare foods, £6.3 million; and canned fish, £1.8 million.

Mr. Barton.

73. Is that a deficit?—Yes; they are all deficits. Rice is £1 million; coffee and cocoa, £1.6 million. There is a difference of £0.9 million on that figure. I am afraid that I cannot explain it at the moment.

Chairman.

74. Perhaps you could let us have a note on that?—I could, yes.

Mr. Barton.

75. Those figures that you have given now are the figures of turnover, not the surpluses or deficits?—No, those are the net deficits or surpluses.

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76. But I want the turnover, the turnover which has brought about those surpluses and deficits?—We have not got the turnover for the other subheads. Do you want them for everything?

77. I think that would be illustrative of the general position?—It would take rather a long time to give you that now.

Chairman.

78. Perhaps you could yet us have a note on that?—Yes.

Mr. Niall Macpherson.

79. May I ask whether those deficits have all arisen since the stabilising policy came into effect last February? When do they start to arise from?—(Mr. Bailey.) They were calculated in December of 1947, before that became effective, in respect of the financial year 1948-49.

80. They are all estimated?—Yes. We are only speaking of estimated figures.

Mr. Corlett.

81. Did I understand you to say that you neither build nor own nor buy any warehouses yourselves?—I think that is a fact, that we do not own any; they are provided to us by the Ministry of Works.

82. Would it not be cheaper to have your own warehouses?—The Ministry of Works is a governmental agency for that purpose, and may be presumed to know more about buildings than we do.

83. But you do not own any yourselves or buy any yourselves?—No, in exactly the same way as our offices are provided to us by the Ministry of Works. If I may correct my answer, we do, of course, own Government cold stores.

84. Where do you own those?—In various parts of the country.

85. You do?—Yes.

86. A substantial number?—About 39, I think.

Mr. Barton.

87. Did you acquire them, buy them, or build them?—(Mr. Bailey.) We built them during the war.

Mr. Corlett.

88. During the war?—Yes, during the war.

89. But you have not gone beyond cold stores?—We have not gone beyond cold stores. There is an inconsistency there. I appreciate that.

Chairman.

90. Perhaps it would help if I called the Sub-Committee's attention to the fact that this is referred to in the Second Report of the Committee on Public Accounts for

last Session?—The fact of our ownership of Government cold stores and our management of those Government stores?

Chairman.] Yes.

Viscount Hinchingsbrooke.

91. To clear up this point about the note, could we have the note to cover all these items under the heading "Separate Commodities" on page 49, the turnover of each?—Yes.

92. And in the case of the miscellaneous items, could we have that item in detail?—Yes, we could divide those figures.

Mr. Walter Fletcher.

93. When you were reading out the list of deficits, I did not quite catch the figure for cocoa?—(Mr. Carnochan.) Coffee and cocoa was a deficit of £1.6 million.

94. Could those be separated, because you buy your cocoa from another Government agency?—We do, yes, some part of it.

95. And coffee was bought quite differently?—(Mr. Bailey.) Yes.

96. I wanted to get those separated, because they are very different?—(Mr. Carnochan.) Yes. I have not those figures with me.

Mr. Niall Macpherson.

97. Following Lord Hinchingsbrooke's question, may I ask again: The turnovers will be estimated turnovers?—(Mr. Bailey.) They will be. The actual turnover will appear in the published trading accounts of the Ministry.

Viscount Hinchingsbrooke.

98. There are two points on the note which we have in front of us. Would it be too much to ask you to provide a complete reconciliation between the current subsidy payment and the figure which you have given in the note?—The figure in the note?

99. Yes, the cash deficit?—The cash deficit. No, it would not be any trouble to us to provide a complete reconciliation.

100. I think it would be useful?—We should have to do it on the basis of estimated figures of the subsidy outturn.

101. But on your note you have given them as the three major points of difference. Could we have, perhaps, the complete reconciliation between the running cost, the estimated food subsidy and the cash deficit?—Yes, we could quantify all the factors in the difference.

102. Could you now give us any indication of what the food subsidies are running at? In your note you have given the Ministry's figure for July, 1948, as being £470 million?—The figure of the estimated outturn of subsidies for 1948-49 is not

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materially different from that figure; the presently estimated figure is not materially different from the figure which the Minister gave in July, nor from the figure which was given by the Chancellor of the Exchequer in September.

103. The Chancellor told us then that he could not give a figure for the year and that there might be some savings to be anticipated as the year went on, but though it was running at £460 million then, we could not estimate that that was the outturn figure for the year?—No. Our estimates are made monthly, and they took account of all the varying factors as then known to us, but nobody could be certain, on the basis of those monthly estimates, that the outturn would not be different from what is estimated, because the factors may change. I scarcely think, however, that any change in factors between now and the end of the financial year could bring the total materially down from £470 million.

104. You gave us an indication as to the cost of rationing by pointing to subsections (vi) (a) and (b) on pages 46 and 47 of the Estimates. Can you give us any kind of estimate of the administrative cost of bulk trading?—No, I think not. That is wrapped up in the total of our operations, and a man who might be engaged, for instance, on a bulk purchase on one day will be engaged the next day on matters of private trading.

105. I wondered if I could get you to apply a figure to three points which you mentioned in the course of your answers. You said, first of all, that non-convertibility had circumscribed your freedom to buy in countries where prices were cheaper than where you are now forced to buy. Can you give any indication of how much in financial terms your freedom has been limited?—I am afraid not.

106. Then you said that the price stopping had caused subsidies to increase. Can you say by how much?—I could, after a study of the figures, and from time to time we have analysed the increase in subsidies due to that particular factor. We have kept a running book of it.

107. Could we have a note on that?—Yes. (Mr. Carnochan.) That would be one of the elements in the reconciliation for which you have been asking.

Mr. Corlett.

108. Would it be one of the items in the reconciliation?—Yes.

Mr. Niall Macpherson.

109. But if they are only estimates, will they necessarily come in it—certainly not until you can make this Supplementary Estimate?—(Mr. Bailey.) If you assume that our original Estimate was based on a certain price level, and we have not been

able to bring that price level about, then you will see that there is a factor which we can quantify as being due to the stop.

110. But it cannot possibly have been anticipated in the Estimate?—Some of it was. We had certain plans on movement of prices.

Viscount Hinchinbrooke.

111. Then finally you have said that trading losses need to be added to the subsidies. I was not quite clear what those trading losses were, because the subsidy consists of trading losses?—Yes, the subsidy was synonymous with trading losses and trading losses were synonymous with the subsidy.

112. There are no increased trading losses which have taken place throughout the last year as a result of Government policy which you can attach a figure to?—No.

Mr. Walter Fletcher.

113. Do not trading losses result from things beside a subsidy; that is to say, where you buy sugar and re-export it?—That would be a trading profit, not a loss. In actual fact it is a profit, and the total trading loss is reduced by that profit, so eventually the trading loss is the sum of our losses on individual commodities diminished by the sum of our profits.

114. But where you had a loss, that is to say, in the purchase of copra in Ceylon, that goes into the general account?—That goes into the general account. The subsidy total is based on the total outturn of the trading operations as shown by the trading accounts of the Ministry drawn up on commercial principles.

115. Regarding this question of the difficulty arising from non-convertibility of sterling, about what percentage of your purchases are affected?—That I could answer if I had before me the purchasing programme, which I have not.

Viscount Hinchinbrooke.

116. On this question of warehousing, do you negotiate with the Railway Executive or private warehousing concerns, in the knowledge that there are alternative premises to which you can turn if negotiations break down? I am trying to get at the limit to which you are able to beat down in your negotiations those persons from whom you wish to hire or purchase accommodation. I have rather got in my mind that perhaps the Railway Executive or the great warehousing institutions know that you are obliged to come along, and therefore they make their own terms?—I should not like to plead guilty to that. The warehousing rates are controlled by the Board of Trade. The cold storage rates are controlled by ourselves. In respect of the Board of Trade controlled rates, of course, we take up warehousing space at those rates. In respect of the cold storage rates, we negotiate from year to

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year and take advantage, reasonable advantage, not undue advantage, of our position as provider of the great bulk of the commodities which go into the store. That gives us a good bargaining position rather than a bad bargaining position. We have, after all, our own Government cold stores, and we make use of those as fully as we can; but there is close negotiation and close supervision of all the rates which we pay.

Mr. Barton.

117. Am I correct in assuming, then, that the Board of Trade control warehouse rates which are in turn controlled by the Railway Executive?—Public warehouse rates is what I was speaking of.

Mr. Corlett.

118. Could I ask you whether you could tell us how the rates you pay compare with what private people pay for similar facilities?—They are controlled rates, and they are the same rates. The rates are set down.

119. So you pay the same as private people pay?—Yes.

120. There is no question of beating down?—We are the bigger user.

121. So you really fix the price yourself. You are the bigger users. You are the chief competitor if there is a competitive field?—Yes. In fact we skim off part of the excess profits that may arise, and we put a ceiling on the amount of profit that individual store owners can make. I am speaking of cold stores.

Viscount Hinchinbrooke.

122. Is it your general experience that when the Ministry of Food enters a foreign market there is evidence of a price slowly rising to meet that period of the year when it is known that the Ministry of Food is entering that market, and that after the purchases have been completed the price actually falls again? In other words, do these Government and semi-governmental selling institutions overseas anticipate your arrival, and quietly put up the prices against you?—I think my Minister answered that in the House of Commons the other day: he said that he had no evidence that there was such a movement of prices, or that bulk buying was more expensive than any other form of buying.

Mr. Barton.

123. Is the bulk of it bought on long-term contracts?—No, it would not be right to say that. Long-term contracts are in the main operative in the sterling area rather than in the non-sterling area. You have, for instance, the Argentine contract, which is a yearly contract.

124. And that could be compared with current market prices, could it?—If you

take the Argentine meat price, I said earlier that meat was being sent to other countries at prices considerably higher than the price in our contract.

Mr. Corlett.

125. On the point which Lord Hinchinbrooke was putting to you, you do not telegraph the fact that you are coming into a market to buy, do you?—No. Of course, when we go to negotiate a contract, it is known. If we are making a spot purchase or a series of purchases, we take very good care that our operations are as secret as possible.

126. Just as secret as they would be for a private buyer?—Yes.

127. There is no reason why, because you are coming into the market, these fellows should anticipate your coming and rig the market against you?—No, we take precautions against that happening.

128. Just as a private buyer would do?—Yes.

Mr. Niall Macpherson.

129. Might not the size of the operations and the goods which are ordered indicate that a Government was coming in to buy, quite irrespective of any precautions which were taken?—It is for that reason that we sometimes break down the size of our orders and buy by separate operations. Of course, if one is negotiating a long-term contract with a country, that is well known, and no method will conceal that fact.

Mr. Corlett.

130. Would you say that it is an advantage for you to go and buy in bulk rather than for a dozen people to go from this country and compete in price?—That depends on the method of sale and on the shortage of the commodity.

131. But they have then one buyer to face?—They have indeed.

132. They have not twelve competing buyers?—No.

133. I do not see anything here about any compensation for anybody who has been displaced by your methods. I am thinking of the Wholesale Meat Supply Association?—Yes, I am very familiar with that case. The cost of that wartime Association would be within the figures which are in Subhead H. Whether that cost, or their remuneration under their Agreement, can rightly be termed "compensation" is a fairly open question, and it varies from one case to another case.

134. On what basis do they receive payment?—They receive remuneration for services rendered.

135. What sort of services do they render?—If you take an association of brokers or importers, they render services from the point of the landing of the goods

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[Continued.]

to the first-hand distribution; they invoice the goods; they attend to the landing; they attend to the storage; they invoice and collect the moneys, and they pay them over to us. In addition to that, speaking in general terms, they make available to us the whole of their expert knowledge of the particular trade in question, and advise us at all stages of our negotiations.

136. Are they doing anything which the retail association could not do without them?—They are a very long way removed from the retail operations.

137. But it is suggested to me that the retail buyers could take over their functions quite easily?—It would surprise me if it were so. Their operations are so different from the operations of retail selling and buying.

138. But are they not just agents between the Ministry of Food and the retailer?—The Ministry and the wholesaler—the first-hand distributor.

139. But they merely weigh the meat out as it comes in and deliver it in bulk?—They land it, clear it through the Customs, store it, allocate it and charge it, receive the money, and by their expert knowledge they are responsible for the careful handling of perishable commodities. In that way they may be said to save a considerable amount of money to the Ministry.

140. Many of these people are simply accepting some form of compensation but rendering no services at all?—There are a number who are no longer active in the business, and they share in the remuneration paid to the Association on the basis of their pre-war datum.

141. Is it about 1½ per cent. of that pre-war turnover?—Are you speaking of the Meat Importers' Association?

142. The Wholesale Meat Supply Association?—I think it is about 1½ per cent.

143. It is quite considerable, of course?—It is less than their pre-war figure. (Mr. Carnochan.) But that 1½ per cent. includes remuneration for all kinds of services rendered. It is not an item of compensation. There may be some item of compensation within that, but it can only be a small element.

144. I wanted to ask what it included. It would be payments they are making to their staffs, and so on?—Yes.

145. Have not some of these people also got posts in the Ministry?—(Mr. Bailey.) The arrangements with some trading associations provide that they shall put at the disposal of the Ministry such staff as the Minister requires and some of their expert staff is employed in the Ministry.

146. That is quite in addition to any payment they receive, a separate job altogether?—Yes. Many of them are quite unpaid, too.

147. I would like a note on that. How long is this to continue?—I should say that there is no alternative at present to most of these arrangements. Such of them as we can wind up, we do wind up, but until the Government's food policy is fully determined—and that is a matter for the Ministers—it would be difficult to dispense with the services of these organisations, and it would be difficult to devise alternative forms of remuneration.

148. Could we ask you to provide us with a note showing what the full amount is, what the breakdown is, and what they receive in actual compensation?—Could you specify what you want more closely than that?

Mr. Barton.

149. What is the organisation dealing with meat—M.I.N.D.A.L.?—M.I.N.D.A.L. is the importers' association. If you are confining your questions to the W.M.S.A., I can give you the material you want.

Mr. Corlett.

150. I was only thinking of the one I mentioned, the Wholesale Meat Supply Association?—I think we can provide figures for your purposes, if we might have those purposes precisely.

151. I would be very grateful for the figures and the services?—The figures of remuneration?

Mr. Corlett.] Yes, and also those who have posts in the Ministry.

Mr. Niall Macpherson.

152. Could there be included any payments made to individuals purely as compensation for loss, and without any services being rendered at all?—No. The Government, as a matter of policy, has not compensated individuals for the loss of services. All of those arrangements are linked to services rendered, although, I must say quite frankly, in the remuneration payable under the Agreement there may be an element of compensation for persons who do not perform active services.

Mr. Corlett.

153. I understood that there were people who now have nothing whatever to do with the business, who are sitting back and receiving annual amounts from you?—Not from us, but from the Association. The Association is being remunerated for the services which, as an Association, it renders to the Ministry. What it does with that remuneration is, to some extent, its own affair; but it does split up that profit, the profit that it makes from the employment it receives from the Ministry, among all its members.

154. Have we any means of finding out what proportion goes to the people who render no services?—It is very difficult indeed to put a figure on that.

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[Continued.]

Chairman.

155. Is this a fair presentation of the position, that you remunerate in general the Association for services at present rendered?—Yes.

156. And what the Association do with that sum is not your direct concern?—Broadly speaking, I would say yes to that question.

157. What would you say narrowly speaking?—That we have to take account of the factors to which attention has been drawn, and do keep it under close scrutiny and seek all methods of eliminating it.

Mr. Walter Fletcher.

158. Is it not true that the services rendered by the Wholesale Association are totally different in character from those which the Retail Association carry out?—Quite different.

159. And, therefore, the idea that the Retail Association could step in and carry out those functions does not fit in with the facts?—That would be my view.

160. And is it not also true that, where the Association have approved of another in their place, they have to be Government-controlled organisations, and the cost has been much higher than would have been the case for keeping the Association going for the services they render?—I do not think we know of any such case.

161. And is there not also the element in it that, if and when the Minister himself says that this system shall come to an end, it is very necessary to have that Association still?—I think the Minister has said that.

Mr. Corlett.

162. To follow that point up, all they do is to weigh the meat in and out in bulk, and even then they have used the retailers' services, for whose services they pay the buying group?—I will give you a statement of their functions in writing.

Mr. Barton.

163. Can I have this point made clear: Are there some of the same firms involved in the W.M.S.A.s who run this service and also in the importers' service?—There are some.

164. For instance, are they vested in both?—Yes, there are some firms who are members of both Associations.

165. And they get commissions on both sides, on the importing side and on the wholesale and distributing side?—That must be the case. They share in the net profits of both.

166. To take the M.I.N.D.A.L. organisation, included in the commission which is paid to them is the payment for cold storage, like the Union Cold Storage and Hay's Wharf?—No, that is quite a different matter.

167. Although they are actually owned by the same firm?—No, the cold storage is quite a different operation.

168. Entirely apart from M.I.N.D.A.L.?—Entirely apart from M.I.N.D.A.L.

Mr. Walter Fletcher.

169. On the question of bulk buying, is not this true? You said that you send people to do bulk buying. On the question of whether it tends to raise prices or not, previously purchases were made, not by sending people but by agents established on the spot who were buying in a great many countries, and there were a great many buyers all over the world; therefore, where the buying was distributed over a much larger area, the effect on the market was very much less than where it is concentrated, as it now is, through one buyer, who is visible and is acknowledged and advertised?—There must be an effect.

170. The expression was used "current market prices," but is it not a fact that where the Government is the sole importer there is no current market price?—In many cases there is no world price today.

171. Therefore the expression "open market" or "current market prices" has no meaning whatever?—In respect of certain commodities, that is quite true.

172. Where there are open markets, such as the cocoa market in America, in the Estimates is account taken, in calculating what the Estimates are, of the possibility of using those markets?—No. Account is taken of the present and prospective methods of procurement, which is Government purchase in the case of cocoa, and therefore it is not through the New York market. It would not be part of the policy of the Ministry to purchase through the New York market.

173. They sell through the New York market?—There is not much sold in that way.

174. It is well over the established price at which they will sell to others?—The West African Cocoa Control Board sells to the United States. Whether it sells through the New York market, I am not sure; I presume it does.

175. When they have sold through the New York open market do they then charge you for the cocoa that you have to buy here at the same rate?—No, they charge us at a rate which we negotiate with them. In other words, we buy at a negotiated figure.

176. And if that rate is not the New York rate, is it the rate at which they buy in West Africa?—No, it is not the rate at which they buy in West Africa. There is, as I think you know, a Stabilisation Fund which diverts some part of the price for certain purposes.

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177. If you show a loss on your Estimates for cocoa, then the taxpayer is subsidising the Stabilisation Pool to that extent?—He is feeding the Stabilisation Pool.

Mr. Corlett.

178. Does not the New York market price determine to a great extent the price that you pay for cocoa?—The price which we can negotiate with the West African Cocoa Marketing Board is, of course, affected by the New York market.

179. I remember when it was £250, and that was due to the New York market, and then the price for cocoa went up here because the New York market was prepared to go so high?—Yes.

180. So that it does affect the price which you pay?—Yes, but the price we pay is not necessarily the price in the New York market.

181. No, but if that goes up, your price may go up or down?—Yes.

Mr. Walter Fletcher.

182. Is not the rise or fall on the New York market very largely controlled by the price on the West African market?—I presume that the selling policy has some effect on the New York market levels.

Chairman.] I think we ought to show a little restraint; I do not think we ought to go into individual examples.

Mr. Walter Fletcher.

183. Regarding the question of warehousing, you say that there are Board of Trade agreed rates for warehousing?—Controlled rates.

184. That is for food only, is it?—No, for all commodities; the public warehouse rates are controlled.

185. I think you said that you siphon off any extra profit?—Yes.

186. Have you a sliding scale of rates?—I was speaking only of cold stores in that respect.

187. Does not that apply in public warehouses other than in the United Kingdom?—No.

188. If you know that you are going to store for six months or for one year in a warehouse a great amount of goods, the actual cost of warehousing is less than it would be if you are taking things in and out all the time?—Yes.

189. Have you any sliding scale according to the time a commodity is stored?—We own a great deal of storage ourselves, so that we are not at the mercy of circumstances.

190. Have you any system of sliding scale for quantity and type of storage?—I am not aware of any, but I said certain things about the cold stores in that respect.

Warehousing is another matter. We operate very considerable warehouse space, and I think, generally speaking, that is sufficient for our purposes.

Mr. Barton.

191. Is there any Ministry of Food staff at the warehouses? You do not own any warehouses except cold stores. Is there any Ministry of Food staff at the warehouses?—The staff is the staff of the agents who operate the warehouses on an agency basis. The answer to your question is that there is no Ministry staff at the warehouses. There are, of course, regular and irregular visits made to the warehouses for the purposes of inspection and control.

192. You are entirely dependent on the warehousemen for your stock records and intake and output, are you not?—They provide us with our stock records.

Mr. Niall Macpherson.

193. Just following up on the question of transport and warehousing: In the trading accounts, with which I am not familiar, are they divided up between the different commodities?—They are.

194. And in the reconciliation which we hope to receive from you will that be shown divided up as between commodities, or will it be subtracted from the commodities so as to be reconciled in Subhead H?—I had not anticipated that the reconciliation would be in such detail as to be divided up between different commodities.

195. Then it would have to be subtracted from them?—Mr. Carnochan reminds me that it would be a colossal set of figures if it were set out on a commodity basis.

196. Then how do you anticipate that the reconciliation will be made, broadly?—(Mr. Carnochan.) Of course, the first stage of the reconciliation is to reconcile between your cash Estimate figure—and it is the cash Estimate as required by Parliament which we are discussing now—and the subsidies figure, which is the trading account figure, which takes into account all sorts of things which do not appear on the cash Estimate. That stage I do not think could possibly be spread over the commodities. The next stage would be to show the changes in the assumptions on which the Estimates have been based, the cost of the changes in the assumptions; that is to say, the Estimates were based on a certain ration of bacon, and the ration of bacon we are going to get throughout the year is going to be different, so that that affects both your cash requirement and your subsidy total.

197. So that it will have a remarks column in it showing how the differences arise?—Yes.

198. Is it true to say that there is a subsidy on unsubsidised foods?—It is true

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[Continued.]

to say that some of the things are running into a loss, because we have worked on the assumption that, because costs increase, prices would increase equally, but that is only a very minor point.

199. I would like to get at that. I do not know whether this is the appropriate time to deal with this, but how far have, then, the food subsidies, properly speaking, been maintained, and how far is this subsidy total due to the loss on unsubsidised foods?—I would say that the loss on unsubsidised food accounts was a very small proportion of it.

200. You see, you refer to "serious consequences" in this note of yours?—(Mr. Bailey.) I think that may be explained by saying that if we are forced into a trading loss on a food that we had not intended to subsidise, it is a serious matter for us. We do not know how far it will go or where it will stop.

201. Will this appear in the reconciliation figures: how far unsubsidised foods come into this estimated subsidy total of £470 million?—(Mr. Carnochan.) That may be given, yes. To take the case of dried eggs, the net loss on dried eggs will be about £1.2 million. We estimated that we would break even on it. I think condensed milk was also mentioned, and there it would be £0.2 million.

202. It was in April of last year that the food subsidies were estimated at £400 million, which was after the price stop had been put on. What view did you take of the markets then?—(Mr. Bailey.) The view that we had taken of the markets for the purposes of the Estimate, was a view in December or even in November, when the calculations were being made. The figure of £400 million was based upon the calculations then made, although some of the assumptions had changed, but there was a whole financial year before us. So that it might reasonably have been assumed that if an excess over that figure showed up in the event, that excess could be corrected by one means or another, or might even be corrected by a fall in world price levels.

203. You took that possibility into account?—The Chancellor took it into account. (Mr. Carnochan.) The Chancellor, in making his Budget statement, has to relate these figures to those figures which are in the cash Estimates, and therefore he has to relate the subsidy figures to the figures in the cash Estimates, and not necessarily the latest up-to-date calculation.

204. So that the departmental explanation of the statement that you have decided to continue these subsidies at this level must take into account the fact that prices would not in all probability rise to any great extent, and basing the consumption at the present level of rations, that is what we intend to hold the subsidies at?—(Mr. Bailey.) That might be a fair interpretation

of it, but, of course, it was not the Minister of Food's statement; it was the Treasury statement, the statement of the Chancellor.

205. Would it be fair to say that he was advised in that matter by the Ministry of Food or not?—He based himself on the Ministry of Food Estimates.

206. Could you amplify the statement you made, which I did not quite understand? One of the limitations that you referred to regarding our capacity to buy in various markets was: "Our freedom of manoeuvre in those markets is somewhat circumscribed by our financial position."—It is obvious that you cannot buy, for instance, American maize today, although it stands at a very low figure.

207. That was covered by something you said earlier. You also said that we had to decide into which markets we had to go, but in those markets freedom of manoeuvre was circumscribed by our financial position?—In the course of bilateral negotiations your freedom of manoeuvre is circumscribed by the amount of currency at your back, the amount you can afford to spend in that country on the range of goods that you want. You might have to know, because of a limit of that kind, the quantity you are prepared to buy, and the quantity which you can buy within that limit is, of course, affected by the price. There are several hedges which surround you as you negotiate, and that is an inevitable consequence of the country's economic position today.

Mr. Walter Fletcher.

208. What imposes the limit on the amount you have to spend? Is it that you are given a total amount for the purchase of a certain commodity, or is it that the country cannot accept more than a certain amount of sterling?—It is both; both operate on the subject matter.

209. It is what imposes the limit that in turn limits your purchases?—Yes, both play on the subject of negotiation.

Mr. Niall MacPherson.

210. Could I ask one more question? In this reconciliation, up to what date do you anticipate that you will be able to make a reconciliation between the trading services and the actual subsidies, because naturally this is the last meeting we shall have for some time, and I am sure that the Sub-Committee would like to have the most up to date position when we resume our sittings?—It would be related to our last estimate of subsidies.

211. Which is monthly?—It is monthly, so that according to what is in our hands it will be to that date at the time we get out the reconciliation.

212. Would it be reasonable to ask that it should be as at the 31st December, and

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[Continued.]

how long afterwards are those figures available?—They are available, generally speaking within fourteen days of the close of the month. (Mr. Carnochan.) Perhaps the 17th of the month.

Mr. Yates.

213. I should like to follow up the point which has been raised by Mr. Macpherson, about the total amount of the increase in the subsidy. According to this paper, the Estimate was £400 million, and it is calculated to be £470 million. Do I understand that that £70 million is due to the increased prices of all foods, those which were previously subsidised and those which were previously unsubsidised? That is the £70 million?—(Mr. Bailey.) That £70 million takes all factors into account.

214. And the amount of that £70 million which is for the unsubsidised foods which have been brought in is a very small amount?—Relatively small.

215. Can we know what the total is?—That would appear in the reconciliation.

216. That is all right, then. Now, following on what Viscount Hinchingsbrooke said about whether or not there were factors which influenced the price through bulk buying, you were very clear in saying that there were no factors which really tended to put up the price because it was done by means of bulk buying any more than they would through private buying. Does the knowledge about subsidies ever enter into the question of calculation in prices? In this paper we are told that instead of a new policy being carried out of concentrating food subsidies on a smaller number of essential foodstuffs, we have brought in a number of additional foods now. That means to say that you have only got to make a loss and it is made up by the subsidy. Does that enter into the question of negotiation?—The answer is in the negative. So many countries indulge in subsidies for commodities to a larger or a smaller degree that it does not form a factor in the negotiations. At any rate, our answer would be, if it were raised by the seller, that it is a matter of internal governmental policy and has no relevance to the subject whatsoever.

217. But I was wondering whether it might be an influence to make people press up the prices?—If it were an influence at all, it would be an influence pressing the prices down. On the other hand, a profit taken on a commodity might lead to demands for higher prices.

218. On the question of warehouses, I was wondering whether there is any evidence of any loss of food due to bad storage?—(Mr. Carnochan.) I think I can answer that. In our Estimates we have allowed £5,000 for net losses, shortages, and overages. That is our experience, that the losses on shortages and overages are very

small. We do keep a very very close check on all foodstuffs in public warehouses, and we have statistics of shortages and overages, and all our stocks are tallied and the shortages and overages are agreed very regularly.

Mr. Corlett.

219. You take all the warehouses?—The net loss on shortages and overages in our Estimates is £5,000.

Mr. Walter Fletcher.] But Mr. Yates's point was the deterioration of the stuff itself in the warehouses?

Mr. Yates.] Yes.

Mr. Walter Fletcher.

220. That is surely another point?—Shortages and overages account for a loss in quantity. Deterioration in quality is a thing we could not measure in the Estimates.

221. You cannot measure them in the Estimates, but on a previous occasion have there been considerable losses?—(Mr. Bailey.) We have made claims for every loss which has occurred.

222. But the storage belongs to you, and so you can only claim against yourselves?—No, cold stores, for instance, are privately owned.

Mr. Yates.

223. I would like to know whether this expenditure on warehouses is adequate or whether it is excessive. I am just trying to find out whether the storage accommodation is indeed satisfactory in the country. It seemed to me to be a very important question, and storage of food is surely one of the most important, and therefore it is vital, I think, that an item of expenditure of this kind should be carefully considered?—Yes.

224. I was anxious to find out whether there was any serious difficulty at all about the storage of food, or whether the storage was adequate?—Is your question this: Have there been substantial losses of foodstuffs through deterioration due to bad warehousing conditions?

225. Yes.—I can answer that with a short paper in which I will have the figures analysed for you. That will be the best way to deal with it. (Mr. Carnochan.) I might say that each loss of that kind which does occur is the subject of a special report to the Treasury.

Chairman.] We are very much obliged to you for the assistance you have afforded us this afternoon. I think you have convinced the Sub-Committee that we have a very broad field to explore, and that we will have to avoid starting the hares that are generally occupants of these very broad fields. I think I can conclude by saying that we are very grateful to you for giving us a background to our inquiry which will prove very useful over the coming weeks. Thank you very much, Gentlemen.

The Witnesses withdrew.

Adjourned to Thursday, 20th January, 1949.

THURSDAY, 20TH JANUARY, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.
Viscount Hinchingsbrooke.

Mr. Kirby.
Mr. Niall Macpherson.
Mr. Yates.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. J. G. CARNOCHAN, an Assistant Secretary, Ministry of Food, recalled and further examined.

Chairman.

226. In the first place, Mr. Carnochan, I notice a change in your status. I think we should congratulate you, as I gather it is a promotion. You are now an Assistant Secretary?—(Mr. Carnochan.) Thank you very much.

227. Mr. Bailey, I am told you would like to make a statement, explaining some of the replies you made last time, because we might otherwise have a mistaken impression?—(Mr. Bailey.) Yes. I find on considering the proof of my evidence at the last session of the Sub-Committee that I was led into making certain inaccurate statements on the subject of warehousing which I am glad to have this opportunity of correcting. I should have said, for instance, in reply to question 119, that we pay the same rates as private people pay, except for storage in controlled cold stores, where the Ministry's rates may be, and in many instances are, lower than private rates. For dry storage, referred to in questions 120 and 121, we pay the same rates as others pay and there is no question of our beating down the storekeeper, though we have means of protecting ourselves if we do not get a fair deal. Cold store rates, however, are directly controlled by us, and, while there is always negotiation with the cold storage industry before a change in rates is made, the Ministry has the last word on the rates to be applied. Turning to the series of questions starting at 183 and finishing at 190, warehousing rates are not controlled by Government order as are cold storage rates. We work on warehousing rates which have either been negotiated by the Board of Trade or by the Ministry of Food, and the existing schedules of rates with the different warehousing associations throughout the country are known as the Board of Trade Wartime Schedules of rates. There is no sliding scale of rates either in warehousing or cold storage practice based on tonnage or length of storage, but rates do, of course, vary with the type of commodity. On a matter of detail, I do not think that, in answer to questions 83, 86 and 89, I was justified in drawing any distinction in point of ownership between Government cold stores and Government warehouses. We own, if that is the correct word, 47 cold stores and 107 standard warehouse buildings erected during the war, and

we also occupy 545 Romney or other huts erected by the Ministry of Works during and since the war. I might add in extenuation of the inaccuracies to which I have referred that the so-called "Warehousing" item in Subhead H comprehends only a part of our expenditure on warehousing and that the rest of it is spread over the commodity items of the Subhead. To this extent the "Warehousing" item is perhaps misleading and for that reason we are considering whether or not it should be retained in its present form.

228. I am much obliged to you, Mr. Bailey. We will not pursue the matter further at this session because we are hoping to go into the more detailed question of warehousing next time we meet. But we very much appreciate the additional information you have given which will assist the Sub-Committee when they come to deal with warehousing generally. There are two small questions I would like to raise about the evidence we took last time. You remember you told us that as far as railway rates were concerned tests were being carried out to test those rates. I wondered whether you could tell the Sub-Committee whether the conclusions from those tests will be available whilst this present inquiry of this Sub-Committee is being pursued?—I think it depends on how long the inquiry continues.

229. So that if we do keep in touch with you and if the conclusions should be available whilst we are still inquiring into this present subject, you will let us have a note on them?—We would do so.

230. Thank you very much. The other question is this—and again I apologise for not pursuing it at the time. You referred later to winding up some of the arrangements; in other words, restoring the pre-war practice regarding the purchase of some commodities. I wonder whether you could give us some examples?—They would be less important examples rather than important examples. Are you thinking of those war-time associations?

231. Yes.—I think one case that I could quote is the association in connection with canned fruit, Praba, Ltd.

232. What association was that?—An association of traders who performed certain functions for us on a corporate

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[Continued.]

basis. Those functions are now being otherwise performed.

233. Were they dealing with any particular commodity?—Canned fruit. That is one that comes to my mind. It is, of course, a development that we favour rather than disfavour, wherever the opportunity offers itself.

Mr. Corlett.

234. That would be a wholesale body?—I think it is a wholesale body; it is the only one I can recollect at the moment. But in general I have the impression that we have been taking such opportunities as offer themselves—and they are few—to wind up these organisations.

Chairman.

235. Perhaps if, on reflection, more come to mind, again you will let us have a note about it?—Yes.

236. So that we can see which commodities are now being dealt with according to the pre-war practice—in other words, how far you have been able to get along the road that you apparently wish to travel in the case of some commodities you are dealing with.—Yes. Of course, we do, when we free from control such an item as lemons, return it to the private channels of trade, but that is rather a different question. There may not have been intervening there a war-time body; we might have been direct purchasers. When we free such a commodity, of course, it returns to private trade. That is another case which I could mention, though not strictly in the context of war-time bodies.

237. It would be helpful to us if you gave us both.—I think it would enable you to measure what you have in mind better if I were to cover both aspects of the question.

238. Now, if we may turn to the memoranda you have given us, I think I should say we are very much obliged to you because you have got these out in shorter time than you led us to believe when we met before.* I gather—and I think this applies to both memoranda—that where figures appear in brackets that indicates that a profit is made.—A credit.

239. Or a credit?—Yes. It is a positive figure.

240. I assumed that from the calculations I have made of the columns.—It might be more accurately termed a cash surplus. It is not necessarily a consequence of a cash surplus that there should be a profit.

241. With regard to the note you have given to the heading of the second memorandum, do I gather that when the 1948-9 Estimates were made the assumption then was that selling prices were to be increased by ten per cent.?—It was in terms of the memorandum thought possible that

* See Appendix I to the Report.

the selling prices might be increased by about ten per cent., not a flat ten per cent. applied to different commodities, but ten per cent. of the total of the Estimate, £45 million as against £431 million.

242. Do you know when that no longer became an assumption?—That assumption became unjustified, for the time being at any rate, sometime after the White Paper on Personal Incomes, Costs and Prices was issued. That Paper, of course, was published on the 4th February, 1948, and when it was seen that the White Paper policy was proving successful the Government decided that it would not be advisable to increase food prices during the fiscal year concerned. At first that decision was on a temporary basis, but it was extended from time to time until, at present, it is of no practical application in relation to the fiscal year in question.

243. Equally was it assumed when the Estimate was being prepared that there would be no increase of rations during the 1948-9 period?—I think it would not be quite fair to say that. One cannot foresee what ration changes may take place, and one must make the best judgment one can of future ration levels. That is what was done when the Estimate was prepared. But circumstances change and with them rations.

244. We have got the windfalls of increased rations?—Yes.

Mr. Niall Macpherson.

245. May I interrupt to ask whether there was any element in the Estimate of a possibility of a reduction of prices to the Ministry as opposed to an increase of prices charged by the Ministry?—There would certainly be such an element as part of the Department's forecast of future buying prices. The officers responsible for that forecast would take a view of the probable future course of prices: some would be up and some would be down.

246. I was interested to know whether this ten per cent. by which the Estimates were to be reduced was entirely due to the prospects of increasing prices or whether it was partially due to the possibility of prices to the Ministry being decreased, or whether the second element of a decrease in prices to the Ministry was an entirely separate element differently estimated?—It was entirely separate.

Mr. Corlett.

247. Was this a peculiar figure for that year or was it a usual figure since the war, this increase of ten per cent.?—No, it is not a usual figure; it was a figure specially applied to this Estimate.

248. On the evidence which you had?—Yes, on the evidence in our possession.

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[Continued.]

Chairman.

249. Regarding the subsidy generally, would you agree that a subsidy borne on the Votes of other Departments should be included in the estimated food subsidy; otherwise, to complete the point, there would be hidden subsidies?—I would agree. Of course, it formed part of the cost of home-produced food. I think that this particular question was examined by the Public Accounts Committee and certain suggestions were made, but in the end the Public Accounts Committee agreed that the present basis of calculation should continue.

250. Thank you. May I now just ask for a little more elucidation of one or two points on the second page of the same memorandum? I notice that sugar shows a credit of £1 million owing to the increase in distribution to domestic users and manufacturers from 5th December, 1948?—The explanation is, though the domestic ration has increased, the increase in the proceeds of a surcharge levied on manufacturing sugar made in order to ensure that it is not sold at a loss, is more than sufficient to counterbalance the increased total subsidy incurred on sugar sold for domestic purposes.

251. There are one or two items in the schedule you give on which again I think we should ask for some further information. Perhaps, in the first instance, you could tell us what the unallocated payment to Holland is?—Yes. Certain trade negotiations, trade talks, took place in February of 1948 with Holland. The prices finally agreed with the Dutch for eggs, bacon and dairy products were such that the Dutch were incurring a subsidy in order that they might pay their producers their guaranteed prices. It was agreed that the United Kingdom should make a contribution of £250,000 towards the Dutch subsidy. In the schedule to which you have referred that has been rounded up to £0.3 million. The purpose of that was to avoid paying increased prices to the Dutch, having regard to existing agreements with other suppliers. This, therefore, is in the nature of a lump sum payment, and it is impracticable to allocate it to the commodities which we bought from Holland at that time.

Mr. Niall Macpherson.

252. Could we follow up that item? What is the attitude in general of the Department to such payments and such increases? After all, one can understand guaranteed payments for products for internal consumption being made by a foreign Government, but it does seem that one is wide open to all kinds of difficulties if one contracts for products with other countries which in those countries are the subject of guaranteed prices and whose guaranteed prices may be varied at a future date?—I

should point out in answer to that that the £250,000 in question by no means bridges the gap between the negotiated price and the guaranteed price in Holland. It only went a small part of the way; and I would add that the advantage of such payments—and they are the exception rather than the rule, and I can think of only four cases where such payments have been made—lies in preventing a general upsurge of prices as between one source of supply and another.

253. Yes; but if a foreign Power finds that in practice payments of this sort are made, surely it is less likely to adjust its internal policy so as to be able to honour its contracts with us in the future. Perhaps I could follow that up by saying this: Or was the reason that the Department felt that it would not get the supplies contracted for at all, or would not get them in full, unless it made a payment of this description; or was it again purely a goodwill payment?—It was the former, that the supplies would not have been forthcoming without this payment. The alternative was to write the negotiated prices up, and that has obvious disadvantages in relation to other sources of supply of the same commodities.

Mr. Corlett.

254. Would not other sources of supply know that we were avoiding the writing up of prices in this way?—Certainly not at the time.

255. They would know now?—They have no means of knowing now.

256. Yes.—It would come to their knowledge when our Trading Accounts were published, which is a long time after the event.

257. But the point Mr. Macpherson is putting is that if we are going to pay them these sums of money in order to get a contract, there is no incentive to them ever to reduce their price to reasonable proportion?—That I think lies rather in the realm of the next negotiations with them. This was an exceptional payment to meet an exceptional situation. It may be that next year the guaranteed price will be lower; it may be that other factors will alter the shape of the negotiations. One cannot foretell. But I myself would be inclined to agree that, despite the advantages to which I have referred, this payment should not become common form.

258. When you say peculiarly exceptional, what is it that is peculiarly exceptional about this particular payment to this particular country?—Of course I was not present at those negotiations, but I should say that after a process of hard bargaining the negotiators found that there was this unbridgable gap between the terms that we were prepared to offer and

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[Continued.]

the terms the Dutch were prepared to accept and this means was adopted of bridging that gap in the interest of getting supplies at a price which we were prepared to pay.

259. So that we were really saying unofficially in the contract, "We will pay you a certain price, but actually we pay you more"?—I think that must be the interpretation of the facts.

Mr. Kirby.

260. Suppose during the running of the present trade agreement there was some dissatisfaction with the producers in Holland and the Government decided to increase their guaranteed price, would not they be able to point to this payment as a precedent and ask us to pay still more?—It forms a somewhat embarrassing precedent, perhaps, but, as I say, it is difficult to forecast the shape of the next negotiations. I do not think that any such payment is ever made willingly.

Mr. Niall Macpherson.

261. Was there, in fact, any alternative source of supply, at that moment, of the particular products in question?—The commodities which were being bought were all essential supplies, all required for the purpose of maintaining rations in this country.

262. In other words, it was definitely in order to maintain supplies and not to maintain political good will?— Definitely.

Chairman.

263. When this payment is made known will it embarrass us?—No more than the Argentine "side" payments.

264. The other question I was going to ask you, Mr. Bailey, was this. These items in the schedule are grouped together as variations due to changes in quantities and costs. Can you indicate where the changes have been due to quantities and where they have been due to increased costs?—That would mean going through the whole list, but I might give examples.

265. Yes?—The two factors can operate, of course, upon the same commodity. Where both are operating, then it is a question of balance whether the result is positive or negative. If you take the first item on the list again, which is a net figure of £4 million by way of cash surplus, that results from the working of the following factors: increased costs of home-produced cake, £2.75 million; reduced supplies of oil cakes, mainly from the Argentine, £6.75 million; net, £4 million. That example, I think, shows both factors working and working separately. Where both factors work together, then I think we usually describe it as variation in costs and supplies. Would you like me to give further examples?

266. Yes, if you would, please?—Take the next item, bacon and ham. The figure of £1.3 million is described in this way: Increased supplies from Canada, coupled with increased home production and offset to a certain extent by reduction in the over-all cost of home-produced bacon. You will see from that example the complexity of the factors operating on each item.

267. Those considerations would apply to all these instances, would they not?—Yes. Not all together, perhaps, in the case of each item, but in varying degrees those factors would apply to all items. I might perhaps add that that reference in the schedule to which you have referred relates to the quantities and prices provided in the Estimate.

Viscount Hinchinbrooke.

268. Mr. Bailey, on your reconciliation of original subsidy estimate as at 31st December, we note the original subsidy estimate as being £431 million and the final estimate as being £484 million. In reply to a question by me last time, No. 103 you said: "I seriously think, however"—That should be: "I scarcely think, however."

269. Thank you. "I scarcely think, however, that any change in factors between now and the end of the financial year could bring the total materially down from £470 million." It is quite clear, is it not, that it is not down at all; it is up?—It has gone up. The figure of £470 million was the end October Estimate; the figure to which you are now referring, £484 million is the end December Estimate. There has, therefore, been a rise of £14 million between those two dates.

270. What I am getting at is that I understood you to say last time (and I cannot trace it in any of your answers here for the moment) that you, if I can use the word, endorse the opinion of the Chancellor of the Exchequer that there might be anticipated savings in the course of the final months of the financial year which would bring the final figure out at about £470 million, which we were told it was running at in July. Is that right?—I do not recognise those words of the Chancellor.

271. He gave it in a Parliamentary Answer to me actually in July. I say here in Question 103: "The Chancellor told us then that he could not give a figure for the year and that there might be some savings to be anticipated as the year went on, but though it was running at £460 million" (that is a misprint: it should be £470 million) "then, we could not estimate that that was the out-turn figure for the year." What I am trying to point out and get your reply to is that the subsidies are

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[Continued.]

increasing and it is becoming apparent that by the end of the financial year there will not be sufficient time to achieve the savings anticipated by the Chancellor and that the figure of £470 million for the whole financial year is going to prove to have been wrong by at least ten to twenty millions?—There may, of course, be changes between the 31st December and the 31st March; they may be sufficient to reduce the figure to £470 million; indeed, the figures, which are all estimated figures, may to some extent be over-estimated and there may be a run-off in the last months of the financial year. Ultimately we will bring out final figures in our trading accounts, and even at this stage I should not like to say that the figure of £484 million may not be nearer £470 million at the end of the year. It may, on the other hand, rise. But whatever it does, it will not be the same as the final ascertained figure which appears in our trading accounts.

272. But you now know, do you not, what bulk imports of food are projected for the next three months and at what price and at what price they will be sold to the public?—In the main, yes, but the shipment programme may make all the difference: a falling off of shipments from Australia or from Canada of cereals may make a very large difference to the final out-turn of the accounts. A change in rations would make a very large difference, or might make a large difference, to the final subsidy total: for instance, the change in the bacon ration in the last few days, although its effect depends upon what was the assumed ration level in the Estimate.

Mr. Corlett.

273. I do not know whether I am wrong upon this, but when the Chancellor was talking about it running then at £470 million, there was nothing as far as I remember to say that it would not go any higher. But we are not now just concerned with subsidies for certain items, are we? Are not we concerned with the fact that we are trying to peg prices and because terms largely are moving against us, therefore we are having to provide further subsidies for items quite outside the usual subsidised items?—In a small measure I would agree. On a broader point it might be said that on the items which we subsidise we are incurring heavier subsidies as a result of changes in buying prices or in levels of distribution.

273A. What I am not clear about in my own mind is this. I think now we are not only concerned with the question of subsidising, say, five or six commodities, but we are also concerned with the bigger problem of pegging prices?—We are, I agree.

274. Which must mean that if the terms of trade go against us and we are going to keep retail prices down here, the subsidy will increase more and more?—It must.

275. So that £470 millions running in July might easily become £500 millions by March?—If the terms of trade move against us; but might I be permitted to add that the Chancellor's answer to which Lord Hinchingsbrooke has referred, as far as I recall—yes, I have it before me—was given in July of last year.

Viscount Hinchingsbrooke.

276. Yes?—And we are now, of course, in January.

Chairman.

277. Would this be a fair question: In your memorandum of the 7th December you said: "If prices of all foods continue to be frozen, the subsidy total is likely to reach £470 millions"? Is that still your opinion?—That was my opinion when those words were written, based upon the end of October estimate. If I were writing those words now, I should write £480 millions. Perhaps I might also be permitted to add that £5½ millions of this increase is due to subsidies borne on other Votes. I think I am right in that; £5.4 millions is the exact figure. The Board of Trade Fertiliser and Molasses feed subsidy has gone up £4.1 millions on their latest estimate, and the acreage payments borne on the Votes of the Agricultural Departments have gone up on their latest estimate £1.3 million, so that accounts for over one-third of the increase.

Viscount Hinchingsbrooke.

278. I want to get at the extent of Treasury pressure on your Department to secure that trading losses or subsidies are as low as possible. If we look down that paper, that is to say, the same paper to which I referred, we see increases for all the items except sugar. Now, you have told us that overseas purchasers are negotiating and that the final price is clinched when the two sides come together, and that that more or less fixes the price at which goods are purchased from abroad. Then there comes the question of sale to the public. How are those prices fixed with the suppliers in this country, and do you as a Department make your agreement with the distributors in this country without having at the back of your mind that it is essential to keep those losses and subsidies to a minimum, and does the Treasury not in fact bring considerable pressure to bear upon your traders to secure that those subsidies and losses are at a minimum?—I think you were referring in your last remarks primarily to costs of distribution

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which do add to the total of subsidies. They add to that total in this sense, that when a price to the public is fixed, our selling price is reduced by the cost of distribution. Reverting now to the main question that you asked, I would say without hesitation that the course of subsidies is never out of our mind as a Department and that we exercise the most detailed control over margins and distributive costs in the interests of keeping those subsidies down; indeed I think we have no need for Treasury pressure in that context at all, although in the ordinary course Treasury control is exercised.

279. Yes; but distributive costs are only one factor, and a relatively minor factor, in the problem. The basic problem is the price of each of these foodstuffs?—The cost of procurement.

280. Yes, the price at which the foodstuffs are sold to the public, and those prices are fixed by the Ministry of Food, are they not?—Yes.

281. When you go into a shop, bacon, cheese and margarine are so much, and those prices are fixed by the Ministry of Food. Now, they are deliberately fixed, presumably, to be at a price which you think the public is willing to pay without crying out, but what I want to get at is whether there is sufficient Treasury pressure behind the Ministry of Food to secure that those prices are such that there is some prospect of reducing these subsidies over a period. My feeling is that that is not the case at all, that the prices are deliberately fixed low for the sake of getting goods readily, and that the actual subsidies are a matter of seeing at the end of the year how the thing turns out in a financial document?—No, I would not agree with that. The dominating factor is the cost of living stabilisation policy, which is a policy of Government. It is that which prescribes the level of prices to the public, and that policy, of course, hinges upon the Cost of Living Index. The level of our selling prices, or, shall I say, prices to the public, is under constant discussion between ourselves as a Department and the Treasury. What I have said relates solely to the field of subsidised foods. You will find, if you refer to the printed Estimates at page 49 that the nature of our cash requirement is described in the following words: "The above figures" (that is under Subhead H) "represent mainly the difference between the selling price of commodities and their cost to the Ministry, including expenditure on distribution and other incidental expenses, the deficiency being incurred in order to implement the Cost of Living Stabilisation Policy." If I may go on, there is a field where, in order to lighten that burden of subsidies, we designedly take profits, and take them, as you were suggesting, to the extent to which we think they can reason-

ably be taken. That policy was expressed in a Foreword to our Trading Accounts published last year for the first time in the following words: "Trading profits are shown in respect of a number of commodities. In some cases these profits are fortuitous, being due to prudent budgeting where coinage limitations preclude close adherence to a no profit no loss principle; in others the profit arises from a policy of profit-taking on non-essential or less essential foods as a contribution towards the cost of subsidising basic foods."

282. That would not apply to sugar?—No. Our sales of sugar are again divided into two classes, those to manufacturers and those to domestic consumers. The domestic consumer price is subsidised; the manufacturing price is not subsidised. We sell to manufacturers on a price level which will cover our costs. Similar differences between price levels can be found right throughout our operations. Flour is a subsidised commodity to the consumer, but wherever it is practicable we recover subsidy from the manufacturer by way of a charge; for example, biscuit manufacturers are charged with the subsidy on the flour that they use in making their product, and that amount is recovered from them.

Chairman.

283. In every case where there is an increase of ration is there an adjustment in the margin?—An adjustment in the distributors' margin?

284. Yes?—No. We proceed upon the basis of a unit margin. The unit margin is an amount of money for a unit of the commodity. We do not proceed upon percentage margins, so that if there is an increase in price because of taking off subsidies the distributor does not gain from that increase in price, his unit margin does not rise proportionately with the increase in price.

285. What if there is an increase not of price but of amount?—If there is a decrease in the amount, then normally that reduction in turnover falls upon the distributor; likewise the benefit of an increase in turnover accrues to him; but controls are exercised over both those tendencies. If the fall in turnover is such as to cause excessive hardship to a body of distributors, we will within reason temper the wind to the shorn lamb. Likewise, if the turnover rises, then we will take steps to reduce the benefit to the distributors by an adjustment of margins.

Mr. Corlett.

286. How is that margin of profit fixed—on the least efficient distributor?—We do our best to avoid doing that.

287. What method do you employ, because he is kept going; he is still going?—We employ a system of costings, a process

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of negotiations, and careful scrutiny by accountants throughout the Department. If in the end we have news of a few bankruptcies in some retail trade, that gives us satisfaction.

288. The point I am making, of course, is that there must be some relative efficiencies and inefficiencies amongst these distributors?—Yes.

289. Some must be making a very much bigger profit than others, and I want to know how we fix the margins?—By way of average; it is certainly not upon the most inefficient distributor.

290. Not what we call a representative firm?—It is based upon a costings system which by way of simple or weighted averages, whichever is more appropriate, brings out the average cost of distribution. Where that cost is capable of costing that is done, but in some cases; take the grocer, for instance, it is impossible to estimate the cost of distributing a particular product, and there we rely upon the pre-war unit margin for that commodity adjusted to take account of fluctuating costs since the beginning of the war. We have an overall control in a running system of examination of representative traders' accounts; they number some hundreds; but from year to year those trading accounts have been investigated and adjusted, and the overall return to the trade has been set against the pre-war global return to those particular traders. In other words, we have a very effective yardstick by which we can measure the profitability of particular trades, even where we cannot isolate the cost of distributing a particular commodity. It all runs on the unit margin principle related to pre-war margins.

Mr. Yates.

291. May I ask a question about milk, with particular reference to this figure which you have in your memorandum? Does this include any milk for manufacturing purposes?—No, not that figure.

292. This figure of 2.5?—No, that is all for consumption as liquid milk.

293. Would not there be an increased supply of milk during the year for manufacturing purposes?—Manufacturing supplies, of course, vary from month to month. I dare say that with any rise—in fact I know this—in production of milk, varying with the month of the year, the manufacturer will get more to manufacture.

294. Yes; but I am assuming that that would be in the summer months of the year. What would happen to the subsidy on that; would it be recovered?—(Mr. Carnochan.) In the case of milk, this is an increase in distribution mainly during the time when we released milk from allocation; it is all liquid milk. Where milk goes to a manufacturer for manufacture

into butter, cheese, condensed milk or dried milk, then that is governed by processing capacity. In the flush season we manufacture all the milk we can, always giving first priority to the liquid milk consumer; but in the winter we need all our liquid milk for, generally speaking, the domestic consumer of liquid milk, and therefore we have to make the fullest use we can of our processing capacity in the flush season when milk is freely available. Any increase in consumption there would be shown, not as an increase in the milk subsidy, but as an increase in the cheese, butter, condensed milk or dried milk subsidy.

Mr. Yates.] I see.

Mr. Barton.

295. In those circumstances, how do you carry your overheads for processing plant for the close season when there is obviously no raw milk going to processing? Is that a pure subsidy to the processors?—No. The processing factories, as I know it, are not usually simply processing factories as such; they are usually No. 1 depots; they are depots for handling both liquid and manufactured milk, and the processors are paid their costs. We acquire all milk products from the processors at their costs plus an agreed rate of profit. Their costs must, of course, take into account any idle time, as, of course, any processor does.

296. During the flush season the bulk of the liquid milk that goes direct to the consumer goes through the local pasteurisation plant?—Yes.

297. You do not reckon that in the cost?—No, that is part of the distribution cost of the milk.

298. Then the surplus of milk which is not liquid, that is to say, that which is not consumed as raw milk or treated milk, if you like, goes to the processing factories?—Yes, that is right.

299. Which are entirely independent of the local pasteurisation plant, surely?—I do not think so. I think you will find that most milk processors are also bulk depots; you have depots throughout the country for bulking milk as it comes in from the farms. That is the first stage of collection. All those depots do not necessarily pasteurise; frequently they merely brine-cool the milk. Then it passes on to the wholesalers. They will pasteurise some of the milk and pass on some of it that is not treated, and finally it goes down to the retailers. The first collecting centre is a No. 1 depot or a country depot, which also usually has a processing plant attached.

300. Included in this scheme, then, is the raw milk that goes to a firm like Glaxo, for instance, for processing into Grade A baby food. Is that included in the milk

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processing in that subsidy?—No, baby foods are neither price controlled nor subsidised.

Mr. Niall Macpherson.

301. Are tinned milk and powdered milk subsidised?—Only very slightly.

302. It does remain true that there must be a sort of concealed subsidy involved owing to the fact that these milk manufacturing plants are not engaged in milk manufacture to any large extent during the winter; for instance, some of them, in spite of the fact that they continue with pasteurisation during the winter or bulking, have to lay off about half their employees, and their manufacturing plant is standing entirely idle. In so far as that is true, of course, there must be overheads which must represent a kind of concealed subsidy during that period?—Well, I think it is broadly true to say that plans are made to spread the use and capacity of milk processing plant. Obviously, if winter milk production could be equalised, as it has been in some parts of Scotland, with summer milk production, that would be made easier. All possible efforts were made to avoid idle time; but I do not think idle time, even so, would be any new feature. I think it must have always been an element in the cost of production of butter and cheese.

303. Except that so much of that, surely, was done on a small scale before the war?—Yes.

304. Would it be possible at a later stage, perhaps, to give us some figures to show to what extent the manufacture of milk previous to the war was an all the year round process, and to what extent now that has been cut down to a periodic process?—Possibly in the case of big processors but not in the case of small people.

Mr. Niall Macpherson.] No.

Mr. Yates.

305. I just want to put another question about tea. I notice that there is a figure included in respect of a bonus issue of tea, and then in Schedule I there is a figure of £1.9 million. May I ask what this £1.9 million is? What does that refer to?—(Mr. Bailey.) The answer is that the list that you have on the Reconciliation Statement is a list of changes in rations, that is to say, of changes in the administrative assumptions made for the purpose of the Estimate. The list of changes that you have in the Schedule is a list of changes other than administrative changes, changes in quantities and costs. There is a distinction between the two, perhaps not an entirely logical distinction, but it has been found convenient to separate the things that we control from the things that we do not.

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Chairman.

306. But when you made the Estimate you thought we would have an austere Christmas with no Christmas tea bonus?—No allowance was made for that.

Mr. Yates.

307. Yes, I can understand that, but it seemed a large figure to me, £1.9 million?—That is the change. I can give you something about that, I think. It is a figure for increased costs of supplies from India. The tea we purchase from India is purchased on the basis of a basic price, to which must be added, under agreement with the gardens, changes in costs of labour and other costs, and in the course of the year those costs have had to be added to the basic price under the agreement. That is an element of cost. Supplies also have gone up, and so you have the dual factor.

Mr. Corlett.

308. You do not go into the open market to increase supplies? You do not go outside your contract to Colombo or Calcutta?—The contract with Ceylon and India covered all we could get from either source.

309. But there was still the open market?—Yes; but we did not go into that.

Chairman.

310. Supplies were fortunately greater than anticipated?—Yes.

Mr. Niall Macpherson.

311. I am not quite clear of the relationship between £22.7 millions and the figure of £24.9 millions on Schedule I. I take it that the figure of £22.7 millions is, according to what you have said, roughly a mathematical calculation simply representing the increased amount multiplied by the increase in price?—Multiplied by the average unit subsidy. (Mr. Carnochan.) The £22.7 millions is the difference between the rations allowed for in the Estimate and the actual distribution; it is simply an expression of the fact that if we eat more subsidised foods it costs more.

312. What I am getting at is that that is a mathematical calculation of the increased amount of the ration times the subsidies?—Yes.

313. There is no other factor in that at all?—No, that is simply the cost of increasing the ration.

314. What I do not understand is how the other figure will come into it or what is the relationship that that other figure has to it, this £1.9 million for tea. Is there any relationship there at all between the two figures, or would it be true to say that there is only relationship in so far

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as the subsidy is increased by the increase in cost in Schedule I? Is that right?—No, I would say that we have attempted to isolate the two factors, that this is the cost of the increase in the ration for that time multiplied by the average subsidy; but in the figure of £24.9 millions there might be something that has given rise to some increase in the average subsidy. The point I am trying to make is that no item appears in both places.

315. I see. That is what I wanted to be quite clear about?—Yes; no item appears in both places.

316. So that if the amount of the subsidy happened to fall during the period, the increased ration nevertheless would not be reflected in both places?—No, because although you say that it is simply an expression of the increased amount eaten multiplied by the average subsidy, that is really rather simplifying the actual calculation that is carried out; that is a simplification of the calculation. In point of fact, when rations are increased, or when any of these changes takes place, all the Estimates for the particular division are thoroughly recalculated.

316A. So that in this case could you tell us, for example, what the increase in cost of £3.7 millions for sugar in Schedule I was due to?—I should start by explaining that the figure of £3.7 millions is the one figure that should be altered. It should be £2.5 millions in that paper, because in the original £3.7 millions there was £1.2 million for glucose, which is strictly not sugar; the remainder of the £3.7 millions is made up of an increased payment to the British Sugar Corporation for home-produced sugar due to the increased cost of beets and the increased beet crop; that cost £1.5 million. The remaining £1 million was for increased cost of supplies from Empire sources, the British West Indies, Mauritius, Queensland and Fiji, offset by an increased surplus on our exports, the entrepot trade in refined sugar. So that it is £2.5 millions for sugar and £1.2 million for glucose.

317. Turning to the first memorandum, could you explain this large figure for rice, £85 millions? Is that due to operations mainly outwith the United Kingdom? £85 millions is purchases, freight, storage, etc., and the rice in receipts from sales of rice is £84.5 millions, showing an Estimate of £1 million?—(Mr. Bailey.) That is almost entirely for operations outside the United Kingdom. As you know, the supplies of rice in this country have been very small, but the Ministry has purchased and sold rice in large quantities in the Far East and also from Brazil.

318. Could we perhaps at some later time have a memorandum showing how that £1 million loss arises and why it is

borne on this Budget?—(Mr. Carnochan.) I perhaps should explain that that was only a temporary deficit; that we had financed these purchases of Far Eastern rice for Ceylon, India and Malaya during February and March, and they will be refunded in April. It is just an outstanding balance, so that that £1 million is shown as a cash deficit, but it is cash owing to us which we will get back.

It is a carry-over and it will come in on the cash surplus next year?—Yes.

Chairman.

319. You are sure this account will balance itself?—(Mr. Bailey.) Yes. It is shown, in point of fact, on another statement, the first statement I think you called it, the reconciliation of the original subsidy Estimate with the cash Estimate.

Mr. Barton.

320. May we clear this point up?—Do I understand, then, that in your turnover figure of individual items, not necessarily the whole of those commodities are for consumption in this country, there is a proportion of them either exports or re-exports?—Yes.

321. And they are carrying a subsidy?—No, they are not in so far as they are not consumed in this country.

Mr. Niall Macpherson.

322. Unless they are consumed in Germany by our people, presumably?—(Mr. Carnochan.) We supply subsidised foods to the War Office at the subsidised price.

323. I see. That is regarded as an internal transaction?—Yes. (Mr. Bailey.) May I be given a moment to find a reference to this? The principle upon which we operate in relation to these sales overseas is on a no profit no loss basis. Those sales carry their due proportion of our overheads, and in respect of some of them we make fortuitous profits. In respect of all we endeavour to break even, but we never break less than even, if I may put it that way.

Mr. Barton.

324. So that in those circumstances the subsidy factor on these commodities is proportionately increased in ratio to the selling price in this country, surely?—I am afraid I do not quite follow the implications of that question.

325. In your memorandum dealing with, turnover figures, I understand, in regard to purchases, freight, storage, etc., and also receipts from sales, include not only commodities which are sold for consumption in this country but commodities which are either exports or re-exports, and on the exports or re-exports you recover the whole of your costs?—Yes.

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[Continued.]

326. In those circumstances, then, is it not a fact that the subsidy factor on the commodities consumed at home is proportionally raised, that is to say, the ratio as between subsidy and the cost of selling is raised, by the amount by which your original Estimate is reduced by the exports and re-exports?—(Mr. Carnochan.) Yes. I think in point of fact it is this, that you can take from the receipts and expenses columns two almost equal figures: you would reduce both totals. You would then leave the third column the same. Your point is that the third column would be the same, and your purchases total would be lower: therefore the ratio of subsidies to purchases would be higher than is apparent here.

327. Yes; but how does that affect the distributors' margins?—Not at all.

Chairman.

328. Before we leave the rice, you have called our attention to the two memoranda. Am I right in assuming that we make £1 million profit on this transaction, because I notice in the reconciliation statement the figure is given as £1.1 million?—No, I do not think so. These figures of either surpluses or deficits are cash figures. The cash figure and the trading figure are quite different things. I was merely making the general point earlier on that the £1 million is roughly related to the £1.1 million.

Mr. Niall Macpherson.

329. So that when you say breaking even you mean breaking tolerably even? It is a small point?—Yes.

330. May I just refer to the £86.2 millions, the amount paid in advance under the Andes Agreement: was that the full amount or was that the proportion of the amount relating to that year?—(Mr. Bailey.) Not the full amount. The full amount was £100 millions, and certain shipments against that prepayment took place before the 31st March, 1948, and had the effect of reducing the amount of the advance carried forward into the year 1948-49. The figure of £86.2 millions represents the amount of advance carried forward. If that amount had not been paid under the Andes Agreement in the financial year 1947-48 it would have had to be paid in the year 1948-49.

331. It will be entirely absorbed from the point of view of shipments in the year 1948-49, or will there be a further amount carried forward?—Not entirely, due to the short shipment of Argentine meat. On the other commodities shipments are running pretty level with the anticipated rate, and we expect the prepayment on those commodities to be entirely absorbed in the financial year. There will be, however, the indications are, a considerable carry-over on meat.

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332. That is a question we could go into when we are dealing with meat?—Yes.

Mr. Niall Macpherson.] Just one last question, reverting to the question put by the Chairman regarding the payment to Holland of £0.3 million. Would it be in order to ask, Mr. Chairman, for details of that contract as to quantities, price and duration of contract, or at any rate as to quantities and the duration of the contract, and some information as to alternative sources of supply?

Chairman.] Quantities, duration and price?

Mr. Niall Macpherson.] Yes. In fact, would it be possible to ask for a short note on the circumstances really, including internal prices in Holland?—If I could carry on, there is just this point here, that in view of the fact that the internal prices in Holland were a governing factor, plainly there cannot be very much secrecy about it.

Chairman.

333. Personally, I should like to leave it like this, that Mr. Bailey will have in mind what line of inquiry we are following, and if he could let us have a note upon it, then if we are not satisfied we could pursue it further. But I would leave it in Mr. Bailey's discretion?—Yes; I will see, Mr. Chairman, what has already been published.

334. Then, when we have obtained that information, if we feel that we ought to pursue it further, we will do so?—I have no doubt the Agreement was announced to the House in certain terms. Then I shall have to take account of the reluctance to disclose prices that my Minister has frequently expressed.

335. It would be better to do it in that way, because if we feel we ought to have further information we can then pursue it, and it gives you an opportunity to reflect?—Yes.

Mr. Corlett.

336. On this question of the £1.9 million in Schedule I for tea, I am not quite sure what the position is. I thought we were aiming at 500 million lbs. to buy from India, Pakistan and Ceylon, and we were going to give them 2d. a lb. more than in 1947, but we failed, if I remember, by something like 46 millions or 66 millions to get the amount we wanted; so that I am puzzled as to why we have this £1.9 million deficit, seeing that we failed to get the amount that we set out to purchase?—The year is not yet closed.

337. No; but we set out with the bigger amount in mind, allowing the 2d. a lb. more to pay for it, and we have not obtained that amount by some millions of lbs.?—(Mr. Carnochan.) The point there is

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that these figures are relative to the quantities we used in our Estimates. We perhaps used a more realistic figure in our Estimates than perhaps the nation would aspire to; so that we are getting more than we had put in our Estimates, but not getting all our aspirations.

338. No. I think the Pakistan producers offered more to us, but the Government will not allow them to offer more than the figure you asked. I think India was prepared to give you more, but you did not, from those three sources of supply, get anything like the amount you wanted. Therefore I could not see how you could be spending more?—That is the explanation.

Mr. Barton.

339. I want Mr. Bailey to go to the turnover figures; there are two points upon them: first of all, with regard to transport, warehousing and ancillary services. We have got £0.4 million receipts for income from shipping and other claims. I take it the claims were for deterioration, damage, pilferage and things like that in transit?—(Mr. Bailey.) Yes.

340. What is the shipping figure? Do you charter ships, or own ships, and then charge somebody for freightage?—(Mr. Carnochan.) These shipping claims are mainly marine insurance claims. (Mr. Bailey.) Shipping claims. The note ought to read: "Income from shipping claims and other claims".

341. I see. I thought there was probably a sum recovered on freightage?—No.

342. Again, transport, warehousing and ancillary services, £22.9 millions. I understood from the previous answer to a question that the turnover figures excluded those services. What does the £22.9 millions represent? Is it warehousing, storage, and transport in respect of stockpiling?—I think at the last session of the Sub-Committee we gave a breakdown of that figure, but the point I was making earlier is that only part of the cost of the Ministry's warehousing is carried against that item, the rest of it being carried in the commodity items. The part which is carried in this item is the cost of the Ministry's own buffer depots, but the cost of public warehousing, for instance, is carried in the commodity groups accounts.

343. So that to all intents and purposes that service is given free, then the cost of the buffer depots is an entire charge on the subsidy?—No, it is charged to each of the Divisions in our Trading Account.

344. But it is not recovered; it is not recovered in cash, is it?—It is part of the cost of our operations.

345. I see?—Therefore I think you are quite right in saying it is part of the subsidy total.

346. But it has no relationship at all to your stockpiling operations. Turning, then, to your Reconciliation Statement, you have a total of £55.6 millions there for financing stockpiling. Will that be in part recovered in the next financial year?—Yes. I might perhaps explain that item a little, unless its meaning is apparent to the Sub-Committee. On a cash accounting basis, of course, increased stocks involve expenditure which is not redeemed by income, and reduced stocks give income without involving expenditure in the particular year of account, but the effect of all that is reflected in the next year's cash requirement.

347. That will be a recurring figure year by year, but continually changing according to the stocks you hold?—Yes. Our Trading Account takes account of variations in stocks.

Mr. Barton.] Yes.

Mr. Corlett.

348. On that point that Mr. Barton raised about transport, I am thinking of tea again. You pay transport costs when you buy tea from India and Ceylon?—Yes.

349. And you pay export duties?—We buy it f.o.b.

350. But you pay the costs of transport?—Yes, we pay the costs of transport.

351. Is that in this item?—Yes; we pay the cost of export duties, and both are in this item.

352. That is in ancillaries, I take it?—No, I beg your pardon; both are in the tea item.

353. Not in this as well?—No, that would be internal transport.

354. They do not appear twice?—No. I thought you were speaking of transport to the landing point here.

355. I was thinking of tea as an item where you pay transport costs and export duties?—The transport cost for sea transport from India to the United Kingdom is borne in the tea account. The cost of the movement of chests of tea from the landing point to the warehouse is borne in the transport and ancillary item.

Mr. Barton.

356. Do your buffer depots costs cover practically the whole range of commodities, or are they for special commodities, like meat?—Meat is carried, of course, in cold stores. Buffer depots are not cold stores.

357. What about your distributing depots?—The buffer depots are not suitable for some forms of distribution. They

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[Continued.]

are used to the maximum extent, but the actual details of their use are something that I cannot at this moment answer.

358. It will probably come out when we go into the different commodities?—Yes; and at that time I shall know more about it.

Mr. Niall Macpherson.

359. Do they cover products which are not subsidised as well as products which are?—The buffer depots?

360. Yes?—(Mr. Carnochan.) I think perhaps I might intervene here to say that they cover any Ministry-owned commodity that is suitable to go into a buffer depot. In

fixing the price for an unsubsidised commodity we do take into account the cost of storage.

361. The notional cost? This is just a global cost for your buffer depots?—Yes.

362. You simply put a notional cost without giving credit to the buffer depots?—Yes; in fixing our prices we would add something for the buffer depot cost.

Chairman.] As we are going to discuss this matter at our next meeting, I think this would be a convenient time to adjourn. Once again I have to thank you for the assistance you have given us.

The Witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 27TH JANUARY, 1949.

Members present:

Mr. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.

Mr. Niall Macpherson.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. J. G. CARNOCHAN, an Assistant Secretary, Ministry of Food, recalled and further examined, and Mr. A. D. HILLHOUSE, O.B.E., Finance Director, Transport and Warehousing Division, Ministry of Food, called in and examined.

Chairman.

363. Mr. Hillhouse, we understand that you are the Finance Director of the Transport and Warehousing Division of the Ministry of Food?—(Mr. Hillhouse.) Correct.

364. We have got before us a short memorandum on the Cost of Deterioration and Losses of Ministry of Food Stocks in Store.* It seems quite a straightforward document, and I do not think there are many questions arising on it. Are the figures given in the first paragraph comprehensive figures covering losses generally?—Yes. They would be all Commodity Division losses.

365. Apart from those losses falling within the £5,000, they are borne on your various commodities?—Yes.

Mr. Barton.

366. That is a net figure, is it?—You mean the figure in No. 1?

367. The figure that the Chairman has mentioned?—Yes, it is a net figure.

368. What about the sale of salvage?—(Mr. Carnochan.) With regard to that first lot there were two cases, and they were both connected with the same incident, the

unusually bad floods during the spring of 1947.

369. Yes, I appreciate that, but what I am getting at is: Is this a net figure?—That is the net loss out of the loss of £81,000 odd for tea, caused by the river at Selby breaking its banks and bursting into the premises where the tea was stored. The premises were flooded to a depth of many feet, and the loss was £81,000. That was the value of the tea in the store. The figure of £1,216 is the value placed on fat barrels which were lost during the same incident.

370. So that is a total loss?—Yes.

371. There was no salvage?—(Mr. Hillhouse.) I think there would be a certain amount of salvage there, but in all cases of loss of this nature the tea would have been put through for reconditioning, and the reconditioning recovery would have been deducted before arriving at this figure.

Chairman.

372. There were no insurance claims?—There is no insurance; we do not insure against this type of loss.

Mr. Corlett.

373. That was right on my doorstep, and there was a lot of talk about it at the

* Not printed.

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time. Are you quite certain nothing was recovered?—I should say that certainly something was recovered.

374. I understood so?—But the point I want to make is that a claim of this nature is a net figure; that is after deduction of any recovery.

375. Yes; but I thought you said at first it was a loss?—No, the opposite.

Chairman.

376. Perhaps in the same way you could indicate whether there is any exceptional feature regarding the second loss, that is the deterioration in store and in transit?—(Mr. Carnochan.) I think perhaps there is one exceptional feature, and that is that there was an item of £7,554 12s. 5d. included which was the value of meat that was condemned after the Smithfield strike in September, 1947.

Mr. Corlett.

377. On that item of deterioration in store, does that include deterioration in grain that was in store?—I could not say offhand.

Chairman.

378. In any case, as the question has been put, can we assume that there were no substantial losses of grain in store?—I can say that there is no grain included in any of those items totalling £20,000.

Mr. Corlett.

379. No grain at all?—No. (Mr. Hillhouse.) Six cases make up the net loss of £20,000. (Mr. Carnochan.) I have the particulars of those cases.

Mr. Corlett.] Later on I want to put some questions about grain.

Chairman.

380. Perhaps it would be helpful if you gave us particulars, as there are only six cases involved?—Yes. The first one was with regard to net losses and shortages on claims against wharfingers, of which Mr. Hillhouse might probably give further particulars. That was £6,524 5s. 9d., and there was an item of £2,888 16s. 2d. for loss by deterioration of canned meat which was stored at a golf club, not adequate premises, I gather; and £1,980 17s. 8d. arose out of the discrepancies revealed in one large firm of warehouse owners, which was due, I gather, to congested warehouses and generally rather bad management. Then there was a small item of £581 18s. 2d., which was contamination of orange juice by oil during the process of bottling. Then there is a figure of £715 5s. 8d.; that was rather a complicated case; it was during the time when we were dehydrating potatoes and carrots, and it was caused by the fact that more vegetables were arriving at the railway sidings

than the railway could cope with during, I suppose, the rush season, and a number of those vegetables, potatoes and carrots, had to be reconsigned. In the process of moving a certain quantity of them got lost; the value was £715 5s. 8d. The other item I have given you. That gives a total of £20,245 15s. 10d. I might just say in parenthesis that all these cases do not necessarily apply to one year; these are cases that were settled during the year but which may have happened quite a long time ago.

Mr. Barton.

390. Over what period?—That would depend on the course of the negotiations.

391. Can we take it that in these figures there is no amount due to loss by deterioration of emergency food stocks, for instance?—(Mr. Hillhouse.) Yes, I think I can talk upon that, because I also look after our Salvage Division. There are no items in here covering losses that might have occurred on the spreading of emergency stores and emergency food. These are straightforward losses of Commodity Divisions in connection with their stocks.

392. There is just this further point. In none of these cases was there a liability on the owner of the warehouse or on the transporting company?—No. Where there is any possibility of proving negligence, or something more than negligence, against the warehouse keeper, we do what we can to get him to meet the claim for the loss, and we are not entirely unsuccessful; but we are storing with public warehouse keepers on normal conditions, which is storage at owner's risk, just as we are moving our stuff by railway at owner's risk. So that there are certain warehousing clauses and transport clauses in the conditions of the warehouse keeper and of the railway which purport to exclude the warehouse keeper or the carrier from all responsibility in the goods he carries. But we take the view that if a warehouse keeper in pre-war days met his customer on shortage or damage claims, we expect the warehouse keeper to meet ours, and we claim against him or against the carrier for losses; but in all these cases these are losses which have not been able to be recovered from a third party.

Chairman.

393. You mentioned in one particular case that the loss was at any rate partially due to bad management. May we assume that in the compromise settlement which was reached allowance was made for that factor?—I am afraid I cannot answer that, because I do not have the details of those. (Mr. Carnochan.) I think that is true, Mr. Chairman. This particular case was handled by our Legal Department, who extracted the last ounce out of them. (Mr. Bailey.) Per-

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[Continued.]

haps I may interpose here to say that these figures are all included in a Losses Statement appended to our 1947-48 Appropriation Account, which will in the course of the next few months come before the Public Accounts Committee.

Mr. Corlett.

394. I am intrigued with the word "shortage" at the very end of paragraph 1. Is it appreciable, and what can you do about it? I can understand about deterioration, but shortage might be due to pilfering and all kinds of things. How is that met?—(Mr. Hillhouse.) We are talking, I think, about two things, and we ought to divide it into two parts, if we may, because we have a shortage which might occur in one of our own Ministry depots, that is, in our buffer depots, where we have firms of professional wharfingers who manage for us; they are really our managers or agents; and the Warehouse Division, which manages for the Ministry, takes from all Commodity Divisions their shortage claims for losses having occurred in buffer depots. We wanted to centralise all losses and damages which might have occurred in our own depots. That we have done for several years, but we have no recourse against our managers unless there is gross negligence, and then we have to take disciplinary action. We have on a number of occasions had to change managers; on a few occasions, not necessarily this year, we have had to say: "We are sorry, but there have been recurring losses in your depots, and there must be something wrong. We feel you have not given efficient management, and we consider that you should make some contributions towards the loss that the Ministry has suffered." When you come to losses in public warehouses, we claim in every case against the warehouse keeper. If there is a definite shortage, in other words, if they have given a warehousing receipt or a landing account for 1,000 cases going into store, and on delivery they can only produce 980, we claim against them in all cases for the difference.

Mr. Corlett.

395. It is quite straightforward, then, when you are storing in somebody's else's warehouse. We come across these cases so often on the Bench of pilfering on the railway or a question affecting N.A.A.F.I., but would such a case really be investigated to see who is responsible, and would action then be taken?—Yes.

396. It is not left to chance? Somebody has the job of doing it?—Yes, there is a fairly complete drill laid down for that, and if there is anything of material account we immediately bring our enforcement people in, and they in conjunction with the local police start an investigation right away.

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Chairman.

397. Is the overall position that the losses are infinitesimal? Do you believe that you are entitled to be well satisfied on this score?—I am a chartered accountant and a temporary civil servant, but I have been myself astounded over a period of years at the really trifling losses we have had in our own depots.

Mr. Corlett.

398. You have come into the Civil Service from industry, have you?—Yes. I am only a temporary civil servant. (Mr. Bailey.) Mr. Hillhouse is, however, a chartered accountant, and so are the great majority of Finance Directors of Commodity Divisions.

399. I should like to ask something on that point, because it is rather valuable to have your experience, coming from outside. You used the term "relatively small"?—(Mr. Hillhouse.) Yes.

400. You are comparing it with your general experience of what happens in industry?—Yes. If you really go further into the point about deterioration, there are very accurate figures which we keep of deterioration of goods in our own buffer depots. In one year we had 353 incidents, totaling £6,900, we had handled 1,300,000 tons of goods in that year, and that was the total loss through deterioration.

Mr. Barton.

401. That is for loss due to deterioration in your own stores?—In our own stores.

402. What about in paragraph 2, where all these are excluded?—Those would be in a public warehouse or other store.

403. What proportion is that to the total—just roughly?—I could not even venture a guess, but I should say a very small proportion. The quantity and the value of the goods we store in public warehouses in a year must be a very big figure, certainly several times what we are storing in our own buffer depots. We estimate the value in a year in our own buffer depots as £71 million. There might be a great many hundreds of millions stored in public warehouses during any one year.

404. Yes. In order to get a true picture of that, we want to know how the commodities pass from ownership to ownership. Shall we take grain, for instance, and deal with weevil infestation of grain, for example?—Yes.

405. Where does the grain leave the possession of the Ministry and go into the possession of the miller or processor—at the port?—(Mr. Carnochan.) I think I can answer that. Wheat is sold to the miller, and he takes possession at his own warehouse. He then processes the wheat and re-sells the flour on our account, but the wheat is his and we sell it to him.

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[Continued.]

406. So that in the case of a grain ship coming into the Port of London, say, and unloading at Millwall Docks into the silos there, it is still in the possession of the Ministry?—(Mr. Hillhouse.) Yes.

407. What steps are taken there and whose liability is it if that stock of grain becomes, through carelessness, infested with weevil?—Property in the goods is vested in the Ministry of Food, but I would not like to say whether they would have a claim as against the owners of the silo, because certain silos are dock-owned. But it certainly would not be the responsibility or the liability of the millers. It would be a Ministry of Food liability, and the Ministry of Food would probably have recourse against the third party if they were storing it.

408. Do you keep an inspectorate who watches things like that?—There are several inspectorates.

409. What applies to grain would apply to other commodities?—Yes, such as canned meat, canned fish and so on. They each have separate inspectors.

Mr. Corlett.

410. On this issue might I say that a point has been raised in the House of Commons, and it affects me in my own district. We have been told that at Thalthorpe Aerodrome, a few miles outside York, there were 5,000 tons of barley imported from Russia and Australia. Can you tell me what steps are taken when grain arrives to inspect it and if necessary to fumigate it?—I think I might mention in this connection something about our storage in aerodromes. We have 63 aerodromes at the moment, and within the last six months there have been big arrivals of grains, maize and so on, and the reports that we get are that quite a number of those consignments are badly infested; the infestation is higher than normal.

411. The Minister said it was a common occurrence for them to come in and to be infested with weevil?—Yes. I understand that there is a certain degree of infestation with almost all these grains coming in; that is taken as normal; but I gather that there is a certain heavy infestation in some of these recent arrivals, and I know that there is fumigation. That would not be possible on an aerodrome with big hangars all open to the air, but I gather that they are putting that out, or they are intending to put out that commodity from that consignment very quickly to avoid a loss on it, if they can.

412. No. I am beginning at the beginning, when it arrives in this country. Then is it inspected by inspectors to see if it is infested?—Yes.

413. And is it fumigated at the port?—There is a considerable amount of fumigation carried out at the different ports, but

I could not say and I would not know whether the fumigation had been carried out on the particular consignments that went into that particular aerodrome.

414. No, I am coming to that later. What I am worried about is this: If this stuff arrives in an infested state and is allowed to get on to the railway in that infested state, the railways will not be very happy about it?—There is a regular de-infestation going on at the ports in barges. Take the case of dried fruits: that is one of our commodities that have always a certain amount of infestation. Almost all dried fruits consignments are decontaminated at the ports in barge.

415. Could we say, then, that when this grain reaches the aerodrome I have mentioned, about which there was very much discussion, every attempt is made to make certain that infestation has been dealt with?—(Mr. Bailey.) Mr. Hillhouse takes it up at the storage point. At a later session we will be, I understand, looking at cereals as a commodity.

416. Yes, I understand that?—If you prefer to put your questions at that point, I will see that the witness then proffered is prepared to deal with them, that is to say, to deal with the question of de-infestation from landing down until arrival at the aerodrome.

417. Yes. You will have somebody to deal with that?—Yes.

418. That is very kind of you. It worried me. Now may I come to the aerodrome itself: that is your part?—(Mr. Hillhouse.) Yes.

419. Is there any attempt made to make certain that a particular consignment is not unloaded on another amount already in the aerodrome that is quite all right?—Yes, I think that is so. If anything comes into a warehouse or group of warehouses which is seen to be infested it is segregated, and where it is possible to de-infest or to de-contaminate in certain cases we immediately bring in the De-infestation Division of the Ministry of Agriculture. They have their squads of men who go round with Pyrethrum sprays, and we have had to do that on many occasions in our own buffer depots; but every means is taken to avoid any spread of whatever infestation there might be.

420. It is commonly held in my district that nothing of the sort is done. Let us take that aerodrome which holds 5,000 tons. I think there are roughly 3,000 from Russia and 2,000 from Australia, quite different consignments. One might be infested and the other might not be. What is already in might be all right. Is it anybody's particular job to see, before the new grain is added to the existing stocks, that it is de-infested?—Yes. If it arrived, let us say, at the aerodrome, and it was reported that

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[Continued.]

there was a certain, what I might call higher than normal infestation, the managers there, who are professional wharfingers, would have to see that there was segregation of that particular consignment. At an aerodrome you have got big hangars and you have got all sorts of smaller buildings. We are storing bulk stocks in hangars, and are also using the other buildings, which are very far apart from the hangars.

421. You say there is somebody whose special duty it is to overlook this regularly and see it does not become more infested and more attacked by rats?—Yes.

422. Then this is my next question: How is it that they are always sending for the local fire brigade to come and do the fumigation, when it gets too bad?—I do not know.

[Mr. Corlett.] Because they are suggesting that in Yorkshire there is complete waste in connection with this storage—that statement has been made—and that all this stuff that is coming into Yorkshire, or a big percentage of it, is being wasted through being attacked by rats and infestation. That is common talk.

Chairman.

423. Perhaps you had better tell us first of all whether you have any information about the use of the fire brigades for de-infestation?—I must confess I have not. Local authorities are frequently brought in, and there are certain private firms that are employed by the Ministry of Agriculture Division of De-infestation, but I must confess I have never heard of a local fire brigade being brought in.

Mr. Corlett.

424. The suggestion is that they are the experts in fumigation and there is nobody on the job who is an expert—that is the argument that has been put up, and I am wondering if there is somebody on the job who is an expert in fumigation who can assess what is happening to storage?—(Mr. Bailey.) I think I might say that the manager has certain responsibilities to us; that is the first line of defence; secondly, that the Ministry of Agriculture maintain a special De-infestation Division who are experts in this work. In point of fact, we maintained that Division until its comparatively recent transfer to the Ministry of Agriculture. The services of that Division and their experts are available to us and to our managers for these purposes. Your question really is directed, I think, to the degree to which these services are regularly and systematically used, or other services competent to deal with the trouble.

425. The question is really this: that this grain has deteriorated to such an extent in storage as to cause very adverse public comment, because that is what is happening?—(Mr. Hillhouse.) What aerodrome was it that you mentioned, Sir?

426. Thalthorpe in Yorkshire. There have been Questions about it and there has been a lot of correspondence. The next point they raise is that it is kept in storage for too long, sometimes as long as seven months, when it could be distributed earlier.—(Mr. Bailey.) That will be dealt with on a later occasion.

Chairman.

427. It is really a question of whether you are carrying proper stocks?—Yes, it is indeed.

Mr. Corlett.

428. It is all under storage?—Yes.

429. How do you select these particular places in which to store grain; is it a matter of looking for an aerodrome or something of that nature?—(Mr. Hillhouse.) We have been very very short of suitable storage for home-produced grain and for imported grain.

430. This is imported grain I am thinking of, feedingstuffs?—We took over airfield storage because we really wanted to increase our grain drying plant to be able to deal with the surplus home-produced grains, particularly barley, and with this fairly heavy importation of imported grain during the last six months we have had large stocks going into our airfields that we have taken over. We feel that we must have that storage because storage is really quite short. Even now the port storage is fairly heavily used, and airfields for grain storage are found to be extremely useful storage points.

431. Yes; I was not raising it from that angle, although I am very glad to have that information, but there is so much criticism about storage of feeding stuffs, and we are naturally more criticised in this way, that having bought it we allow it to deteriorate?—(Mr. Bailey.) May I answer that question from general knowledge? One holds stocks in relation to one's forward procurement programme. If there is a gap gaping before one in respect of procurement, then one will continue to hold stocks, releasing those stocks against ration entitlement; that is to say, one covers one's issues for a forward period at a rate which is related to the stocks and one's prospect of procurement.

432. That was the answer given in the Commons, and I have no quarrel with it: I think it is quite the right answer; but I wonder if you could help us more. Can you tell me what proportion of grain that is stored deteriorates during storage?—(Mr. Hillhouse.) No, I could not answer that. (Mr. Bailey.) We deal with that question in paragraph 2.

[Mr. Corlett.] Yes, that is why I raised it then. I think we ought to be able to get that information. It would be a complete answer, and the investigation might do

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good. If wastage is very small owing to deterioration, then there is nothing in the charges, but if it is heavy there is something in them.

Mr. Barton.

433. The difficulty we are in is that we have got precise information in paragraph 1, to which paragraph 3 is related—I am right there, am I, Mr. Bailey?—Yes; paragraph 3 takes one section of paragraph 1 and tests it against known figures.

434. But as far as paragraph 2 is concerned that is not the case?—For the reasons given, I think, in that paragraph itself.

435. And you can give us no idea of the loss in respect of those commodities?—In respect of the normal deterioration, regarding this matter as a feature of normal deterioration.

436. Would you say that it was true that there is very little deterioration because of a lack of orderly turnover of stocks; that is, the first consignment in and the first consignment out, and that there is a tendency in warehouses, that is, empty warehouses, to put No. 1 consignment against the far wall and to build up behind it, and when you are releasing stocks, instead of taking your first consignment, you take the last consignment, and that that inevitably leads to deterioration?—That is bad storage management.

437. Yes, it is; but may we be assured that that is not leading to deterioration mentioned in paragraph 2?—We can give that assurance quite firmly, that where there is normal intake and output of stocks these deterioration losses are kept to a minimum by the first in first out principle.

438. It is a huge problem; I think it is £59 millions in stockpiling?—Yes.

439. It is a fairly substantial figure and can lead to very serious deterioration unless there is orderly distribution?—Yes; but I think the imported food grain problem is a special problem. We are holding bigger stocks than we like to hold, but we cannot release them at a rate which we would like because of uncertainties of procurement in the future.

Chairman.] But surely you must know what the shrinkage or deterioration of any commodity is. You describe it as “normal”.

Mr. Corlett.

440. Yes; I wanted to ask what “normal” meant in paragraph 2?—(Mr. Carnochan.) Where we are using the term “normal shrinkage or deterioration”, that is the deterioration which is generally accepted in particular trades by trade experts as being normal. It must vary quite considerably from one commodity to another, of course.

Chairman.

441. It is a factor you take into your calculations?—Yes; but where an abnormal loss arises, such as, for instance, if half the barley in the Thalthorpe Aerodrome disappeared that would appear in losses, including deterioration. It would be noted separately. If there is an abnormal loss it is taken out of paragraph 2 and put into paragraph 3.

442. In short, where there is normal shrinkage or deterioration there is no loss?—No.

443. And there would be no claim of any sort?—No.

Mr. Corlett.

444. That is the financial angle?—Yes.

445. But, as Mr. Bailey has said, this is a substantial business, this question of imported grain, because it must be allocated according to a forward programme?—Yes.

Mr. Corlett.] Therefore in this one particular case where we are assured that there is excessive deterioration and waste it is not possible for us to have figures in regard to that particular aerodrome. It is happening all through Yorkshire, as a matter of fact, because the statement was made in regard to all Yorkshire. This “normal” is such a nice word to have.

Chairman.

446. If I could ask one further question on “normal”, I take it that there would be no question of investigation of loss if through your inspectorate it was reported that deterioration or shrinkage was normal?—No.

447. And because it is done in this way that you are not able to say precisely what the losses are through shrinkage or deterioration?—I do not think the inspectorate would report that the loss from shrinkage or deterioration was normal; they would express it in terms of tons or percentages, and then it would be a matter of judging whether it was normal or not.

Chairman.] Yes.

Mr. Niall Macpherson.

448. May I ask this question? You have six cases of deterioration in store. Did those cases arise out of particular claims made after delivery or were they based on an assessment of deterioration in store made by your inspectors visiting the store?—(Mr. Hillhouse.) I do not know the particular cases, but I am pretty certain they would be when the parcel was cleared out of a particular store or when the damage was reported. The goods would be taken away and they would be salvaged. In the case of sugar they might go for reconditioning. In the case of grains they might go for the

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same thing. The figures that are there are the net losses resulting from damage occurring in store.

449. I see. Now, obviously, there must be some claims for short delivery or bad quality of goods or various other short-falls. Into what account would those fall?—(Mr. Bailey.) That is quite a separate question. Notes of any exceptional cases of that character appear on our Appropriate Account in a separate place.

450. But nevertheless those particular faults might in fact have occurred in the warehouse, and therefore are related to the particular inquiry that we are engaged on now?—They are separated because they arise on inspection of goods before they go into long-term storage. (Mr. Hillhouse.) I do not think they would be, because those particular cases arose in this way: they are cases of damage and deterioration in store, and any credits that might have to be given to a buyer, say, of goods which on receipt by the buyer were found either to be short or not up to standard, would not appear in that figure.

451. I understand that?—Because all shortage claims are excluded from this. These are purely damage and deterioration claims.

452. That would go purely into the trading account?—Yes.

453. But when you say shortage claims, it might also include claims arising out of the fact that the quality was not up to the standard specified?—Yes.

454. It would not only be shortage; it would also be deterioration?—I do not think that we would regard it as deterioration where there might be a credit for quality, and that, of course, would go through the trading account in the normal way.

455. Yes; but what I am trying to get at is that in fact these figures, as far as I can see, are not really a final showing as to the amount of deterioration that does go on in the warehouse, because it merely means that this is the amount of deterioration that your own inspectors found, not the amount of deterioration that may be detected by the buyer at the moment of delivery?—I do not think that is quite the position. The goods are resold on an ex-store basis in the main; Ministry of Food sales are on an ex-store basis; and if there were reports that certain of the goods in store were showing a certain amount of damage or deterioration, then those obviously would not be sold forward, they would be taken away and reconditioned and then put up as sound goods.

456. But who takes delivery? Surely there must be somebody to check the quality? I understand that delivery is taken by the buyer at the store?—Yes.

457. Ex-store?—Yes.

458. That being so, presumably some responsible person goes along to check quality before accepting delivery, or is delivery made simply on a certificate of the Ministry?—(Mr. Bailey.) It is made on normal commercial terms. There is an inspection of the delivery by and on behalf of both parties at the time of delivery, and both parties are bound by that independent inspection in accordance with the terms of an ordinary commercial contract.

459. I still want to make quite certain on this point. Supposing it is then perceived that there has been a deterioration, would or would that not appear in the figures before us?—(Mr. Hillhouse.) No, because that would in normal commercial practice show up, if the quality was not up to standard; when it got into the buyer's premises, with these millions and millions of sales that are done on a delivery order. A carrier will get a delivery order to go and collect 500 cases at a particular warehouse. Those goods will be sound. But there must, of course, be the odd case where the consignee gets them into his own warehouse and he may find that of the 100 cases there is one case of canned meat with a few tins blown, and so on, and he will put through a normal claim on commercial lines for the making good of that damage.

Chairman.

460. And that loss will appear in the figures that we have got before us?—(Mr. Bailey.) It appears in another section of the accounts which I have before me under the heading of "Claims Abandoned".

461. Perhaps you could tell the Subcommittee the amount of claims abandoned?—(Mr. Hillhouse.) I should think that before that information could be got each Commodity Division would have to furnish particulars of its credits which it has given in respect of sales or sub-standard sales, and it would entail quite an amount of work to get that out.

Mr. Barton.

462. Is that included in paragraph 2. then?—No. (Mr. Carnochan.) I think I might intervene here to say that such a case would be included in paragraph 2, in that it is normal for a few tins of canned beef to be blown. Where there are no exceptional losses by deterioration they are not reported; they are not shown separately; they are simply reflected in the accounts of the different Commodity Divisions in terms of reduced income; that is, that they either have to sell at a slightly lower price to make up for lack of quality, or they do not sell the same amount of stuff as they bought. They might sell 1 per cent. less because of deterioration by weevil, or they might give a credit, which

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would presumably be debited against their sales, so that the loss would be reflected in reduced income; but to try to tell what that reduced income is and to try to compare that reduction in income with the normal loss of income suffered by cereals or meat and livestock traders under normal trading conditions would be an impossible task.

Mr. Corlett.] Let us agree to that: in fact I am quite prepared to agree to that; but cannot we take one particular case that has received so much publicity?

Chairman.

463. What I would suggest about that, if I may, is that if my colleagues agree I do not think we should pursue the inquiry much further at the moment. I think it is quite clearly an inquiry that will have to be made into the position regarding any particular commodity; but can you tell us generally whether this new factor you have brought to light makes these present figures before us unrealistic?—I would say most definitely not.

Mr. Barton.

464. They are bound to be reflected somewhere between your revenue and your stock records. If your stock is deteriorating through any of these reasons you are so much stock short, and inevitably so much revenue short. It should be reflected in the trading account somewhere?—It is reflected in reduced income.

465. Just as reduced income?—Yes.

Mr. Niall Macpherson.

466. But from the point of view of control and of purchasing policy, surely it must be essential for each section to have a figure on which to work to see what the losses in those categories amount to in their own particular section, and I should have thought that that was essential and must be practised at the present time?—(Mr. Hillhouse.) I think that is so. Each Commodity Division works like a trader. A trader buys a consignment, he pays so much for it, and he then sells to numerous buyers. Certain of those buyers might put in a claim for a credit or a short delivery, or there might be damage to certain goods, and he would claim against his seller for shortages and damages. Now, those particular claims are dealt with individually by each Commodity Division. The figures that are here are of abnormal losses which have occurred during the period when the Ministry had those goods in store. They are abnormal losses having occurred in a warehouse. The claims which might be made against the Ministry by buyers are dealt with by each individual Commodity Division in the normal way.

Mr. Corlett.

467. If each individual commodity is dealt with separately, can we not go into this matter of these feeding stuffs, and can we not trace each one and see what wastage there actually is, because this word "normal" is very elusive, you know; it is so comprehensive?—I know that a certain amount has to be anticipated owing to shrinkage through the disappearance of moisture content to the extent of about 2 per cent.

468. How much would you allow for infestation—3 per cent?—I am afraid I do not know.

Chairman.] I do not think we can press this matter further at the moment. It is an important issue that has been raised, but I think it would be unfair to Mr. Hillhouse to ask him to answer for the various Commodity Divisions.

Mr. Barton.

469. We could probably have an answer to this; that is, at what level is the authorisation for write-off in these cases?—(Mr. Bailey.) That is what I can deal with. If we take a case where a buyer from the Ministry makes a claim against the Ministry, that opens up the possibility that the Ministry may have a claim against the supplier. Likewise, on inspection on delivery to the Ministry, if non-conformity with the contract is discovered, the Ministry will have a claim against its supplier. All such claims are pressed and beyond certain limits must be submitted to the Treasury for write-off authority. I have before me the Appropriation Account which gives the list of claims abandoned pursuant to Treasury authority, subject to a note in the Appropriation Account. That is, of course, in some part related to these questions we have been discussing, but it is not quite the same question. One such head reads: "Sundry claims or balances of claims against producers, suppliers, warehouses and shipping transport companies: (1) Cases where the Ministry was bound by an arbitration award, £122,000; (2) 18 other cases, £56,000." Those figures appear as part of the note upon our Appropriation Account. The write-off procedure is very rigorously controlled by means of an internal Finance Department memorandum of instruction. Finance Directors have powers to write off losses up to a limited amount. Their seniors in the Finance Department hierarchy have somewhat higher powers, and so on, to myself; and finally anything beyond those powers is referred to the Treasury for authority, together with a memorandum on the loss explaining the circumstances. That memorandum normally contains legal advice as to the Ministry's position. If there is a compromise, then that is also stated to the Treasury.

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In the end there is a pretty extensive inquiry into every abandonment of a claim, and the total is shown in a note upon our Appropriation Account.

470. You have not given us any indication of figures at the different levels, Mr. Bailey?—They vary from case to case; different cases have different figures. I could put the memorandum before you.

471. Would a depot manager have the right to write off, say, half a dozen tins of meat?—No power at all. All such power is concentrated in the Finance Department at varying levels with varying limits related to the varying types of losses, and finally, beyond that, in the Treasury.

Chairman.

472. That would be related to what is normal?—Yes; and finally beyond those limits the power is concentrated in the Treasury.

Mr. Niall Macpherson.

473. This is the figure that we have before us: Losses, including deterioration, damage and shortage?—No, that is not the figure. The figure is the figure I read out.

474. I am sorry; I missed it?—(Mr. Hillhouse.) Those are smallish losses which have occurred in warehouses; they are exactly the same in substance as Nos. 1 and 2, but Nos. 1 and 2 are really very considerable losses, very heavy losses. Those are smallish losses of under £500, coming into warehouses.

Mr. Barton.

475. Is the ultimate write-off authorised by the Treasury through the Controller and Auditor General?—(Mr. Bailey.) No; the Treasury give authority subject to a note upon the Appropriation Account. That Appropriation Account is, of course, subject to audit by the Comptroller and Auditor General, and ultimately the figures come before the Public Accounts Committee and may be the subject of detailed scrutiny.

Chairman.

476. Perhaps we may take the opportunity of turning now to the Second Report of the Public Accounts Committee of last Session, paragraphs 70 to 72, where the Committee comment upon cold storage and Government-owned cold stores. In the first instance, there is a small matter that I have noticed in paragraph 71, where there is a reference to 48 modern Government-owned stores. In evidence before the Sub-Committee we have had a reference to a figure of 47. Perhaps you can tell us what has happened to the 48th?—(Mr. Hillhouse.) Yes. We have transferred that to B.O.A.C. That is a normal Government store which has now been handed over to B.O.A.C., or to the Department of Civil Aviation.

477. Can you say generally how far the use of Government-owned cold stores has been affected by the new position obtaining regarding ports with the conclusion of the war?—I think you probably know that the Government stores were strategically sited, and that there are a limited number of them in what we call fairly large consumer areas. Those are in very general use for storage, but certain of the others have been only used to a limited extent since the close of the war, chiefly because of their location and the additional transport charges that we should have to meet to put our frozen meat, let us say, in a store at Llandudno.

478. Is the continued use of those stores affected by strategic consideration? What I have got in mind is this, that the location of the stores may, as you explained, be determined by strategic consideration?—Yes.

479. But it seems fairly clear that you either make use of the stores or you keep them on a care and maintenance basis?—We have switched over several of the Government stores for dry storage and others are operating on a reduced basis. There has been a study made to find out what is the best, whether one should have a greater number on a care and maintenance basis and that sort of thing, and there is no doubt, of course, that quite a large number of those stores cannot be economically used under present distribution methods, and since the end of the war and the opening up of, let us say, London, things have changed, because during the war period we had a limited cold storage user in London, that is to say in the Port of London. There is a very large concentration of cold storage space in London. Since the close of the war that space has been much more fully used than it was during the war period. There is no doubt that as you have a limited stock to store, the stores in the outlying locations have not had as much for storage as the port stores. There is no doubt about that. That is what has happened over the last three years.

480. Perhaps we could complete the picture now by turning to the two points which the Public Accounts Committee had in mind. The impression we have got is that the Committee felt that as far as the arrangements of the Ministry of Food with privately-owned stores were concerned they were perhaps a little too expensive to the Ministry, and it is reported that a new agreement had been concluded, and I think we should inquire whether this has reduced the return as was anticipated; and, secondly, following from the point that we have been discussing, the Committee seem to have felt that it was rather strange that Government-owned modern stores should be showing a loss. I think it would be most helpful to the Sub-Committee if you could tell us about that. The Committee

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understood that a review of the cold storage policy was then in progress. If now you would expand the explanation you were giving us, bearing in mind these two particular points, I think that would help the Sub-Committee?—Yes.

Mr. Corlett.

481. Might I add to that this: Are you still limited by the condition that Government stores must not be operated in competition with privately-owned stores?—That undertaking still exists. (Mr. Bailey.) If I might take the first question, as you have said, there was negotiated in 1948 a new agreement with the industry; that agreement is expected to reduce the average return on capital employed. The first full year of the operation of that agreement will not conclude until February, 1950. It will, therefore, be impracticable to provide the information that you want until that first full year is completed. A year of partial operation will close in February, 1949; but it is obvious that the figures will not be comparable with any previous full year. Some conclusions may be drawn from those partial figures, but they will not necessarily be either plain or correct.

Chairman.

482. In short, on the first point, the position is that we have not yet sufficient information to judge whether you have succeeded in your purpose?—That is so, and that is in substance what we shall have to say to the Public Accounts Committee at its next session.

Mr. Corlett.] Could you say what capacity of Government stores is in use now—is it 40 per cent.?

Chairman.

483. Perhaps when you answer Mr. Corlett you could deal generally with this question of the review of cold storage policy? I think Mr. Corlett's inquiry falls within the scope of the second point I raised?—It has already been stated to the Sub-Committee that the undertaking to which reference has been made still continues.

Mr. Corlett.

484. But how can you implement such an undertaking? It must be a very difficult job for you?—(Mr. Hillhouse.) It is a very difficult job.

485. It must be?—I wonder if I could break in here on this? We have analysed the profits which have been made by Government stores. In one year we showed a loss. That was the year that was criticised; there was a loss overall of £50,000.

486. That was your first year?—Yes. 1946-47, the first year in which we ever made a loss. In that year the stocks of refrigerated produce were down substan-

tially. We have analysed the profits shown by Government stores that are in consumer area and which have been kept turning round fairly well. In fact, in that particular year I think out of 48 stores we had 19 of them showing a profit. Perhaps I might verify that figure. The profits that they were showing were in every way comparable with the profits that were being shown by controlled stores. During that same year, out of the 48 stores we had to close down quite a number for various causes, such as repairing of roofs, as they were built during the war period. I think on the figures that have been supplied to me over 30 of the 48 were closed down for a certain period in order that roof repairs and so on could be made. We took the opportunity during that year, when stocks were low, to have this done. Nothing had been done on the stores since 1941. At the same time during that year we were in process of switching over 12 of the 48 stores to dry storage, because the refrigerated quantities were quite low. That drying off process took quite a number of weeks, because the installation in the stores had to dry off before we could put in canned goods. Before it was completed we had to open up those stores again, to take in the excess apple crop of two years ago. We also had to store about 25,000 tons for an outside Government. It is a fact that during that particular year when £90,000 of loss was shown, a fair proportion of Government stores were in process of being transferred over to dry storage, and because of that we were without revenue for a matter of seven months. The following year we made a profit of some £114,000, that is 1947-48; and in this present year we are also well in the black.

Chairman.

487. Before you leave that point, can you say what capacity of Government stores was in use during 1947-48?—(Mr. Bailey.) 41 per cent. Could I, perhaps, since I have it in a convenient form before me, summarise what the position is? The proportion of Government-owned cold storage capacity in use in 1946-47 was exceptionally low as the result, as Mr. Hillhouse has said, of certain stores being empty for long periods whilst they were being converted to dry storage or whilst repairs were being executed. In 1947-48 a profit of £114,000 was made on the Government-owned stores which were in use to the extent of 41 per cent. of their capacity, as compared with 59 per cent. of the capacity of privately-owned stores.

Mr. Corlett.

488. It was 33 per cent. the year before?—Yes. It has to be recognised that economical operation cannot be expected with

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such of the Government controlled stores as have been sited for strategic reasons in outlying districts. Reference has been made to the review of cold storage policy which is being undertaken by the Ministry. In the course of that review special consideration will be given and is being given to ensuring that the fullest possible use is made of those Government stores which it may be decided to keep in operation.

489. How can the fullest possible use be made since you have at this moment this agreement that you will not enter into competition?—You must interpret the words I have used in relation to that agreement.

Chairman.

490. Amongst the questions which you have got under active review—,—May I, before you go on, say this, that this agreement or undertaking will be a subject forming part of the general review. Quite obviously that must be so.

Mr. Corlett.

491. It is a burden imposed upon you?—Yes.

Chairman.

492. The question, then, of putting some of these stores on a care and maintenance basis is being reviewed?—Yes.

493. At present you have not put any of the stores on such a basis?—Yes, some of them are on a care and maintenance basis.

494. Where they have been put on such a basis, who bears the cost?—The Ministry does.

495. You continue to bear the cost?—Yes.

Mr. Corlett.

496. These are all stores which have been changed over; there is no cold storage run on that basis?—(Mr. Hillhouse.) We have at the moment it may be three or four which are now being used for dry storage, that is for cased goods; there are a certain number, a very small number, I do not quite know how many, which we are in effect holding on a care and maintenance basis.

497. In cold storage?—Yes.

Mr. Niall Macpherson.

498. The refrigerating plant has to be dismantled? I do not know the process at all, but when you transfer it to ordinary dry storage I presume the refrigerating plant has to be dismantled?—No.

499. Is it kept on care and maintenance?—You merely take all the chemicals out under the care and maintenance arrangement; the compressors and so on have to be turned over every so often during a year. There is an engineer in charge; but the plant is kept in first class condition, and the store can be put back into use

after a certain limited period. You cannot put a cold store right back into use in 24 hours.

Mr. Corlett.

500. The overhead charges on that dry store would be much heavier than for an ordinary dry store?—Yes.

501. Which would rather make you have a loss, or might reduce your profit?—We look upon it in this way, that we have those stores and we have got to put them on a care and maintenance basis, and if we have goods to put in them, the cost of storage is saved. Quite obviously, we should use this cold store as much as we could for dry storage, because that would avoid paying the cost of storage elsewhere.

502. I am looking at your difficulties. Suppose you have one of these converted cold stores and you are using it for ordinary dry stores, yet you are held by this agreement, that you cannot use it in competition—it may not be used at all?—There is nothing in the undertaking to prevent our using a Government cold store for any purpose other than cold storage.

503. The limit is only on cold store?—Yes.

504. Used as a cold store?—Yes.

505. Not used for any other purpose?—No. We have one cold store which is a biscuit distribution depot. We have rented part of that place for a distribution depot. There is nothing in the undertaking to the cold storage industry which prevents us doing that. There is nothing in the agreement that would prevent us using those cold stores for the storage of non-refrigerated goods.

Chairman.

506. When was that undertaking given, for what purpose was it given, and for what duration is it?—Have you a copy of the undertaking, Sir?

507. No.—It was given in the first instance in 1940 by Sir Henry French, who was then Permanent Secretary to the Ministry of Food. It was confirmed again by Lord Woolton on the 28th November, 1940, and it was re-confirmed on the 17th March, 1942.

Mr. Corlett.

508. Has it ever come up for review since?—No.

509. Never been reviewed since?—(Mr. Bailey.) It is, as I said, part of the review which is taking place.

Mr. Barton.

510. Does it actually mean that all private cold storage has got to be occupied before we can start using Government cold stores?—No, it does not mean that.

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511. I think we ought to know where it starts and where it finishes?—(Mr. Hillhouse.) I think it depends rather on our interpretation of that undertaking. Before the war the amount of goods in cold store was very much less than our stocks during the war period, and certain of the private stores in danger areas during the war period we had to use to only a very limited extent. Then there came a time when during our peak stock period, building up from 1943 to 1944, when we wanted every ounce of cold storage space in the country, in fact we were storing to such an extent that we were well beyond their capacity figures. With D-Day and the diminution of stocks in store, we had to be very careful to keep our stocks in the consumer areas.

512. But why?—It is a question of cost and a question of double handling.

Chairman.

513. And also a question of transport?—Yes. There are at the present moment insufficient private cold stores in certain areas. In those areas the Government stores come right into the picture, and we are using Government stores in certain of those areas much more than we are using private stores.

Mr. Corlett.

514. Yes; but we still come back to Mr. Barton's question. These were built when prices were very high indeed, at the very peak, and yet somewhere a line is drawn to this effect, that they shall not be used if there is private storage available?—(Mr. Bailey.) That is because of the undertaking, if I may say so. (Mr. Hillhouse.) Yes. (Mr. Bailey.) We must adhere to the terms of the undertaking.

Mr. Corlett.] Yes, I agree; but I am trying to get at your losses, and I am beginning to understand them.

Mr. Barton.

515. We are still without a definite answer as to where one begins and the other ends, or where one ends and the other begins. You say it is not a fact that all private stores have to be full to capacity before we use Government stores?—No.

Mr. Barton.] Where do we start storing in Government stores?

Mr. Niall Macpherson.

516. Is it related to pre-war figures handled by the various private companies?—No.

Mr. Corlett.] It cannot be, because of the increased percentages we have had given to us.

Mr. Niall Macpherson.] It may be related.

Mr. Corlett.] The figures were given to us. We have risen from 33 per cent. to 41 per cent.

Chairman.

517. Risen by 8 per cent. in one case and 1½ per cent. in the other?—(Mr. Hillhouse.) I think the foundation here is that in pre-war days I think I am right in saying that between 70 and 80 per cent. of cold storage capacity in this country was in one or two or three of the major ports—London, Liverpool, Avonmouth and Glasgow; a very large percentage was there. Now we are all on rations, and we have got to have our meat in areas to meet the consumer demand. When a ship arrives, there is an allocation from that ship to fill up the stores, to hold stocks to meet the consumer demand. Now, we have built quite a number of these Government stores in the Midland area, because the Midland area in pre-war days was very deficient in cold storage capacity. An allocation will go into those Government stores in the Midland area, and in any other Government store in a consumer area where the stocks are wanted for consumer demand and allocation of stocks will be made to those stores very much on the same basis as the allocation to private stores in the port areas. You will get a difference in percentage utilisation between the two, because there are a big number of our Government stores in outlying areas where it would be just nonsensical under present conditions for us to send goods, say, from London or from Liverpool, into these outlying areas and bring them right back into the consumer area again.

Mr. Corlett.

518. But you are ignoring this condition when you are allocating goods according to the needs of the area?—Yes.

519. Can you do that; can you ignore this condition?—We do not say that we are ignoring that undertaking. We say that the need to meet our rations requires that we should have our stocks in *that* area.

Mr. Niall Macpherson.

520. Could not you also say that in effect there is no competition with privately-owned stores because there are no privately-owned stores, or very few, there, so that you are not evading your undertaking?—Let us take the Midland area; there are no cold stores there, or they are of such small capacity that they are not adequate for our consumer needs.

521. But is not that the answer on the basis of your agreement?—(Mr. Bailey.) I think it may well be. (Mr. Hillhouse.) I think that that would be one of the answers we would give.

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[Continued.]

Mr. Corlett.

522. And you say in spite of the contract you have raised some other factor to determine allocation, and that the contract does not exist so far as you are concerned?—(Mr. Bailey.) I would not like to accept that.

Mr. Niall Macpherson.

523. We seem to be arguing in a circle, anyway?—I think it must be clearly borne in mind that the use of these Government cold stores is restricted in part by their siting in secure areas, and the resulting inconvenience for transport and distribution. That is one aspect. The other factor works the other way, namely, that public cold stores may well suffer from a similar disability in relation to particular areas.

Chairman.

524. Is the position in the case of each of these Government-owned stores that they are operated on a management fee basis?—Yes.

525. How is that fee determined?—(Mr. Hillhouse.) It varies with the size of the store. Of the 47 remaining stores, 40 are of 250,000 cubic feet capacity; there are 4 more of 500,000, and the management fee is a flat fee which we pay.

526. Can you say whether the privately-owned store firms are in fact acting as managers of Government-owned stores?—They are.

527. So that they get the benefit of this arrangement both ways: they get the flat rate in respect of the Government-owned stores. In other words, they are not affected by the reduced use of capacity, and by virtue of the agreement they benefit at the other end; so that really one should add to the point raised by the Public Accounts Committee, that not only do they benefit from the previous arrangement in so far as their own stores are concerned, but they benefit by this flat rate fee for the work they do for Government-owned stores?—(Mr. Bailey.) They perform services for that flat rate fee.

Mr. Corlett.

528. And it increases the amount of stuff they have to handle?—The only element which is material is the profit element.

Mr. Niall Macpherson.

529. Would not that argument only apply if in fact privately-owned stores were retaining the same turnover as they had before the war and in so far as they retained the same turnover?—I think the Chairman's point is perhaps subject to that qualification.

Chairman.

530. I believe I interrupted you, Mr. Hillhouse. I did not mean to stop you. Perhaps you would kindly continue?—(Mr. Hillhouse.) The managers have a flat figure, and they have in addition a small percentage commission on a net profit; the net profit is arrived at after deducting a certain amount of profit to compensate for the flat fee. In other words, if a Government store showed a £10,000 profit and it was a 250,000 cubic feet capacity store, a certain proportion of that profit would be deducted before the 5 per cent. commission would operate.

531. Yes. That is, of course, a qualification upon the implication of my earlier question?—Yes.

532. There is an incentive to increase the profit of the particular store for which they are responsible?—Yes. (Mr. Bailey.) The allocation of goods to the store is a matter for the Ministry of Food.

533. Yes? — (Mr. Hillhouse.) The managers have no say in allocation.

Mr. Barton.

534. Is that so in all cases?—Yes.

Chairman.

535. It goes back to the agreement with the industry?—(Mr. Bailey.) I should perhaps say in fairness here that the industry take the view that the undertaking to which reference has been made was not a matter of hard bargaining or any sort of extraction, but an offer, undoubtedly made for the purpose of maintaining good relations between the industry and the Government.

Mr. Corlett.

536. Do you mean that the Government offered that or that the industry asked for it?—(Mr. Hillhouse.) I think that there is a background there. You have got to go back to the 1914-18 war. There were certain cold stores built during that war.

537. By the Government?—Yes; and they were sold at very low figures. I have in mind a store in Glasgow. The industry have always had a grouse because those very low priced stores came in in competition with them, and at the beginning of this last war, although I was not concerned, I gather that it was because of what had happened after the 1914-18 war that this undertaking was given.

Chairman.

538. It was obvious that the Government were considerably extending the cold storage capacity of the country?—Yes.

539. It was a factor which would obviously affect the industry?—Yes.

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Mr. Corlett.] Was it the Government who made this offer to the industry, or did the industry ask for this condition?

Mr. Niall Macpherson.] The industry would not in actual fact be in a position to impose any terms. It might have been suggested, and I should have thought it was impossible to say where it originated. It perhaps originated in conversation.

Mr. Corlett.] It is a very vital matter, that the Government stores would not be operated in competition with privately-owned stores. I can only imagine that coming from one source.

Mr. Niall Macpherson.] As long as it is a guarantee it is a guarantee, whether it is solicited or unsolicited.

Chairman.

540. I think we should confine ourselves to taking evidence?—(Mr. Bailey.) I can merely say that the industry maintains that it was not at any time consulted regarding the construction of those cold stores, and the industry would deny the suggestion that any pledges or promises regarding their operation were extracted from the Government.

Mr. Niall Macpherson.

541. May I ask one question regarding the strategically sited stores? I think the figure for the number of stores closed temporarily, at any rate in 1946-47, was mentioned. Could we have the figure for those closed either both temporarily and permanently, but mainly permanently, for 1947-48, and also the number of stores that are in fact considered as strategically placed?—(Mr. Hillhouse.) I do not think that I could give that answer now.

Chairman.] What I would suggest, which I think might be convenient to all parties, is that we should adjourn at this point, bearing in mind Major Macpherson's question, and that will give you an opportunity of coming back fully armed, and we can resume from there. Meanwhile I think Mr. Barton has a point perhaps arising from what Major Macpherson has just said.

Mr. Barton.

542. This is dealing with refrigerator ships. In the case of demurrage of refrigerator ships, cargoes delayed, and that sort of thing, is that charged against your Division?—No. I think the answer is no. Refrigerator ships are running on liner

terms; they are not chartered. If you take the case of ships coming into the Thames and they are held up, let us say, for five or six days, then the demurrage of those ships is not a charge upon us.

543. It is neither transport nor warehousing?—No. That would be borne by the ship. We do not get demurrage charges on liner shipments. There are certain cases where we are chartering, but in those cases the question of demurrage, despatch and so on, depends entirely upon the charter party.

Mr. Corlett.

544. But in the case where you pay transport, like tea, do you bear demurrage?—No. You mean we pay a flat fee for transporting tea from India here?

545. Yes?—That would come on to the liner. If that ship is delayed there is no charge upon us.

Mr. Barton.

546. It is not in any way borne as a surcharge either?—No.

Mr. Niall Macpherson.] Mr. Chairman, I do not know whether you intend to continue this discussion?

Chairman.] Yes.

Mr. Niall Macpherson.] I was going to suggest that the last point I made could quite easily be subject to a written answer. I was also going to raise the question of insurance and fire loss.

Chairman.

547. I take it that there are one or two further matters that we might want to ask Mr. Hillhouse about, and it would probably be more convenient if we finished our inquiry upon warehousing at our next session.—(Mr. Bailey.) Mr. Hillhouse is fortunately also charged with insurance and fire losses.

Mr. Corlett.

548. Then there is also the question of the ports.—We shall probably be able to give you satisfaction on the ports with other witnesses.

Chairman.] Before we embark any further on the existing line of inquiry, I think we ought to adjourn this afternoon. Let me again take this opportunity of thanking you very much for assisting us in understanding the warehousing side of this rather difficult question.

The Witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 3RD FEBRUARY, 1949.

Members Present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.
Viscount Hinchinbrooke.

Mr. Niall Macpherson.
Mr. Yates.

Mr. E. E. BAILEY, C.B.E., Principal Finance Office, Mr. A. D. HILLHOUSE, O.B.E., Finance Director, Transport and Warehousing Division, and Mr. J. G. CARNOCHAN, an Assistant Secretary, Ministry of Food, recalled and further examined, and Mr. R. H. HIGGINBOTHAM, Finance Director, Meat and Livestock Division, Ministry of Food, called in and examined.

Chairman.

549. I think it would be helpful if we raised one or two points arising out of the evidence we received last time. The first point, Mr. Bailey, is a request for just a little further information which perhaps we ought to have sought at the time. You remember when you gave examples of deterioration in store and transit an example was given of a golf club, and it was explained that they were not adequate premises. I think perhaps the Sub-Committee ought to follow that just a little further and ask why the golf club was used at all?—(Mr. Bailey.) I will ask Mr. Hillhouse to deal with that. I think it was he who mentioned the golf club. Could we be referred to the question, Sir?

550. Yes; it is Question 380?—(Mr. Hillhouse.) If I might try to answer this question, this is not a loss which has been shown up in my Division, that is the Service Division dealing with warehousing; it is a Commodity Division loss on goods that were stored in a private warehouse. Now, that is a very old loss. During the war period we were storing in the most extraordinary places, in piggeries, in cinemas, in church halls, in fact anywhere where there was any available space, and I can only suggest that this was storage space which had been taken by a firm of operators, this golf club; they must have had some vacant space, and there was canned meat stored in it. I know that we in the Warehousing Division at a certain period during the war were storing in something like 10,000 different locations, in back premises or houses.

551. I will not press you further. Perhaps we could assume that this is a loss arising out of storage made during the war; and then if on further inquiry you find that that is not so, perhaps you will correct us?—Yes.

552. But I thought it proper to afford you an opportunity of making an explanation, as in the evidence it might appear that you were not using adequate storage when adequate storage was available?—Yes.

Mr. Barton.

553. The point that we shall want to make clear, I presume, is as to whether

deterioration actually took place during the war or whether it took place during the year of the Estimates?—Yes.

Chairman.

554. Yes?—We should have to verify that.

Mr. Barton.] It alters the value of any answer to that question.

Chairman.

555. Yes, I quite agree. I am much obliged to Mr. Barton for raising that point. We understood last time that some of these claims were left as outstanding claims?—(Mr. Bailey.) Yes. This figure was included in a Losses Statement attached to the Appropriation Accounts for 1947-48, which comprised losses not only in that year but losses in preceding years; in other words, the opportunity was being taken to write off old losses which had not been written off before.

556. Then you remember that somewhat later we touched upon the question of de-infestation, and we were told that the De-infestation Division had been transferred from your Ministry to the Ministry of Agriculture?—Yes.

557. Perhaps we ought to have asked you briefly why that transfer was made?—(Mr. Hillhouse.) Generally I think I can answer that. There are certain obligations laid upon local authorities under the Rats and Mice Destruction Act, I think it is. This was within the province of the Ministry of Agriculture, and throughout the war period, as the Ministry of Food was holding large stocks of food that were subject to rodent infestation, the Ministry of Food set up its own De-infestation Section in the early days. That continued throughout the war. After D-Day it was decided that as the Ministry of Agriculture was, if anything, more interested in the agricultural districts and in the farms where we had our own home-grown grain and so forth, it was better for them to take over the De-infestation Section of the Ministry of Food, and that took place, if my memory serves me right, about three and a half years ago. (Mr. Bailey.) No, I think it took place in June of 1947, to operate from September of 1947. I recall that. But in general the reason was to group in a more

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appropriate place a number of related functions.

558. We hope that the rats and mice pay greater respect to the Ministry of Agriculture than they did to the Ministry of Food?—Yes.

Mr. Barton.

559. There is this point. The Rats and Mice Destruction Act places the obligation of getting rid of the pest on the occupier of the premises.—It also, I think, places an obligation on the local authorities.

560. Yes. Local authorities will come to the assistance of the occupier, but the obligation under the Act to keep clear of pests is placed on the occupier. Does that mean to say that the Ministry of Food have transferred their liability as occupiers under the Act to the Ministry of Agriculture?—(Mr. Hillhouse.) I should say no. (Mr. Bailey.) The transfer bears no relation to that.

Chairman.

561. I think possibly the point Mr. Barton has in mind, which of course, interests us all, is that an item of expenditure which should properly fall upon you as occupier may have been shifted to another Ministry?—That is not so.

Mr. Corlett.

562. On that very same question, you said: "The services of that Division of the Ministry of Agriculture and of their experts are available to us and to our managers for this purpose." Are they really available? The Ministry of Agriculture may want them for their own purposes just when the Ministry of Food want them?—All our staff who were engaged on this activity went over to the Ministry of Agriculture to add to any staff they had engaged upon similar activities, and the services of that staff are as freely available to us today as when they were under our own control. Perhaps I might at this point ask, if the Subcommittee would permit it, Mr. Hillhouse to give you the facts that we have ascertained in respect of the Tholthorpe Aerodrome?

Chairman.

563. Yes, it would be convenient?—(Mr. Hillhouse.) That was a very bad parcel which went into that aerodrome in April of last year. It is not a case of Russian barley; it is a case of Australian barley.

Mr. Corlett.

564. There were two lots, 3,000 tons of Australian barley and 2,000 tons of Russian?—There are 2,000 tons of Russian barley at that same aerodrome. That was received into store in July in good condition, and no treatment was necessary by the De-infestation Department. We also had a further 2,400 tons of Russian barley stored in another hangar of the same aerodrome. This consignment was in good

condition, but was sprayed with insecticide as a precautionary measure. Now we are coming to the really bad lot which was received into store in April. In July weevil infestation was reported.

565. Where was that from?—That was from Australia. It is quite obvious from this that the infestation was not apparent in April; it must have developed; it would be in the egg. However, in July weevil infestation was reported. First aid measures were carried out by the De-infestation Department to control it. In September complete fumigation was carried out, and the reports were satisfactory; that is, the expert's reports since received by the De-infestation Department on the 19th October show that infestation is completely under control and no further treatment is necessary.

566. Splendid! I am very grateful indeed?—Now we have some information about the fire engine case you raised. I must say that this is most interesting and really quite amusing. This allegation about a fire engine standing by has probably arisen from the fact that on Sunday morning, the 5th September, a watchman at this aerodrome telephoned to the manager to say that a stack of Australian barley was heating. The fire brigade was called in, and it was found that the cause of the heating was infestation. The matter was reported to the Grain Committee on the 6th September. The barley was fumigated, and there has been no trouble since either from heating or weevil. The report in the paper that a fire engine was standing by is pure romance. No other parcel of barley except this 2,000 tons of Australian barley has been affected.

Mr. Corlett.] That will destroy all the statements that were made in the House.

Chairman.

567. If Mr. Corlett is satisfied, we will now pass on to one or two further points. You remember that regarding claims abandoned you referred to the write-off procedure. I wonder whether it would be possible for you to let us have in due course, at your convenience, a copy of the Finance Department memorandum you referred to and also the memorandum of losses which can be written off at the different levels. I think you mentioned that memorandum, but we did not indicate whether or not it would be helpful?—(Mr. Bailey.) We shall certainly provide that.

568. I think it would be helpful if we had those memoranda?—Yes.

569. Whilst we have got memoranda in mind, I think it would also be helpful if you let us have a note on the location of the Government-owned cold stores. You remember we dealt with that at some

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[Continued.]

length. It would probably help us if we could just have a list showing the location of the stores, and also, if it is possible, to indicate those stores which are showing a loss; in other words, not necessarily a current loss, but to indicate those stores which have been difficult from a profit and loss position?—We have got that here. We will provide it to the Clerk of the Sub-Committee.

Chairman.] That will be helpful.

Mr. Barton.

570. Would it not be more helpful Mr. Chairman, if we had information about private cold stores, too?—There are 367.

Chairman.

571. Yes, I notice there are about 370?—(Mr. Hillhouse.) It is round about 320 now, because we have eliminated quite a number. The last change which took place in the scheme was May last.

Mr. Barton.] Your whole policy as to storage is divided as between private cold storage and Government-owned cold storage, is it not?

Chairman.

572. I am anxious not to cause too much work. Perhaps if we could have the first note on location, and then if we felt that we would like some further information showing the cold storage position as a whole we could ask for that?—I have that information here. You also asked for information about utilisation, as to whether they were used for warehousing, refrigeration, and so on. We have also made a chart of that.

573. We are very much obliged. You have anticipated our persistence in our inquiries?—(Mr. Bailey.) We will hand this chart in.

574. You remember you also referred to the return of a partial year of working of the new agreement, and you explained that that will only be a very partial guide. I think I am right in believing you referred to this month as being the month when that return would be ready. If it should be ready during the present inquiry of this Sub-Committee, perhaps you would let us have a note upon that, too?—I think the fact is that the control year ends on the 28th of this month. (Mr. Hillhouse.) It is on the last Friday in the month of February.

575. So that it may well be that it will not be available?—(Mr. Bailey.) Several months must elapse before it is available.

Mr. Corlett.

576. Could we see a copy of that new agreement?—(Mr. Hillhouse.) Yes.

Mr. Corlett.] We could only judge if we saw the new agreement.

Chairman.

577. As you explained last time, that is a matter that you would wish to be kept confidential?—(Mr. Bailey.) No. (Mr. Hillhouse.) No. It has appeared in a Treasury Charges Order which sets out modifications which were introduced into the scheme as from the 29th May last, and it has been through the House.

Mr. Corlett.

578. Is it a new agreement in place of the 1940 agreement?—No, it is merely an amendment or modification to that agreement. There was a new Charges Order which we had to introduce because we reduced certain allowances within the scheme, and there being a charge on the citizen it is a Treasury Charges Order, and we had to get an affirmative resolution in the House. Are you referring to the Cold Storage Control Order or to the undertaking to the industry in respect of Government stores?

Chairman.

579. I was dealing first with the first agreement you have referred to, but I was going to touch upon the second. Perhaps I might do that now by asking two questions. It seems quite clear that they will be supplemented by further questions. The two questions I had in mind were these: First of all, on re-reading the evidence, I have gained the impression that this undertaking has not been reviewed since it was re-confirmed on the 17th March, 1942?—That is correct: It still remains open, and therefore the undertaking still exists as it was re-confirmed in 1942.

580. The second point that seems to appear from the evidence is that although that undertaking still remains operative it has been substantially disregarded. I have got in mind particularly the answer given to Question 513. Perhaps if I read it to you it will refresh your memory about it: "In those areas the Government stores come right into the picture, and we are using Government stores in those areas very much more than we are using private stores"?—(Mr. Bailey.) If I might say so, the undertaking is upon a national and not upon a regional basis; that is to say, the statement you have quoted may be true of a particular area, but the overall picture may be quite different from the area picture. (Mr. Hillhouse.) I think it is more than that. The undertaking is in respect of the disposal of Government stores. The Ministry of Food have said that so long as we require those Government stores to fit in and to service our meat rationing and meat distribution we shall use them notwithstanding this agreement regarding disposal of them.

Mr. Corlett.

581. But it is very explicit, is it not? Can you disregard such an explicit agreement?—(Mr. Bailey.) I think perhaps the

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Sub-Committee might find it helpful if we gave them the text of the undertaking.

Chairman.

582. Yes, it would be helpful?—It is rather lengthy. One would hesitate to read it out.

583. Perhaps if you do that, Mr. Bailey, meanwhile you will just indicate the heads so that for the moment we can be clear about them?—(Mr. Hillhouse.) The undertaking is contained in extracts from speeches made in the first instance by Sir Henry French, then by Lord Woolton, and then reaffirmed by Mr. Whalley. There is nothing but those declarations; there is no signed agreement with the industry.

584. It depends really upon assurances given for and on behalf of the Ministry by the Minister?—Yes.

Mr. Corlett.

585. We should honour our assurances, surely?—(Mr. Bailey.) I do not think we should accept it that we have in any respect disregarded or dishonoured the agreement. No such charge has been made against us by the industry, who would be active enough to do so if we had disregarded the agreement. We will supply the text of the undertaking as given, and if the Sub-Committee would like to revert to this subject at a later date we shall be only too glad to give any explanation.

586. On the question of Government cold stores, these were built in strategic areas, and it would be costly to use them instead of privately-owned cold stores. That was the statement?—(Mr. Hillhouse.) Yes.

587. Do not many of those strategic areas happen to be big consumer areas?—Yes.

588. Now that we are on rations, are not these the ideal places for cold stores?—We are using those Government cold stores in the large consumer areas. We have been using them, I would say, almost to the same degree, if not the same degree, as private cold stores. That will all come out from your request that we should give you the breakdown of profits made. You will see very clearly that the location of the store has much more effect on its profit result than any undertaking given to the industry. You will also see that Government stores in the consumer areas have been fully used and that they have shown good results. With regard to Government stores in the outlying areas, we have not used them so fully, and in this particular year 1946-47 we did show losses on those. We have all that information available.

589. Take my own area, Yorkshire. I think we have Government cold stores in Doncaster, Leeds, York, Goldsborough

and Northallerton. Three of those are obviously right in a big consumer area. I can quite understand Goldsborough perhaps not being so busy, but could you tell us how many days a week they are working in those stores, particularly Goldsborough?—I do not think the number of days per week really would give you what you want here. I think what would be very much better would be to see the quantity, the tonnage, that is passing through a store, because arrivals are very spasmodic, as you know; all cold stores may be handling in two days all the meat arriving from a particular place, and then there may be no meat for another week or ten days.

590. Yes, I could accept that, of course; but what I am concerned about is this: Are any of those purely care and maintenance or have any of them been turned over to dry stores?—Would you mind repeating the names again?

591. Yes: Leeds, Doncaster, York, Goldsborough and Northallerton. There may be more in Yorkshire; I do not know?—I might say that the statistics we have prepared show exactly that information, we have shown for the three years those cold stores which have been wholly refrigerated—that means that they have been maintained fully under refrigeration; the P.R., the part refrigerated—that means we have cut off chambers and have used one half for dry and the other half for refrigeration; and they also show the stores that have been used wholly for warehousing and the stores that have been for part warehousing. That is all here, and from all these particulars which we will supply you will see exactly what the position is. (Mr. Bailey.) May I offer a comment on the subject? I rather recollect that what was said was that economical operation could not be expected of such of the Government stores as have been sited for strategic reasons in outlying districts; that is to say, the remark does not apply to all of them.

592. Yes; that is why I am differentiating. Now, are the Ministry of Food officials who distribute the food at the port to the cold storage depots in the employment of a private firm?—(Mr. Hillhouse.) The cold storage officers who are in the various areas throughout the country are Ministry of Food officials.

593. Do you pay their salaries?—Yes.

594. Therefore the man in charge at Hull, for instance, would not be in the employment of a private firm?—He would not, I should say, but most of the cold storage officers—and they are experienced cold storage men—have been in the employment of cold storage firms, but since they became cold storage officers of the Ministry of Food they have been wholly employed on Ministry of Food cold storage.

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595. Are they loaned to you, and are they still in the employ of a private firm?—We, that is to say the Ministry of Food, pay their salaries.

Chairman.

596. Whole-time officials?—Yes.

Mr. Corlett.

597. Yes; but if this official who distributes food, say, at Hull, is an employee of a private firm, is he guided in his distribution by that 1940 agreement, that privately-owned stores must have priority?—The allocation of cold storage space is very closely supervised by the Cold Storage Director and his staff at the headquarters of the Ministry of Food.

598. But where he receives this food, say at the Port of Hull, and he has to decide to which cold storage it should go, is it left to him entirely?—Not entirely. In the first instance he must allocate those goods, but obviously he ought to do it on the principle of fair shares.

599. In spite of the 1940 agreement?—When you say the 1940 agreement, you mean as between private stores and Government stores?

600. Yes?—Let us assume that at Hull there are goods for allocation: he, no doubt, will allocate those goods to the Government and to the private stores that are in full utilisation. I know that these area cold storage officers are continually on the telephone to the Director of Cold Storage, because that is rather his problem, not on the finance side, and I know that the allocations both to private and Government stores are extremely closely overlooked by the Director of Cold Storage in London.

601. We have that variation in regard to their use, 51 per cent. for private and 41 per cent. for the other?—41 per cent., I think, as against 59 per cent.

Chairman.

602. Yes, 41 per cent. as compared with 59 per cent.?—Yes; but you are taking the whole of Government stores—that means 47 stores. You can probably reckon that 30 of those are in outlying districts and obviously have not been as fully used as other Government stores—that is where you get a very big drop on the percentage of utilisation. It is because of those 30 Government stores in outlying districts.

Mr. Corlett.

603. Could we know which Government cold stores have been changed over to dry stores, and how they were selected?—I have that information here; it is in these statistics. Actually there has been a supplementary note put in,

604. I see you made a profit of £114,000 upon the Government cold stores in the year 1947-48?—Yes.

605. Is not that rather remarkable, since few, if any, of those were working to capacity? The average was, I believe, 41 per cent.?—No.

606. It is not?—It is not at all remarkable.

607. I am wondering what is being made in private enterprise?—That is £100,000 on the whole of the 47 stores. I think in that particular year we were making £100,000. I can give you the number of Government stores that showed losses for that year and the number of stores that showed profits for that year. That we will show you. (Mr. Bailey.) I think it may be material perhaps to remark here that the profit position for a cold store depends very much upon its size. The Government cold stores are all over 250,000 cubic feet capacity. That is the economical size. Many of the private cold stores are below that cubic capacity.

608. Yes; there is one in my district which is very small indeed?—It follows that the Government cold store, quite apart from its up-to-date equipment, can be operated more efficiently and profitably than small private cold stores.

609. Are privately-owned cold stores still mainly at the ports? I believe you said there were four ports involved?—(Mr. Hillhouse.) The capacity is mainly at the ports.

610. Were many of them destroyed or damaged, and are they being rebuilt?—Very few were destroyed during the war. There is a large one at Southampton being built; there is one being built in Manchester. In numbers, of course, private stores are spread all over the country, but the large capacity stores are in the three or four major ports.

611. If those large ones are rebuilt, what is going to happen to these new Government-owned cold stores?—That is exactly one of the points which are dealt with in this review of cold storage which has been undertaken.

612. Has any decision been reached about their being rebuilt?—There were very few of them that were damaged. I am speaking now without figures, but I think in total only some 5 million cubic feet of capacity was destroyed during the war. There was one at Liverpool, practically nothing here in London; that big store at Southampton went; there was one store at Trafford Park in Manchester; but really very few cold stores were totally destroyed during the war.

613. These people perform a service for a flat rate fee; I am thinking about cold stores alone?—Yes.

614. I may not be putting it very clearly to you, but they may be getting, say 5d. or 6d. per cubic foot on the flat rate fee,

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and then if there is a net profit they get a percentage on that profit, I think you said?—Yes.

615. A small commission?—Yes.

616. But are not all those salaries and wages of the people working in those places also covered by you?—Up to the foremen, or what we call the managers, we reimburse the costs of the cold store—I think you would probably call him the foreman or the manager. Administrative supervision is remunerated by a management fee, which is not fixed at so much per cubic foot, as in the case of the controlled cold stores but on a certain amount per annum.

617. In York we may have about 20 people in the cold store. They are all, I gather, employees of the private firm who has employed them before?—Yes.

618. When they strike a balance of expenses in connection with that particular depot, do they send it to you through your regional office or through your headquarters office, and do they put in all the expenses, including salaries and wages?—There is a monthly statement of account which all of those operating firms send to us, and that includes all the expenses of the Government store. In certain cases that comes direct from the store; in other cases it goes through the central office of the operating firm. On the question of expenditure, it is quite immaterial whether it goes through, let us say, London, in respect of a store in the Midlands, or whether it comes direct from the store. They are all drawn up on the same lines; it is the Cold Store Account.

619. I am trying to get a clear picture of what it is costing us for the stores in my own city. If you are paying all the wages of those employees of this firm, if in addition that firm is getting, say 6d. per cubic foot, and if in addition a commission on net profit?—The operating firm will get a flat amount, not per cubic foot; it gets a fixed amount of management remuneration, and then 5 per cent. on any profits over a certain amount.

620. But how do you get profits unless you consider the wages that are paid?—We establish revenue charges for those stores in exactly the same way as private stores. We have the same rates for storage; we have our same revenue; and against our revenue we have our operational costs exactly like the private store.

621. But I could go into that store now and I could ask the manager: "What is the wages bill for these people this week?" I could then ask him whether it goes to you as an account for the store or whether there are additions made to it for somebody in the regional office for that firm or somebody in the headquarters office; and then whether you pay on the whole thing; and then, lastly, whether on top of that

there is a flat rate fee, or are we at cross purposes?—I rather think we are. The operation costs of Government stores as far as we have been able to maintain them are on all fours with the operating costs of the controlled stores; in other words, we pay exactly the same wage rates as are paid in the industry. We charge the same storage rates as the industry charges. We allow to the foreman or to the manager of the store what we see is a fair average rate as paid by the industry; and in addition we pay to the operating firm a management fee for supervising the operation of that store. If that operating firm makes a higher profit than £X, the firm receives 5 per cent. commission on that profit.

Chairman.

622. If we could just get it clear from the point of view of man-power, who in fact does the supervision?—The operating firm.

623. I know the firm has the responsibility, but who in fact does it?—In most cases you will find that it is one director of the firm. Take, for instance, the Port of London Authority, who are operating a certain amount of our stores, including several well known cold stores. For instance, there is the Hay's Wharf Company, who have several, and there are other cold store firms.

624. But they have no representative, as it were, at the stores?—The staff at the store, although they are employed wholly on that work, are on the staff of the operating firm.

625. And are paid by the Ministry?—The wages are refunded by us. We have had from the beginning no directly employed Ministry staff in any of our cold stores or in any of our warehouses. For administrative reasons, that was a decision taken in the early days; the staff employed at all Ministry stores or depots, cold stores or warehouses are on the payroll of the operating firms.

Mr. Yates.

626. The Ministry, therefore, has no control whatsoever?—On the financial side we control those costs very strictly; the costs which we refund are controlled most strictly.

Chairman.

627. But why should you have to do that when you are paying a management fee presumably to the firm that is managing because it has what I might call the know-how? Surely the position would be that the firm with expert knowledge of the trade and its requirements would say: "What are you interfering for? You are already paying us to do this work for you"?—Yes; but we are refunding to them

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the costs for it, the operation costs. (Mr. Bailey.) They are direct costs plus a fee for the management, and they are subject to scrutiny. They are measured against comparable costs in private industry which we also pay.

628. You are using your general fund of knowledge as a check upon expenditure on each individual cold storage warehouse?—(Mr. Hillhouse.) Yes. We want to see that they do not overcharge us.

Mr. Corlett.

629. I was taking the answer to Question 527, where Mr. Bailey said: "They perform the services for that flat rate fee." I am afraid I read into that that that was all that the firm received, an allowance per cubic foot plus a small commission on net profit?—(Mr. Bailey.) No. I should perhaps have said: "They perform the services for that flat rate fee and reimbursement of their direct costs."

630. Yes?—That is where we have been at cross purposes.

Mr. Corlett.] Yes, that is my point.

Mr. Barton.

631. What is the function of the Ministry's cold storage officer? Is he an area cold storage officer?—(Mr. Hillhouse.) Yes.

632. What is his function?—Here you are asking me a question which should be answered by the Director of Cold Storage, but I will try to answer it. The area cold storage officer is responsible not only for the Government stores but for the allocation of controlled stores in his area. He has to see that the Ministry's meat is properly handled by those cold store operators. He has rights of supervision on behalf of the Ministry of the cold storage firms who are within the control scheme or who are operating our Government stores in his area.

633. So that they are supervising experts who are getting a fee for that supervision?—I do not think anyone would expect that a cold store could be run without someone to look after it and supervise the running of it.

634. Perhaps I may put it clearer. Is it the function of the Ministry's cold storage officer purely to allocate meat to a particular cold store, or does his function include supervision of the cold stores in his area?—Both. He has to see that the meat is being properly handled by the firm who is operating either its own store, or if it is a case of managing a Government store he has got to see that the deliveries are properly carried out to meet rations, and he has, of course, to be responsible for the condition of the meat during transit to stores, the reception of it, and in general

he has the complete supervision of that meat or refrigerated produce throughout his area and when it is in his area.

Mr. Corlett.

635. You mentioned in answer to Question 409 that there are separate inspectors for each commodity, such as canned meat and canned fish and so on. Does it really need a separate inspector for each commodity?—The position is that our Commodity Divisions have their commodity stocks—we are talking now not of cold stores alone but of ordinary dried goods—they will have their goods in public warehouses; they might have them in grain silos; they might have them in Ministry warehouses; and all our major Commodity Divisions have either their own inspectors on the Ministry staff, or employ an inspecting firm to go round and see that their goods in those public warehouses are in good condition, making examinations of the goods as they are taken out of the ship, and in fact examining them to see that there is no deterioration and that the goods are kept in good condition.

636. May I envisage two inspectors coming into one store, one to inspect canned meat and another to inspect canned fish, at one and the same time?—I should think it is quite probable, because an inspector of canned meat may know nothing whatsoever about canned fish. I should think it is possible.

637. It requires special qualifications?—Definitely.

638. I am wondering how far you carry that. There are some that require quite a comprehensive inspection, but they will not each require special qualifications?—I think, when you get to that level, you usually find that the inspectors of a firm do specialise in a particular commodity.

639. I wonder how many of them there are?—Messrs. Perfect, Lambert and Company are a firm that do all the canned meat inspections for our Meat and Livestock Division.

640. I am wondering how many commodities we have that must have a separate inspection?—I do not think that I could answer that.

Chairman.

641. I suppose by custom different trades have established their own inspectorates?—Yes. (Mr. Bailey.) You have a choice between organizing inspections on an area basis or on a commodity basis, and the one might just as well be economical of manpower and other things as the other.

Viscount Hinchinbrooke.

642. I am afraid I was not here last time, but I have read the evidence and I have been listening carefully to what has been said today. It appears to me that

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there are a number of Government cold stores in strategic areas which are not convenient for modern distribution requirements. Is that right?—(Mr. Hillhouse.) Yes.

643. And that only about 35 per cent. of the capacity of those stores is employed?—That was in 1946-47; the later figure was 41 per cent.

644. But you are making more use of them than formerly. Is that as a result of the strictures passed by the Public Accounts Committee last summer?—No, I think that position arose before.

645. Would it have been possible to effect the sale of such Government stores and to concentrate operations on privately-owned stores which are in more convenient places?—There has been a review undertaken—I think it is completed by now—as to the future of Government stores.

646. Was that the review that took place during July, 1948, or before, when the Committee of Public Accounts were sitting? Is that the same review that is only now coming to a conclusion?—Yes, because there are strategic considerations. The Defence Council has made certain statements in respect of the maintenance of those Government stores which were located, for dispersal and strategic reasons, at certain points.

647. Would you not be entirely safe in disposing of them to private industry now and requisitioning them if necessary in the event of war or the threat of war?—If one handed them over or disposed of them to the private cold storage operators, they then would not be interested in those that are in outlying districts—quite uneconomic locations. If they took them over I imagine they would ask for some assistance in keeping them up, as they would be, under normal conditions, quite uneconomic. The review, which has been mentioned on more than one occasion, examines what, in the interests of the country, is the best way of maintaining certain of those stores which are in strategic positions, because it is felt that they must be maintained. We have had two wars. During the 1914-18 war cold storage was quite inadequate. We had to have stores built in a hurry during that war, and exactly the same thing happened during the last war, only to a much greater extent. Those are modern stores, efficient stores, and I think the view is that they must be held available.

Chairman.

648. Was the cold storage accommodation inadequate before the war for peacetime purposes?—I think the answer is No; I think it was more than adequate. (Mr. Bailey.) It is this concentration in the ports which brings in the strategic factor in all this.

Viscount Hinchingsbrooke.

649. Is a running deficit of some £90,000 in 1946-47 really justified by the remote contingency of war?—(Mr. Hillhouse.) That was the one year in which we made a loss on Government stores. In all previous years, and since, we have made very much higher profits than £90,000.

Chairman.

650. You show, in other words, the overall balance?—Very much on the right side.

Mr. Corlett.

651. That is when you were repairing roofs and converting some to dry stores?—Yes, and it was during a year of very low stock levels. I think we repaired, out of 48 stores, 33 during that year.

652. But for seven months some were not in operation at all?—Yes.

Viscount Hinchingsbrooke.

653. What is the difficulty about coming to a decision, and is the delay of from six to eight months in reviewing this question really justifiable in view of the waste of public money?—(Mr. Bailey.) All I can say in answer to that is that the Minister has the subject under consideration following upon the review which has been made.

Mr. Barton.

654. There is just one point I want to clear up on the cold storage issue. It is with regard to the staffs at the Government cold stores. Shall I put it in this way: Are any of the staff at Government cold stores engaged by the Wholesale Meat Supply Association?—(Mr. Hillhouse.) I do not know of any instance.

Mr. Corlett.

655. Would it be fair to put that another way: that they are employed by firms who are members of that Association?—They are employed certainly by managing firms, and they may, through their business connections, be members of the Wholesale Meat Supply Association, who are managers.

Mr. Barton.

656. Is there any question of a dual payment arising from first their capacity as an existing cold storage firm and, secondly, from their other capacity as members of the Wholesale Meat Supply Association?—(Mr. Bailey.) It may be a dual capacity for a dual service. There are two services being performed; one of them we will come to at a later stage. The other is the service of managing a cold store. That is quite a separate service, separately remunerated.

657. Contrariwise, on the importing side, is M.I.N.D.A.L. at all involved in their services?—(Mr. Hillhouse.) No.

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Mr. Corlett.

658. Only in so far as some employers may be members of that organisation?—Yes, that is so of all these distributing companies. (Mr. Bailey.) The question, if I may endeavour to put it, is whether we are getting value for the services in question.

Chairman.

659. Before we leave warehousing, perhaps we might ask just one or two questions about general warehousing, not cold storage warehousing. We have been given information that 107 standard warehouse buildings and 545 Romney and other huts are used; we are also told that 63 aerodromes were used. May we assume that the buildings of those 63 aerodromes are included in the former figures or are they additional to those?—No, they are quite apart.

660. So that those three figures together give a comprehensive picture of Government buildings used for warehousing purposes?—(Mr. Hillhouse.) Yes.

661. In all these cases is the position the same as that of cold storage premises, inasmuch as they are operated by a firm on a management fee basis, similar to that applied to cold storage warehouses?—Exactly similar; the staff is on the payroll of the operating firm.

Mr. Corlett.

662. In all aerodromes that you take over you put in professional wharfingers?—Yes.

663. Would they be employees of one of these firms?—No; we would put in a firm of professional wharfingers as our managers and they would arrange for staff. We would say, "This is a depot of (let us say) 20 buildings with a capacity of 7,000 tons and that should be operated with a staff of (so many) men. We will admit a foreman chargehand and three labourers." I am just quoting figures. Then we say to our managers: "We will not have more than such and such a complement at that depot." The wages of the men are governed by Trade Union rules and we accept that we cannot give a foreman more than this, that or the other. That is where our control of these matters comes in.

664. Is there any flat rate for cubic feet there in addition?—There is a minimum and a maximum and then there is so much to build up to a maximum figure based on the tonnage throughput of the depot.

665. So that the wages of the men are paid, plus this flat rate?—That management fee is quite separate; that is the management fee for operating the depot. We refund operating costs.

Chairman.

666. In this case there would be no question of having an additional fee or commission on the profit as it were of the depot?—No.

667. That would not arise?—No; there is no commission.

Mr. Corlett.

668. Last time we had quite a conversation about the word "normal." We referred to normal wastage and normal infestation, you remember. Now when you talk about an average normal figure, is that an average taking the country as a whole, or do you look for the normal in each individual storage depot?—The normal to which we were referring I think was the normal deterioration throughout the country. We did prepare certain figures to show that there was deterioration in our own stores, but that was for all our own stores, not in any one particular depot.

669. I wondered what would happen if you had one particular depot where the wastage or the deterioration was much above the normal. Would you deal with that or just say that it is a balancing out—a sort of case of gaining on the swings what you lost on the roundabouts?—If there are any serious losses or, shall we say, shortages or serious damage to the goods in any particular depot, there is a very severe investigation.

670. I wondered if you were satisfied and if, taking the depots as a whole, your wastage was normal, or are you not satisfied if it is not normal in individual storage depots?—We consider that the deterioration figure has been so small that it certainly is not above normal; and in each case of deterioration or damage, unless it is only a matter of a pound or two, the answer is quite easy: there has been a very close investigation at the particular depot.

671. But what if there is also infestation as well as deterioration? Would you still apply the word "normal" there?—(Mr. Bailey.) "Normal" in that context, I think refers to the commodity—normality in relation to the commodity.

672. What is in my mind is this: If you look at the whole picture and say, "Infestation is normal" or "Wastage is normal," does that satisfy you without an individual inquiry into each depot?—(Mr. Hillhouse.) I think I have tried to make the point that there is very close supervision at each individual depot; that is all going on regularly. If there is any, shall we call it, material figure of loss, on deterioration there is a very searching investigation at each depot.

Mr. Yates.

673. Then it is abnormal?—That would be an abnormal case.

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Chairman.

674. I suppose it would even be possible for an abnormal loss at a particular stage, owing to inadequate housing of the article in question, and because other accommodation was not available, yet becoming normal in the sense that you would find by experience that if that commodity was stored there you would not get that particular loss?—Yes.

675. Why is all this accommodation used?—Do you mean present accommodation?

676. Yes—the accommodation that we are dealing with at present, the Government-owned premises?—I think the answer is that there is no storage accommodation elsewhere, but we are very fully using public storage, which is mainly at the ports again, and we look on our buffer depot storage and this airfield storage really as marginal storage.

677. Is that because, before the war, we had adequate storage facilities, or does it arise from the necessity of having stocks dispersed to maintain the rations?—There has been serious bomb damage to warehouse space at almost every port—Liverpool is an example and the Port of London. I made the point that we had been very, very lucky with our cold stores, but there has been a large percentage of ordinary warehouse space that has gone, and so far those warehouses have not been rebuilt.

678. So that, very largely, it is a case of making use of Government premises to make good war losses?—I do not know whether it is at all correct to say that. Certainly for that purpose I would not say that the stocks in this country are higher than they were in a normal year before 1940; but it is a fact that we have to take quite a number of commodities when we can get them and for that purpose we are using our airfields, and quite frankly it has been a godsend. We have those airfields for grain storage at the present moment.

Mr. Corlett.

679. And is it not also a question of the procurement problem, to which Mr. Bailey referred last time?—Yes. (Mr. Bailey.) We did refer to this and we said that we had to take goods when we could get them and then hold them for subsequent distribution, related to our forward procurement programme, which might be uncertain.

Mr. Corlett.] Yes; I thought that was made very clear before.

Chairman.

680. As far as warehousing with private firms is concerned, we were told that those cases are negotiated either by your own Ministry or the Board of Trade and a schedule of rates agreed?—Yes.

681. Are there any means of satisfying yourselves that those are the best and most economic rates you can obtain?—(Mr. Hillhouse.) I think we could say that they are. We have in our Ministry a rates and charges panel, of which the Director of Cold Storage, the Director of Transport, and the Deputy Director of Warehousing are members; I am the Chairman of it. We have those rates very closely under review. Negotiations with the warehousing associations are carried out by the panel. They are all men who have a very full knowledge of storage rates or transport rates. That is how we really make our bargains. I have in front of me here some sample schedules, if they would help. Here, for example, is a schedule of rates agreed with the Port of London Authority for warehousing goods for the Ministry of Food. This is the Liverpool schedule. (*Schedules produced.*) We scrutinise these most carefully. We have similar schedules for every area, because there are different warehousing associations throughout the country.

682. You are satisfied that, notwithstanding the shortage of accommodation which you have mentioned, the rates agreed are fair rates?—We think so.

Chairman.] I think on the last occasion Mr. Macpherson was about to ask one or two questions.

Mr. Niall Macpherson.

683. I am afraid that I am at a disadvantage because I do not know whether any of them have been dealt with in the course of to-day's proceedings. If I may direct attention to page 38 of the Minutes, I was there asking about the number of stores that are occupied, and I asked if it would be possible to give the figure for those closed, both permanently and temporarily, but mainly permanently?—Yes. We have prepared a schedule of that in relation to Government-owned stores wholly refrigerated; we have done that for three years, and we have submitted this schedule.

Chairman.] We have probably covered such inquiries as Mr. Macpherson may have in mind, but he mentioned insurance and fire loss, neither of which we have touched upon.

Mr. Niall Macpherson.

684. Yes. (*To the Witness.*) Could you explain with whom you insure and what you insure against?—Are you thinking of fire or marine?

685. Marine does not actually concern you, does it?—Yes.

686. I thought when it came into your hands that phase of it would already have been completed?—(Mr. Bailey.) We buy f.o.b. (Mr. Hillhouse.) Shall I take the fire policy?

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687. Yes, please?—We have a combined fire policy with the Ministry of Supply and the Board of Trade, and that is a policy which covers fire, explosions and so on in connection with certain commodities, such as spontaneous combustion of refrigerated produce. We also include the breakdown of refrigerating machinery.

688. Is that a severe risk, and is it a frequent occurrence?—No; but the possible damage is very great. The additional premium is very small. It is an addition of 3d. we pay for that. We do insure against breakdown of refrigerating machinery. We do not insure against theft or pilferage. We only insure our actual goods and their containers. We do not insure any buildings or equipment against fire.

689. You carry that yourselves?—Yes.

690. What is the purpose of that distinction? Is it because of the greater loss involved in the actual contents of the building?—No; it has been Government policy not to insure buildings or machinery or equipment.

691. Could you say in the same way that it has been Government policy to carry insurance in the same way as you were carrying on trading because you are carrying on trading? Is that the point?—That is not a Ministry of Food decision, that is a Government decision, to maintain fire insurance and to maintain marine insurance.

692. Could we deal with fire purely at the moment? Is it true to say that the policies of the people with whom you insure have remained roughly the same as they were before the war?—Yes, I should say so. In the case of fire insurance, there is a Fire Officers' Committee, and there is a combined Government fire policy taken out by representatives of the Fire Offices and the underwriting interests at Lloyd's who were interested in fire business before the war. The market itself has covered that. Inasmuch as we have only one block Government insurance, our contract is with the Fire Officers' Committee.

693. So that it is a floating insurance?—Yes.

694. Based on averages?—Yes, renewable once a year, and we have a float for each of our commodities. Certain of our commodities may be located in thousands of different locations. We have that float for each commodity.

695. Irrespective of the type of premises in which they are housed?—Yes. If I might just take that point, we have a Fire Preven-

tion Officer within the Ministry who is inspecting regularly all the premises in which our stocks are stored. The Fire Officers' Committee have also their own inspecting staff with which we are not concerned, of course, but they also inspect to see that fire risks are not too great at those particular places where we have a concentration of foodstuffs.

696. Can you give any indication of your experience?—Our experience in the Ministry of Food with regard to fire has been extremely good.

697. You are a good risk?—A very good risk.

698. Now about marine insurance: is that covered on the same principles?—Yes, we have a combined marine policy with the Board of Trade and the Ministry of Supply. That is a Government policy; that is exactly the same. That policy is taken out with a committee which does represent all the marine insuring interests of the pre-war period.

699. They were not centralised before?—No; but they were centralised at the beginning of the war through this committee.

Mr. Corlett.

700. Can you insure only against defective premises and neglect by servants of employers, because defective premises might cause an accident? Will companies take a bigger risk than that?—That is not, of course, coming within either of the policies we have been discussing, but in respect of our operation on warehousing and cold stores we insist upon our operating managers taking out a third party policy.

701. I am thinking now of the personnel you are employing. I suppose those are the only two risks companies will take?—There is the risk at common law. All the other risks, employers' liability and workmen's compensation, now are dealt with under the new Act, but the common law risk is outside the Act.

702. I know that is all we can obtain for teachers in the schools, insurance for those two things, defective premises and negligences by an employee?—Yes.

Chairman.] I think, as Mr. Macpherson has dealt with it, we might now turn our attention to meat, but before that I should like to thank Mr. Hillhouse very much indeed for the assistance he has given us on warehousing. I am anxious at the same time to make Mr. Higginbotham feel that his attendance has been worth while.

Mr. Hillhouse withdrew.

Chairman.

703. Mr. Higginbotham, we are informed that you are the Finance Director of the Meat and Livestock Division?—(Mr. Higginbotham.) Yes.

704. If you are responsible for the memoranda* we have before us, I should like to thank you very much. I am sure

* See Annex 1.

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[Continued.]

that they will be of immense assistance to us. I have two questions to raise in the first instance on matters which are not dealt with in the memoranda. I notice that there is no reference to IMTA. Perhaps first of all you can tell us who IMTA is?—With regard to IMTA, I have never actually, I think, come across them. They must be a trade organisation of importers who are looking after their interests for post-war plans and that sort of thing. They are not employees of ours.

705. As far as you are concerned, you are not dealing with IMTA?—No.

706. But you believe that they are an association of meat importers, and you are no doubt awaiting their early demise?—Yes.

707. The other matter was this, that we do not learn from the memoranda how imported meat is purchased overseas by the Ministry. We have got to the position that we get nearly a million tons of meat abroad, but we are not informed how we get it. Perhaps it would be convenient, before we adjourn, if you could just tell us in general terms about that?—The major sources of supply are Australia, New Zealand and the Argentine. In those three cases there is a Government purchase. In the case of Australia and New Zealand we enter into contracts over periods of years to buy their exportable surplus. In the case of the Argentine we used to be in the fortunate position of buying their exportable surplus, but unfortunately the Argentine Government thought they saw an opportunity of doing better, and they have since that insisted on arranging annual deals. In regard to the present deal, called the Andes Agreement, they are not honouring their commitments. The result is that strong governmental pressure has been brought to bear on the Argentine Government, and the present position is, of course, most obscure owing to the change of personnel concerned with the economic affairs of the Argentine Government.

708. In these three major cases are the negotiations for all practical purposes between the respective Governments?—They are between the respective Governments.

709. Of the purchasing and selling countries?—Yes.

710. Does that position operate also in the other countries where we make substantial purchases?—In the case of Uruguay it is sort of half and half; we make a deal with the Government and afterwards we deal with individual packers. In the case of Canada it was a Government purchase. In the case of Guatemala we are buying from a firm, and we have actually so far

failed to make any agreement with Mexico. That has failed owing to our inability to arrange for payment.

Mr. Corlett.

711. Inability by whom to make payment?—(Mr. Bailey.) To make satisfactory payments arrangements. (Mr. Higginbotham.) Mexico being in the dollar area.

Mr. Corlett.] Yes, I see.

Chairman.

712. When we talk about Government purchases, who in fact does the negotiations on our behalf?—(Mr. Higginbotham.) Missions which the Government appoint.

713. We are dealing very generally at the moment with this matter, and it is unnecessary to go into any individual cases, but by and large who constitutes the missions?—(Mr. Bailey.) Perhaps I might answer that question. In appropriate cases the mission negotiating for meat on behalf of the United Kingdom Government is led by the Controller of Meat and Livestock, who is Sir Henry Turner.

714. Had he previous experience in the meat trade?—Long experience.

715. Again we are only speaking in general terms, but can we rest assured that that applies to the negotiations we are referring to?—It does, yes. The Meat and Livestock Division, under the control of the Controller, is always in the background of negotiations, whoever is in the mission.

716. Are the representatives on these missions men of previous experience of buying meat?—Yes, they are.

Mr. Barton.

717. All drawn from the pre-war meat trade?—In the main, yes.

Mr. Corlett.

718. Yes, just as we use wholesale meat people here, so we use experienced people for buying?—Yes. You will find that referred to in the last paragraph of the paper on the W.M.S.A., where the number of meat experts drawn from the trade is given, together with their positions in the Ministry.

719. They are not just civil servants who have had no outside experience?—No.

Chairman.

720. But at the moment they are whole-time civil servants?—They are.

Mr. Yates.] As a matter of information, could I know something about this association?

Chairman.] Perhaps we could leave that until next time. I am anxious not to sit too late.

Mr. Yates.] With all due respect, I have been sitting here and listening, and I should like to have some information about this.

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[Continued.]

Chairman.] I know; but all I wanted to do was to raise two general questions of omission. If there are any other matters omitted, then I think it would be very helpful to raise them at this stage.

Mr. Yates.] I want to raise a point on this memorandum.

Chairman.] I think it would probably be better to leave it and deal with it next time, when we will deal with the memorandum in detail.

Mr. Yates.] Could we have some information about this association?

Chairman.] Yes, we will go through all the written evidence before us.

Mr. Yates.] But we have got this document in front of us at the moment. I do not want to go into the whole question, but I would like to know something about this organisation which is a body of wholesalers working on a non-profit-making basis.

Chairman.] I would rather leave that until we meet again. This document will remain before us next time. I took advantage of the few minutes remaining really to give notice that there are other matters not dealt with in the memorandum in which we may be interested.

Mr. Niall Macpherson.

721. May I just follow up the line of inquiry that the Chairman has started? When missions go abroad, do they go abroad with complete power to negotiate, or do they have to refer back for confirmation of the arrangements that they have provisionally reached? What, in short, is the procedure?—They go abroad with general powers, briefed in a certain direction, and they refer back as circumstances change for further authority. I should add perhaps that negotiations do not always take place abroad; sometimes they take place in London.

722. Is there, then, so to speak, a permanent mission that is not sent, sitting in London and ready to negotiate at any time on an agreement?—(Mr. Higginbotham.) I think I could deal with that. In the ordinary course of events, when these matters arise we meet representatives of foreign countries, and we meet them regularly on all points, and even after a contract has been completed there are regular meetings to clear up interpretations and all that sort of thing, so that we are in regular contact with these people who are supplying us. (Mr. Bailey.) Mr. Macpherson may assume that the whole of the Meat and Livestock Group does not go abroad at the same time.

723. But what I was more concerned with was the actual method of negotiation.

I mean, if you send a mission, then I presume that it is a kind of almost full dress diplomatic occasion, whereas the various adjustments that Mr. Higginbotham has been referring to are, so to say, adjustments that you would expect without, shall we say, diplomatic instructions, if one can draw a parallel?—(Mr. Higginbotham.) Yes; in the case of Australia and New Zealand we operate through their representatives here, that is, the High Commissioner's Office. I think the High Commissioner has now got ambassadorial rank. We negotiate with representatives of the various High Commissioners' Offices; and in the case of the Argentine, they have a representative at their Embassy with whom we deal. We also have a representative in Buenos Aires who is dealing with it, and there is a complete train of communication between him and the Director of Imported Meat.

724. I am sorry to press this, but what I want to get at is not the ultimate responsibility, because that is clear, but who in fact is giving these instructions, first in the case where you set out to embark upon an agreement, and secondly in the case where difficulties arise in the course of an agreement and the need for adjustment?—(Mr. Bailey.) Ultimately, of course, it is the Government; under the Government it is the Minister, and the Minister is advised by all his officials. That, I think, is the only way one can answer that question.

Mr. Corlett.

725. The suggestion is made that this is almost a kind of full dress occasion—our people go out there and everybody knows they are going, and everybody is ready for them and does them in. That is the suggestion which is frequently put up?—Let us take one case where the Andes Agreement was in negotiation. In that case there was a mission which went out to Buenos Aires to negotiate that agreement, and that covered many subjects other than meat. The leader of that delegation was Sir Clive Baillieu, who is a distinguished figure in industry. He acted in the closest collaboration with our Ambassador and all his staff. He was accompanied by officials and experts. Some of those were meat officials and meat experts, and there you have the picture of the negotiations in Buenos Aires in 1948, or at the turn of 1947-48. Of course, we were negotiating for meat among other things, and our business there was bound to be known.

Chairman.] Upon that note of vindication, having allowed Mr. Higginbotham to open his innings, and well aware now that Mr. Yates is inquisitive about many matters, we will adjourn until next week.

The witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 10TH FEBRUARY, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.

Mr. Niall Macpherson.
Mr. Yates.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, Mr. R. H. HIGGINBOTHAM, Finance Director, Meat and Livestock Division, and Mr. J. G. CARNOCHAN, an Assistant Secretary, Ministry of Food, recalled and further examined.

Chairman.

726. Before we turn to meat, Mr. Bailey, I have one or two questions to ask arising from the evidence that we received about cold storage?—(Mr. Bailey.) At the last session, Mr. Chairman?

727. Yes. If you are not in a position to answer the questions personally, perhaps we could have a note on the points that I raise. I notice that during a case which was heard at Newcastle Assizes, Mr. Justice Pritchard made some rather scathing comments upon the cold storage officer who gave evidence in that case. In short, Mr. Justice Pritchard said that it was clear from this official, who I understand from the evidence we took previously would be a whole-time official, was in receipt of £300 a year retainer to look after the interests of the Union Cold Storage Company; and the question I ask is whether you have any evidence that any other of the cold storage officers at the ports are in receipt of such retainers?—I have no such evidence, Mr. Chairman. As to the particular case that you have mentioned, I am afraid that, while I have a general recollection of the subject, I could not answer your question with any particularity.

728. Yes, in fairness I should point out that that case was heard after our discussion last time, so that it is no reflection at all upon yourself or upon the Ministry in the evidence they have given before us, but it does seem in the light of that case that we should ask you to let us have any information that is subsequently revealed regarding the inquiries you make about cold storage officers, because you told us that these officers are closely overlooked by the Director of Cold Storage, and I wondered if you could tell us perhaps, not at the moment, but when you let us have a note on the other matter, the experience of the present Director of Cold Storage; in other words, if we could be told with what firms he was previously associated before becoming the Director of Cold Storage in the Ministry. The third question is one which I apologise for not asking at the time. It was explained that there were administrative reasons why it was more convenient and desirable for the staffs of the Government-controlled stores to be on the payrolls of the operating firms. I think we would like some further explanation of that?—Yes, I will do my best to provide the information you want.

Chairman.] Thank you very much. Now, I think that Mr. Corlett has an inquiry to make, too, that follows upon the evidence we took last time.

Mr. Corlett.

729. I do not know whether you can deal with it in rather more detail. It refers to Tholthorpe. That was dealt with, I think, by Mr. Hillhouse?—Yes, it was Mr. Hillhouse who gave the evidence in connection with that question.

730. Looking at the evidence this morning, I see in answer to Question 564 it was said that there was a bad lot of barley which was received into storage in April, and in July weevil infestation was reported?—I do not recall what answer was given.

731. No, that is the answer given, that it came into storage in April, but there was no suspicion of anything being wrong with it until July. Then it was assumed, I suppose, that the infestation was from the egg. That might happen anywhere between April and July?—I dare say that the infestation must have been present when it was landed and was not detected; it was only detected several months after the landing of the consignment, and steps were taken to deal with it; but beyond that I can say nothing from personal knowledge.

732. That is the criticism, you see. If it was a really bad lot, and we are told it was, can you say why only first aid measures were carried out in July?—I think the best way might be to cover that subject also in a note.

733. I wish you would, because we are told that it was not until September that complete fumigation was carried out, and then only because a watchman had discovered that it was heating. That is the criticism made, and that is the statement made too?—Yes. We will cover that particular case with care and in detail.

734. Yes. But I want to be sure that there is nothing in the criticism, and unless we can get a more complete answer it does not help very much?—*Prima facie* there does seem to be something in it, but there may be evidence to rebut the criticism.

735. On that question of employing professional wharfingers, are they on the payroll of the firm in question?—Yes.

736. So that they are private employees in the ordinary acceptance of the term, skilled and qualified to do the work?—Yes, they are.

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[Continued.]

737. On the other question of cold storage, you said, in answer to Question 571 that you have eliminated quite a number of private cold stores?—Was that an answer given by Mr. Hillhouse?

738. Yes, I think it was?—I am afraid you have the advantage of me, since I have not got a print of the evidence before me.

739. We only got it this morning. I was wondering on what grounds they were eliminated?—I think I can answer that question. When the Cold Storage Control Scheme was modified in May, a number of the smaller cold stores were eliminated; if I remember rightly, it was all those of under 20,000 cubic feet, but I would not like to affirm that on my oath—it might have been all those under 25,000 cubic feet; it was one or the other. That would lead to a considerable diminution in the number of cold stores comprised in the Control Scheme.

740. Yes, 320?—Yes.

741. Was it on the ground of redundancy, inefficiency or size?—Size, which in itself has its reflection on efficiency.

742. Is there any compensation paid?—None that I am aware of.

743. So that you can close them without making compensation?—They were not closed; they are merely excluded from the Cold Store Control Scheme.

744. Your word was “eliminated,” I believe?—Eliminated from the scheme; they were not eliminated in what I might call the Eastern European sense of that word.

Mr. Barton.

745. May we just clear that point up? When you eliminate them from your scheme what do they become?—Private cold stores which are not subject to control.

746. Are they used as private cold stores?—By private operators; they may be private cold stores in the sense that they are owned by importers and distributors, and operated in conjunction with that side of their business; but so far as we are concerned they are excluded from the operation of the control scheme.

747. So that they cannot in any circumstances be used for the storage of meat, poultry or offals?—We would not use them.

748. But they could be used for that purpose?—Yes.

749. A retailer, for instance, I suppose?—Could use them for that purpose for commodities which belonged to him, but we would not use them to store commodities which belonged to us. We would use either our own cold stores or the cold stores falling within the control scheme.

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Mr. Niall Macpherson.

750. With regard to those that were eliminated, were they compensated in any way?—No.

751. Even although you do not compensate them, were they compensated in any way by the association concerned?—Not that I know of; they are left to take pot luck.

752. What was the consideration, so to speak, for eliminating them?—I am afraid I do not quite follow the implication of the question.

753. An agreement was made, I gather, for them to be eliminated, but if they were privately owned presumably there was not just a small ring of owners; there were a number of different owners?—Yes.

754. How came it that some were favoured by being included in the scheme and some excluded from the scheme?—All cold stores over a capacity of 2,000 cubic feet were included in the scheme originally. This modification was made in May (my recollection is now becoming clearer) and all cold stores under a capacity of 25,000 cubic feet were excluded from the scheme, which implies that cold stores within it should have a guaranteed minimum revenue. By exclusion from the scheme the cold stores excluded lost that guarantee, but no compensation was paid to them in respect of that loss.

755. They lost the guarantee, but it might still be that you would use them occasionally without the guarantee?—Yes; if cold storage accommodation within the scheme was inadequate for our purpose, but it is adequate for our purpose, and therefore we would be unlikely to use these cold stores.

Mr. Niall Macpherson.] I see.

Mr. Corlett.

756. On that point, I see that at Question 610 you stated that large private cold stores are being rebuilt at Southampton, Manchester and Liverpool. Why is that, if already we have much more capacity than we need? Should not the rebuilding have been delayed until future plans were known? Do we need that 5 million cubic feet of capacity now? I believe you stated at Question 648 that storage capacity before the war was more than adequate?—I think the question that you ask is material, but I do not know the circumstances in which facilities were given for the rebuilding of those stores.

Chairman.

757. Is that a matter which is subject to the present review?—That is what is stated in Mr. Hillhouse's answer to Question 611, where he says that this is one of the points which are being dealt with in this review.

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[Continued.]

Mr. Corlett.

758. I cannot understand why, if we have more than we need and it was more than adequate before the war, and now we have these big new ones, we should be diverting labour and material to rebuild these others?—These are private undertakings.

759. So I believe?—And it would seem *a priori* a little hard that a store which had been bombed should not be rebuilt. I do not know what circumstances were taken into account in giving the necessary permits.

760. I suppose they were given under the War Damage Commission scheme?—I dare say that is right.

761. But it does seem rather ridiculous, if we have already more than we need, to be rebuilding something which was already more than adequate before the war?—I think I would personally be disposed to agree with that.

Mr. Yates.

762. There will be an answer to that?—The Sub-Committee has been assured that it is one of the points which fall within the review.

Mr. Corlett.

763. Meanwhile rebuilding is going on?—Once begun, I dare say it is extremely difficult to stop. It might well be that the steel used in the structure has already been put on the site and assembled, and that it might be uneconomic not to complete the building.

Chairman.

764. Quite apart from your review, it would have been subject to the review that took place regarding capital investment generally?—Yes; it may be that this rebuilding was started before the capital investment programmes were begun. I think that is very probably the answer.

Mr. Barton.

765. Would the licensing Ministry consult you before they issued licences for rebuilding any cold storage accommodation or new building?—Yes.

766. So that you must have been consulted in those instances, then?—As a general rule I would say that must be so; but whether it applied to the particular instances I do not know. It is very likely that it did.

Mr. Corlett.

767. One other point on the question of the management fee. With regard to private stores that you control, a management fee is paid for private cold stores that you control, is it not?—A management fee is paid to private cold store operators for managing Government cold stores.

768. But also for the private ones?—No, I have no recollection of an answer to that effect.

769. I understood that when we asked you how you fixed the management fee for Government cold stores you said that it was on the same basis as the management fee for private controlled cold stores?—I am afraid that is a detail of accounting that I would not be able to answer without notice. I remember the answer to which you refer.

770. We had a long discussion over the question: what is a management fee?—Yes.

771. I suggested it was so much a cubic foot, but I think you rather demurred, or Mr. Hillhouse did, and he said it was on the same terms as the management fee for private cold stores?—I think what Mr. Hillhouse said, if I recall it correctly, was that the costs admitted in respect of both operations were to be on the same basis.

Mr. Corlett. I am trying to find out what that basis was.

Chairman.

772. I do not think we can profitably pursue these inquiries in the absence of Mr. Hillhouse. If necessary we should have to ask him to come before us again?—Yes. He would be much more competent to deal with those questions than I am.

773. I am casting no reflections at all upon Mr. Bailey, but I imagine Mr. Bailey may be rather hesitant in giving a specific reply in Mr. Hillhouse's absence?—Yes.

Mr. Niall Macpherson.

774. May I put one point arising out of the evidence given at our last meeting? It was on the subject of insurance. I put a question to Mr. Hillhouse dealing with the reason why the insurance on fire and marine was still placed privately, as it was before the war, and he said that that was a Government decision, but he did not give any special reason why it should be so. Therefore I take it that the Ministry must at any rate have made recommendations as to why it should be so. Are there any reasons why it has been carried on, and what advantages are there in carrying it on?—Of course, that question relates not only to the Ministry of Food but also to other Departments which are equally concerned.

775. Yes. You mentioned the Ministry of Supply and the Board of Trade?—Yes, and a decision of the character mentioned would be a matter for the Treasury. One of the considerations which would enter into that decision would be the desirability of maintaining the insurance market in the City of London in active being, so that our earnings on invisible account or our prospect of earnings on invisible account in respect of insurance of properties and operations abroad might be maintained.

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[Continued.]

776. I do not quite follow that point, because supposing you carried it yourselves would there in fact be any loss of foreign currency because you are placing it at home, anyway?—No, I do not think there would be any loss of foreign currency, but what was in issue was the loss of business to the underwriters in respect of the intervention by Government so actively in fields of trade which before the war were conducted by private operators. The loss of that business might easily have created such difficulty for the insurance market that they might find it difficult to carry on and so to recover at the end of the war—you understand that these arrangements were made during the war—the business abroad which brings us in receipts on invisible account.

777. Yes; but apart from the way in which the placing of this business at home outside Government circles would assist possibly in enabling our insurance business to recover abroad, are there no concrete advantages that the insurers were able to offer you?—Yes, the services of fire assessors and salvage experts were made available to us as part of the arrangement.

778. May I put it this way: Could the Government have replaced those services; had they any machinery themselves which would have enabled them to do without those services?—No; and although I am familiar with the subject only in general terms, I should perhaps add that a careful watch was kept upon the loss experience and adjustments were made with the underwriters concerned, through committees. We were actively engaged to ensure that the cost of insurance was kept within proper limits and that an undue profit did not accrue to the underwriters.

779. How was that done?—After the event and by negotiation with the committee.

780. Yes, I see. It was an overall experience. You compared your premiums and your losses with the cost of the service?—Yes, and the underwriters were left with such profit as was reasonable in the circumstances and with no more.

Mr. Niall Macpherson.] Thank you very much.

Chairman.

781. Now we will turn to meat, Mr. Higginbotham. You must not think that the Sub-Committee has any reluctance to inquire into meat; in fact we are very anxious to inquire further. I think in the first place we should turn our attention to the point we were discussing last time, the question of the purchase of imported meat. I gained the impression last time that a substantial proportion of imported meat, at any rate 90 per cent. of imported meat, is purchased by Government purchase; I am not sure how the remaining quantity of

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meat is purchased, or indeed what is meant, if there be such purchases as non-Government purchases of meat. Perhaps you could deal with that, Mr. Higginbotham?—(Mr. Higginbotham.) Yes. Non-Government purchase of meat is effected by dealing with the individual packers in the countries concerned; for instance, you have Patagonia, where we deal with a committee of packers.

782. I am sorry to interrupt you. In each case is the purchaser the same?—The purchaser is the same.

783. In other words, sometimes sales are made directly by a Government or Government-sponsored agency and in other cases they are made by private sellers?—That is so. There are certain canned goods which we do not purchase, but that is an exception.

784. Who purchased our meat before the war?—Importing firms in this country, many of whom owned *frigerificos* in countries abroad. They were concerned in many cases in buying cattle in the countries of origin; they processed it and shipped it, it arrived in this country, it was brought into the meat markets in this country, or in some cases it was distributed through their own retail organisations.

785. As far as the import into this country was concerned, was that confined to any association or group of associations?—After the meat war, which I think took place about the 'thirties or something like that, there was definitely a trade association who were concerned in it.

786. And they dealt with the whole of our imported meat?—As far as I know, almost entirely; but that only arose after, I believe, a very severe battle, because I had no connection with it at that time.

787. You did not take part in that fight?—No, not in that particular war. The members of that association imported individually, but there were working arrangements and terms whereby the individual members who had interests in shipping companies, as I know for a fact, had to take their competitors' meat as well—that was the arrangement—it was all worked out. For instance, if there was a line in which one importer was interested and was expected to move another importer's meat, it had to be quite clearly understood that there was no preference on arrival at Smithfield; it was all arranged so that they did not get preference from the fact that they had special shipping connections.

788. Broadly speaking, can you say, as far as personnel are concerned, whether we are taking advantage today of the people experienced in this matter before the war?—Yes, we are; we are definitely using them.

789. There has been a good deal of reference elsewhere to what are described as under the counter payments; for instance,

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particularly regarding the Argentine contracts. Have similar arrangements been made regarding purchases of meat from other countries?—In the case of Uruguay we have made exactly similar arrangements.

790. Where the amount was £700,000?—Yes.

791. But those are the only two cases, Argentine £7 millions and the other £700,000?—Yes.

792. There are no other instances where it could be alleged that we were purchasing meat less favourably than the other countries were receiving meat through our good offices?—I do not think so. I should say no to that. (Mr. Bailey.) May I have that question again?

793. Yes. Mr. Bailey would be well aware of it, because he knows the representations to which I am referring. It seemed to me it was suggested that by these under the counter payments we were in fact paying a high price for meat than certain other countries on the Continent who are receiving meat through our agency. Whether it was a good argument or not I am not raising at the moment; I am asking whether that argument could be applied to any other of our meat contracts?—That argument, of course, was raised and dealt with in the Public Accounts Committee last year, and reasons which we thought were sufficient were given in evidence to justify our not charging on to the Continental countries concerned any part of the side payments in question.

794. Yes; but the point I was trying to bring out for the moment was that in any case that argument does not apply to other contracts than to the contracts discussed before the Public Accounts Committee?—It applies to no others.

Mr. Corlett.

795. That is meat. It applies to butter from Denmark?—Not that I am aware of.

Mr. Niall Macpherson.] Am I right in thinking that we are talking at the moment about purchases of meat for the account of other countries?

Chairman.

796. Yes?—The point made in the Public Accounts Committee was that we ought to have passed on to those purchasers for whom we were acting, by way of increase of the prices which we charged them, some part of these side payments which were said to form part of our purchase price.

Mr. Macpherson.

797. Yes, I understand that. I merely wanted to be quite certain that we were only talking about purchases on account of other countries from both Uruguay and the Argentine?—That is so. As far as I know, that is all we are talking about.

798. I think you mentioned £7 millions for the Argentine and £700,000 for Uruguay?—(Mr. Higginbotham.) Yes.

799. Before we leave it, could we have the reason why these purchases have had to be made?—(Mr. Bailey.) Which purchases are you referring to?

800. Why we are purchasing on behalf of other countries?—(Mr. Higginbotham.) It was a very useful lever to us, because we were able to deal with other people, to get them out of the market.

Chairman.

801. It prevented competition and the forcing up of profits?—Yes; but when the Andes Agreement came about I am afraid the Argentine people just would not have it, so that it is an advantage which we had and which we have lost.

Mr. Niall Macpherson.

802. They would not have what?—They would not allow us to resell. It was part of the terms of the Andes Agreement that we are not allowed to resell to other nations.

Chairman.

803. Is it possible to test our prices with comparative prices that have been obtained by other countries?—We get information about the prices that other countries are paying for Argentine meat by various ways and means, and they are definitely considerably above the prices that we are paying.

804. Is the same true of other cases, Australia and New Zealand?—In the case of Australia and New Zealand we get their exportable surplus.

805. So that there is no basis of comparison?—No.

806. Is there any way in which you can test our prices by, if there be such, world prices?—(Mr. Bailey.) There is no world price for meat today, I am afraid. It may well be the fact that other buyers are paying 40 per cent. higher than the prices we are paying. Let us take one case only: the Argentine market is a test of our prices. On the other hand, we are not getting the meat contracted for at our price.

Mr. Barton.

807. Are other buyer nations buying from private individuals or private firms?—(Mr. Higginbotham.) It varies from country to country. Up to date I understand that the Governments have been buying, but I understand that the Continental countries are going over to private trade, and you then have the United States Army Department and all that sort of thing stepping in; then there is Bizone.

808. Buying from the Argentine? Do we get any from the United States as well?—No.

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[Continued.]

Chairman.

809. I have seen it alleged that we are not, for instance, getting the proportion of chilled beef that we got before the war, and in some way this is due to our present method of purchase?—We do not get any chilled beef; we get it all hard frozen. I think the major reason for that is that in order to effect a fair distribution we have to be able to hold it in store.

810. It is not related, then, to the machinery of purchase?—No.

Mr. Yates.

811. It is preferred by us?—Chilled meat would be preferred, but it does not suit the purposes of our distribution.

Chairman.] Now I think Mr. Yates has some questions to put.

Mr. Yates.

812. Mr. Chairman, I was going to raise a question last week, which was really for more information. We have a memorandum here about the Wholesale Meat Supply Association giving full details, and the only reason I asked last week was that we might be given some more information about this other association that is mentioned for importing poultry and rabbits. That is the only question that I was asking, for more information. This is a non-profit-making association. I should like to know a little more about it, and who comprises this association?—This was an association which was formed by any traders who imported poultry or rabbits before the war. They formed themselves into this association for the purpose of buying from the Ministry, and distributing, and they also performed the service of receiving poultry from Eire, in which case they buy direct from an Eireann Government sponsored organisation.

813. But they have got a sort of Memorandum and Articles of Association?—Yes.

814. Does this include the Co-operative Society?—Yes, they have a certain interest in it.

815. And I suppose the Co-operative Society is also included in this Wholesale Meat Supply Association?—Yes.

816. Now, in this memorandum on the Wholesale Meat Supply Association, at the end of the first paragraph, you say that the Ministry of Food has a controlling vote in each association?—There are eight associations, and we have a controlling vote.

817. Does that apply to this other association?—In the case of A.W.D.I.P.A.R. we also have control.

Mr. Yates.] May I now ask one or two other questions about the Home Killed Estimates, Schedule A?

Chairman.] I wonder whether we could leave that for the moment and deal with the imported meat first? I thought perhaps it would be more convenient if we dealt with that and then dealt separately with home produce.

Mr. Yates.] Yes. I had not realised that we might be discussing the question of imported meat all this afternoon. I do think it is important to get our minds clear about the document.

Chairman.] Yes, we shall be coming to this memorandum.

Mr. Yates.] Very well, then I will leave it.

Mr. Niall Macpherson.

818. Reverting to your statement last time, Mr. Higginbotham, you made this statement with regard to the breakdown in the Andes Agreement: "The result is that strong Governmental pressure has been brought to bear on the Argentine Government." Could you expand that? What kind of Governmental pressure?—(Mr. Bailey.) Through diplomatic channels. I think that is all that perhaps it would be proper to say.

819. You have said that there has been a tendency among other countries to go over to bulk purchases in dealing with the Argentine and buying meat from them: is that right?—(Mr. Higginbotham.) No, it is the reverse. Other countries had been bulk purchasing, and we were informed by certain of them that they were reverting to private trade.

820. Wherever they revert to private trade do they still purchase from the central Government selling organisation?—Yes, I believe so.

821. In the case of Uruguay, I gather there you say that it is a kind of half and half arrangement, by which I understand we make an agreement with the Government and then we buy from private packers. Is that right?—Yes.

822. Supposing that agreement broke down, would it be possible to bring diplomatic pressure to bear?—The same representations would certainly be made, because it is a Government contract. (Mr. Bailey.) It is the master contract, the overall agreement.

823. Yes; but you would no doubt inquire when you made the master overall agreement what power the Uruguayan Government itself had to enforce the execution of that contract on those contracting under it, and not only what powers but what its disposition would be?—(Mr. Higginbotham.) I think the powers that it has would be an internal matter for Uruguay. They definitely control the exchange rates. We are buying from the

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Uruguayan Government in sterling, and they have complete control over the remittance of that money to the sellers in Uruguay.

824. But if the Uruguayan people were defaulting on deliveries that would not help you very much, would it?—No; we would just have, as far as I can see, diplomatic approaches which we would exercise. There are friendly relationships between the two Governments. (Mr. Bailey.) It is perhaps material to add that those diplomatic representations would be based upon the contract or the agreement entered into by the Uruguayan Government, and to that extent they would be firmly based.

825. Yes, I understand that. I should like to know whether it was on our initiative that the Uruguayan Government dealt with us, or whether it was on theirs. I take it we made local inquiries as to how it would suit the Uruguayan Government best to arrange a supply?—(Mr. Higginbotham.) It was definitely their representations, and their method of enforcing that was very definitely control over the money which we paid for that meat. It was through interference with the proceeds that they had to discipline their packers and insert themselves.

826. Did prices go up or down as the result?—The price has moved with the Argentine price; that is the agreement.

827. It was an agreement that it should move with the Argentine price?—Yes.

828. Does that mean that it is exactly the same, or did it move parallel?—There was, until this last agreement, a slight differential against the Uruguayan Government on a certain class of meat because it had not quite the same value before the war. There has been that one slight adjustment.

829. May I ask this question: Has it been moving all along with the Argentine price or was there a time when we were dealing with the Argentine Government when we were still dealing with the Uruguayan private packers direct?—I am afraid I could not answer that exactly to date, but our understanding with the packers was anyway that the price they received would bear the agreed relationship to the Argentine price.

830. That was an agreement reached before the Argentine Government insisted on dealing as a Government with this question: is that so?—Yes.

831. And undoubtedly the price rose steeply when the Argentine Government insisted on doing that?—Yes.

832. So that we were committed also even when dealing with private packers in Uruguay to the same rise?—The thing followed automatically.

833. Yes?—But there were not such enormous increases in price as a result

of the intervention of the Argentine Government. I think it would be fair to say that the side payments represented the increase in price; there was a 7½ per cent. increase by agreement at one point, but the major increases have definitely resulted from the agreement to make lump sum payments.

834. I see. What has been the internal price situation in the Argentine? Have the packers themselves got the benefit of any increase?—I think they have certainly been helped by any increases in price, but that has not been sufficient to overtake the increase in costs in which they have been landed, and there have been strong representations made about that through diplomatic channels. The increases in Argentine wages and in the terms of employment of labour and the manipulation of the exchange rates on our remittances have all had the effect of more than overcoming any gain they may have had from an internal increase of price in the Argentine—or at least that is what I am informed.

835. Have you any reason to believe, then, that the profits that the Argentine Government were making apart from the under-counter price, as our Chairman has described it, are not to say exorbitant but are still even considerable—the profits that the Argentine Government have made by selling to us at a considerably higher price than they purchased from their own nationals?—It is effected by putting a different rate of exchange when they convert pesos into sterling or sterling into pesos. They do definitely acquire foreign currency and manipulate exchange rates for their own purposes.

836. Could you give us an example of that and tell us how it works?—If we pay £1,000 in sterling, the Argentine packer will only receive that at the rate of 13 pesos to the £, whereas if he has got to acquire pesos—and we have had in a small way to meet our claims—he has got to produce 16 pesos for £1.

837. I see. Now, do you in any way link the falling off in deliveries of meat with the demands that are made for a higher price on the ground that the price that is now being obtained is not remunerative by the Argentine packers and that their costs have gone up?—I think it is our opinion that if the Argentine Government had compensated the packer for the lump sum payment there would not have been any question that the Argentine packer would have been well remunerated, but as the Argentine Government have not seen fit to do it we have had to help the packer in his struggles with the Argentine Government to obtain the means to meet his wages bill.

838. How have you helped him?—Through diplomatic approaches.

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839. I see ; you mean by suggesting that part of this so-called under-counter payment should be made over to the packers?—Yes. (Mr. Bailey.) And by other suggestions also related to the internal financial arrangements between the Argentine Government and the packers.

840. Yes. Would it be proper to ask whether at the time when the Andes Agreement was made there was any understanding as to how this extra-contract payment should be disposed of by the Argentine Government?—I think I can answer that. It was certainly expected by our negotiators and by the Ministry when we made the payment that a due proportion of it would be passed over to the packers, thereby enhancing the price which they received for their exports, but in fact our information is that no part of that side payment found its way into the hands of the packers.

841. As you have said that the negotiators went out with instructions in this matter, perhaps it is not improper to ask this question, so that we may know if it was referred back. With regard to this particular extra sum, what was in the mind at the time of the Ministry as to why a special payment should be made rather than an increase in price? Was it thought that the increase in price would be permanent, whereas the price was ultimately likely to drop back a bit, and that therefore the best way of making, as it were, a temporary increase in price was to make a single extra-contract payment?—That was our purpose in making the payment in the form in which we made it ; and secondly I should say that in the contract itself the side payment was expressed as being made for the purpose of compensating for increased costs of production. The fact that it has not been paid over to the producers is disturbing.

Chairman.

842. Unexpected?—Both unexpected and disturbing.

Mr. Niall Macpherson.

843. Now, turning to New Zealand and Australia, in those markets, I think I am right in saying—New Zealand at any rate—the shippers form part of the same company as the importers: is that right? Is that generally the case?—(Mr. Higginbotham.) It is the case in some countries ; it is pretty general.

844. What proportion of the trade would you say was dealt with on the basis that purchasers and processors are all the same as the importers?—I am afraid I could not give you a picture of that, but I think it is quite a substantial proportion.

845. Now, I presume that they on that side sell to the New Zealand Government, the New Zealand Government sell to the

British Government, and the British Government sell back to the same company in this country?—No, in this country we retain ownership of the meat unless it is delivered to the retailer's shop.

846. They act as your agents?—Yes ; for specific jobs they may form part of the associations we employ.

847. Does the same kind of arrangement apply in Australia?—There is an Australian Meat Board with whom we actually negotiate our prices.

848. Is that an exporters' board or does it cover all meat production?—It covers the exporters and Government interests ; there will be producers' representation on that in Australia.

849. Does the board only deal with exports or does it deal with home production as well?—As far as I know.

850. It is a counterpart of M.I.N.D.A.L.?—(Mr. Bailey.) No, it is not a counterpart of M.I.N.D.A.L. It is an Australian board upon which, as has been said, there is producer representation.

Chairman.

851. It is a Meat Export Board?—Yes.

Mr. Corlett.

852. Only export? Does not all the meat go to that Board?—(Mr. Higginbotham.) All export.

Mr. Niall Macpherson.

853. You have your means of knowing, of course, the difference between the prices that are paid to the local producers and the prices at which we purchase?—Yes, we do know those.

854. Is there a wide disparity?—No. I do not think I can make any statement on the internal arrangements in Australia. (Mr. Bailey.) I think one thing that could be said with assurance is that the prices we pay Australia and New Zealand are closely related to costs of production.

855. Yes ; but, with great respect, that only means that if the cost of production goes up we pay more. The statement as such does not mean there might be quite a gap between the two sets of prices and costs of production?—No, it does not necessarily mean that, but I think it may be assumed that the Australian Meat Board does not take the sort of profit from us by way of diversion that other countries do.

Chairman.

856. Have they been frank with us in the negotiations we have had with them?—(Mr. Higginbotham.) With Australia and New Zealand we are on the very best of terms. (Mr. Bailey.) There is no question of that at all. All the figures are laid on the table,

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[Continued.]

Mr. Corlett.

857. The problem is quite different from the Argentine in every respect?—Quite.

858. What was the outcome of that battle of which you spoke: did we get a quasi-monopoly as the result?—(Mr. Higginbotham.) I think it would be put in different ways by different interests. I have not got sufficient knowledge to express a true view. (Mr. Bailey.) I think it resulted in a quota scheme.

859. A cartel?—A quota scheme.

Mr. Barton.

860. Was the scheme a closed corporation, or did it allow new entrants?—I am afraid I cannot answer that question.

Chairman.

861. If it were a quota scheme, I take it any question of new entrants would have to be closely controlled; otherwise the basis of the scheme would fall?—I think that must be so.

Mr. Corlett.

862. Was it one price which was charged by all of them, a fixed price, by this quasi-monopoly which I stick to, or could you get different prices from different firms?—(Mr. Higginbotham.) Prices were varying every day and in every market; they varied from market to market.

863. Yes; but there was control, surely, by somebody?—Fundamentally there must have been; but on top of that there was very competitive buying in the meat markets so as to reflect the different qualities and the different types which were offered. They varied seasonally.

Chairman.

864. In short, there was great competition at the point of distribution?—Yes.

Mr. Corlett.

865. Was there a price fixing agency, do you know, or an agreement?—I am afraid I could not say.

866. I am talking now about those people who had this battle, who evidently had come to terms, and who had come to terms which were a compromise, which they all accepted and which they all promised to honour?—(Mr. Bailey.) I am afraid you are examining your witnesses on matters with which they were not concerned at the time. (Mr. Higginbotham.) I am sorry.

Mr. Corlett.] But if we want to know what we are doing now, if we are going to compare conditions with what happened before the war, we really must know what the position was then.

Chairman.] If I may say so, I think we can only expect the witnesses to give us evidence based on their own personal knowledge.

Mr. Corlett.

867. Perhaps I may put it in this way. We have talked about packers in the Argentine, and I think Mr. Macpherson talked about shippers in Australia. I do not know whether I am using wrong terms, but are they large firms who produce the cattle themselves, pack it themselves, carry it themselves, wholesale it here themselves, and sometimes retail it themselves?—The majority of the trade is in the hands of these large firms, the Argentine trade.

868. I mean like Vestey's and so on, who have their own ranches?—Yes.

869. And they produce their meat?—Certain of them have and certain of them have not; I am afraid I could not tell you which were which, because they may hold them under other names and that sort of thing, but definitely there are firms that will have ranches from which they draw, and at the same time they will be buying in the local markets. They will process the cattle, bring it down, ship it and bring it into the London market. That is what they did before the war. In certain cases they have their own chains of retail shops?—(Mr. Bailey.) It will be remembered that the Co-operatives were also engaged in this business.

Mr. Corlett.] Yes. I only wanted to know what emerged from that battle.

Chairman.] I think it would be more profitable to pursue that line of inquiry when we take evidence from witnesses more directly interested.

Mr. Corlett.] I was only on the import side.

Chairman.] We are going to take further evidence on that side.

Mr. Corlett.

870. Might I pursue another line? If some of these other countries revert to private trading, do they buy in bulk or do they buy competitively?—(Mr. Higginbotham.) They will buy from the foreign Government concerned, say, from the Argentine Government, through an intermediary, sometimes, it will be a bargain, I presume, between their traders and the Argentine Government.

871. So that instead of Government bulk buying we have private people bulk buying?—No; they will buy specific parcels or consignments. They may enter into a contract. I would not like to tell you how they would handle it. A lot of this may be done by specific contract for a fixed quantity then and there, bought at that end, it may be for delivery over a period or it may be just an immediate consignment which is available to be loaded at once. (Mr. Bailey.) This harks back to the question of what is bulk buying. In this particular instance there will be, in a sense, bulk selling, not bulk buying.

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872. I agree there must be bulk selling, but I want to find out whether there is bulk buying, because if there is not then there is competitive buying, I take it, from the bulk seller?—It depends on the circumstances in which these private buyers operate.

873. So that if they revert to private buyers, then those private buyers will compete with each other as regards the one seller, and thus force the price up against themselves?—They will compete, but whether it will have that result is in the future.

874. They have not gone in for bulk buying as a Government would have done; they have gone in for open competitive buying the one with the other?—(Mr. Higginbotham.) They are proposing to do that.

875. Exactly as in America cocoa firms compete one with the other, buying from the Cocoa Board, and thus forcing up prices?—(Mr. Bailey.) They compete.

876. Yes; but I want to see what the result of the competition is when they buy?—If the Board in question has more of a commodity to sell than buyers are willing to buy, then competition might well lead to a fall in the price.

Mr. Corlett.] Yes, I can quite see that that is possible.

Mr. Barton.

877. The same remark applies to bulk buying if you are buying a commodity that is in surplus; you get it at a lower price than if it is in short supply?—Yes.

Mr. Corlett.

878. We are dealing now with a sellers' market?—The true governing factors are supply and demand.

879. Yes. Your bulk buying might be successful in a sellers' market, whereas competitive buying might be just the reverse?—I again think it depends upon the governing factors of supply and demand.

880. There was one point you raised. You said that one Government was paying 40 per cent. above our price?—I think I said that that is the average level of these marginal purchases from the Argentine compared with the price at which we buy in bulk.

881. Was that case where there was private buying also one of bulk buying?—(Mr. Higginbotham.) It is still bulk buying, but we have had a warning.

882. You have no comparison with countries where there is private buying as to what prices they are paying?—(Mr. Bailey.) Not as yet.

883. It is quite recent?—It is quite true to say that the comparison that I put forward was between two forms of buying that are identical.

884. Yes. I wondered if you had any where there was private buying?—No, not as yet.

Mr. Barton.

885. I have just one question on the Andes Agreement. Were there any penalty clauses in that Agreement?—There was a penalty clause in this sense, that if the Argentine Government did not deliver the contracted quantity within the contracted time it was bound to repay in sterling the amount of the advance payment not liquidated by shipments.

886. And only that payment?—Only that payment. There can, as between Governments, be little prospect of imposing penalties. The true sanction governing a Government contract is in diplomatic representations.

Mr. Niall Macpherson.

887. Do we understand that for this purpose an extra-contract payment was to be spread over all the contract deliveries pro rata, and that if any deliveries were not made then that proportion of the extra-contract payment which related to deliveries not made was to be repaid?—If we are speaking of the side payment, that was not the position. The side payment was a once for all payment and no part of it was recoverable if short shipments were made.

888. I am sorry. I meant the advance payment?—The advance payment was another matter. If there was a short shipment made against that advance payment, then the outstanding balance was due, and is due, under the contract, to be repaid.

Mr. Barton.

889. That is not a penalty, is it?—It depends upon the availability of exchange. It might easily be a penalty if the other party is short of sterling.

Mr. Niall Macpherson.

890. Are you not really, then, only in this position, that you have a favourable balance of trade, or at any rate you are in a similar position to that?—It falls into the whole question of balance of trade, I agree.

Mr. Barton.

891. But can it? Under the Andes Agreement we buy meat for sterling, surely?—Yes. The availability of sterling to the Argentine Government is what, presumably, governs the Argentine Government's purchases from us of our exports.

892. There is nothing outside the ordinary exchange terms in the Agreement?—I am afraid I do not quite follow that question. If you can expand it a little I will try to answer.

893. Do not answer this if you feel you ought not to. Were any of the funds made

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available to us by the sale of the Argentine railways tied up in the Andes Agreement?—They were tied up to this extent, that the Argentine Government was bound to make a certain use of the prepayment of the funds made available to it by the prepayment, which were to be used for the purchase of the Argentine railways; so that it might properly be said that the £100 million in question was specifically tied to the purchase of the railways.

894. Was it specifically tied to the purchase of meat?—It was not meat only; it was in respect of a number of scheduled commodities.

895. But was that £100 million outside the ordinary exchange movement?—No. The whole deal fell within the framework of bilateral trade negotiations. Does that answer your question?

896. Yes.—Then on the question of repayment of any outstanding balance of the prepayment, that will also and must also fall within the framework of bilateral negotiations to take place in respect of exchanges between our two countries.

Chairman.

897. Is it a fair summary to say that the purchase of meat was part of a much wider commercial agreement?—It was indeed.

898. And it is difficult to relate the items we have been mentioning in detail to the specific part of the Agreement we are dealing with this afternoon?—Yes; but we knew exactly how much we were prepaying in respect of meat.

Mr. Corlett.

899. Is the net result that they have got the railways and we may have got some other things, but we have not got all the meat?—Yes; we have got all the other commodities, or we shall have them by the time the Agreement runs out. But that part of the meat which is still undelivered represents only a small part of the total exchanges covered by the Andes Agreement. In other words, it may be £6 millions as against a total exchange of whatever it was—I cannot remember the exact figure, but it was very much larger.

Mr. Niall Macpherson.

900. I wonder if you could say this: had the Andes Agreement a specific term in time, and is it open at all to the Argentine to say: "Well, we have not been able to deliver the meat within that time; therefore that is a default and that is an end of it"? Or would they still be liable to make the deliveries as and when they can?—We contend that they are liable under the Agreement.

901. But do the Argentine Government contend the other way?—They contend

that they are not and that they have an option to repay sterling.

Mr. Yates.] Before you pass off the imported section, I take it we are covering also a consideration of these Estimates?

Chairman.] Yes.

Mr. Yates.

902. Just one question. A profit is shown on frozen meat but a loss on canned corned meat. I have noted the explanation at the end, but could I have a little more detail about this figure of £11 millions? Does that mean that with the adjustment stock values it has really cost us £11,634,000 to keep that corned meat in stock?—(*Mr. Higginbotham.*) We have carried a very substantial reserve stock of canned corned meat in which a lot of money is tied up. We have to pay for storage and interest on the money, so that there is a very heavy cost. A lot of that interest is on the money which we have to pay to the Treasury for having purchased and having held these reserves. (*Mr. Bailey.*) There are also storage charges; but it should not be assumed from that figure that there is any loss involved.

903. That is what I wanted to know. The amount that we are purchasing, according to this, is only just over £12 millions worth. I did not understand this figure; it seemed a very high figure?—(*Mr. Higginbotham.*) The point is that we have to remove that figure so that the cost of sales is produced to compare with the sales values. (*Mr. Bailey.*) This is an accounting adjustment. (*Mr. Higginbotham.*) Yes, it is an accounting adjustment. That £11 millions is carried forward to be recovered out of the future sales.

904. It is to be recovered out of future sales?—Yes.

Mr. Corlett.

905. We had the same difficulty over the previous statement?—(*Mr. Bailey.*) The figures you have before you are built up on an income and expenditure basis and have to be adjusted, in the later schedule, to bring them on to a cash basis.

Mr. Yates.

906. Surely, if you have got to pay interest as well as storage charges, there must be some loss somewhere?—That depends on your price; but in so far as there are interest and other charges accruing over a long period it may well be that your price will not be sufficiently high to recoup those added charges, and you may make a minor loss. That is what happened on that particular item.

Mr. Barton.] I want to deal with the paragraph on imported meat from producer to consumer.

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[Continued.]

Chairman.

907. Perhaps we ought to deal generally with the memorandum on the Meat and Livestock Estimates, 1948-49. Perhaps you could deal generally with the points raised in this memorandum?—Which paper is that, Mr. Chairman?

908. For our purposes I think it is called C 48-49 M8?—It is the textual memorandum?

909. Yes. I have a few general questions to put to you in the first instance. Am I correct in assuming that the estimated loss on home-produced meat is in the region of £35½ millions, and that in the case of imported meat the position is we show a net profit of rather more than £4 millions?—Yes, that is right. That was our expectation.

910. And if we turn to Schedule A, Expenses Analysis, in the first case we get auctioneers who are remunerated on a commission basis on headage rates. Can you tell us how these rates are fixed and what investigations are made to ensure that these are reasonable rates?—(Mr. Higginbotham.) I think I should explain that these rates were fixed at the outbreak of war. They are a rate per head, and they have not in fact been altered since the inception of that scheme. The rates were ascertained to be reasonable then. Any suggestion that they are now not reasonable has been resisted.

911. When was the suggestion made that the rates were unreasonable?—It is made from time to time: in view of the increase in expenses that these rates are now unremunerative. I think I can say that these auctioneers do many other things; this is only one of their activities. They get this fixed fee which has not varied. Their other business consists of sales of store cattle and many other auctioneering activities. In those cases they charge on a commission basis, which, of course, reflects the increases in values which have taken place, but our rates do not take account of any increase in value.

912. What inquiries have you made to satisfy yourselves that the headage rates were by some remarkable coincidence reasonable at the outbreak of war and have remained reasonable today?—I think we have just had to confine ourselves to putting up resistance to any suggestion that they should be increased. (Mr. Bailey.) That answer might perhaps be supplemented by this, that the conditions of the market before the war were very competitive and that we have assumed that the pre-war rate per head was a competitive figure appropriate to be carried forward into the war period, just as we have assumed that the pre-war unit margins in the competitive field of distribution were reasonable for the same purpose.

Mr. Barton.

913. Can we be told what the headage rates are?—You will have observed, Mr. Chairman, that whereas the headage rates might have gone up, or might be expected to go up, with the increase in the value of the commodity, we have not allowed it to move forward. (Mr. Higginbotham.) The rates are 6s. per head for cattle, 1s. a head for calves, 9d. a head for sheep and 1s. 6d. a head for pigs.

Mr. Corlett.

914. If it is not competitive now, is there anything like the labour involved, or is it just a formal transaction?—They have to run the market, fill in all the necessary records, and arrange for the removal of the stock from the market under instructions. I may say that the procedure under which we purchase is longer and inevitably requires more paper than the peacetime procedure.

Mr. Barton.

915. They get salaries and expenses in addition?—The only expenses which are received by the market are a small contribution towards the clerical labour, which comes to £156 a year for a market which operates every week; £104 a year for a market which operates once a fortnight; and £52 a year for a market which operates every month.

Mr. Niall Macpherson.

916. That is intended to cover one clerk, a whole-time job for the week?—Yes.

917. Have those expenses moved up, or is it still expected he shall be paid £3 a week?—In 1940 we had to increase that allowance by £1; it was previously only £104 if a market operated every week; it had to go up.

Chairman.

918. Are these market office expenses and allowances a flat rate allowance according to the various markets?—It is per market and is based on the number of days on which they operate during the year.

Mr. Niall Macpherson.

919. Irrespective of the number of beasts put through?—Yes.

Mr. Barton.

920. But the beasts are not sold when they go to the market?—They are purchased on behalf of the Ministry.

921. Yes; but the beasts are driven in and then driven out again?—They have got to be weighed, graded and mouth inspected.

Chairman.

922. Mr. Higginbotham, you have given us a list of fees. Are there grading fees in addition?—The grading fees are paid to the

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[Continued.]

farmers and to the producer graders. The auctioneer is the third member of the panel, and he gets remunerated as an auctioneer.

Mr. Barton.

923. What is his function?—As well as presiding at the grading panel, he has got to provide the market, collect the advices, twelve days' advices of stock to be presented; he has to send them forward to the Area Office; he has got to receive the stock and organise it in his market, have it weighed, have it brought into the ring for grading; have the records kept of its weight and of its grade, arrange for its despatch to the Government slaughterhouse, and send the records forward to the man who is going to pay the producers, that is, the County Chairman of Auctioneers; then there is the County Accountant who has to keep a check on these transactions.

Chairman.

924. How are the fees of the County Accountant determined?—They are entirely professional firms who are employed at so much per animal collected in their County and so much per animal slaughtered in their County. There are a maximum and a minimum, and that is their fee. The County Accountants also are reimbursed the expenses of their clerical staff.

Mr. Corlett.

925. This is hardly an auctioneering business; it is mainly clerical?—(Mr. Bailey.) It is not an auctioneering business. These services are performed in respect of it. They are both extensive in character and worthy of remuneration.

Mr. Corlett.] Certainly—clerical remuneration.

Mr. Yates.

926. They get the cattle there?—(Mr. Higginbotham.) It is much more than that; it is actually seeing that the animals come in, and they have to keep the producers up to scratch, that they bring their animals in, that they are properly handled at the market, and that they are finally despatched to the proper slaughterhouse. (Mr. Bailey.) It might be a question as to whether a clerk could perform the same services.

927. Yes. I want to know the difference between what we would normally regard as auctioneers' services and these services that are being performed here now?—I beg leave to doubt whether a clerk could perform them.

Mr. Niall Macpherson.] A clerk would not have the accommodation.

Mr. Corlett.] The authority would provide the accommodation for it.

Mr. Yates.

928. Could we know how much is paid under this arrangement? I notice there is

a District Chairman too?—(Mr. Higginbotham.) The people I have been talking about who run the markets are the District Chairmen.

Chairman.

929. Are they full-time?—No.

930. None of the people we are talking about are engaged full-time?—No.

Mr. Yates.

931. They get a salary?—The County Chairmen of Auctioneers have formed themselves into a pool, and their remuneration paid to that pool is so much per County Chairman, but the actual amounts paid to the individual are decided by agreement among themselves and must have relation to the amount of work involved. The amount of work involved is not necessarily the number of animals concerned; for instance, the County Chairman of Auctioneers' job in North Wales, in Denbigh, where there are a lot of small farmers (who all seem to be called Jones, by the way), is much more onerous than, say, the job in some other areas, on the East Coast, where you have large farms.

Chairman.

932. Appreciating the difference in the character of the work and the responsibility of the different Chairmen, why should the differential in remuneration be left to the Chairmen themselves and not determined by negotiation between the Ministry and the individual Chairmen?—It was an arrangement entered into at the outbreak of war; in fact under the Food Defence plans for the proper organisation of it, and it has worked very successfully.

933. Have you received any complaint from individual Chairmen that they have been badly treated by their colleagues?—I have heard one, but that sort of thing can get ironed out.

Mr. Yates.

934. How many Chairmen are there to share this £134,000?—It is 52.

Mr. Corlett.

935. One for every County?—There are 52 County Chairmen of Auctioneers.

Mr. Niall Macpherson.

936. Does that include Scotland?—Yes.

Chairman.

937. Does the figure of £134,000 cover market and office expenses and allowances to District Chairmen of Auctioneers, or does it solely relate to salaries paid to County Chairmen?—Yes, it is included in that figure of £219,000. The £134,000 relates to County Chairmen of Auctioneers and the balance is accounted for by expenses and allowances, which, as I explained, are £156 or £104 or £52 per

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[Continued.]

year. Then there are the District Chairmen's office expenses, and the £134,000 would be shared by them. Out of that they have got to provide clerical labour, postage and all that sort of thing.

938. I thought it was clear from the Schedule, but I asked the question because if that is so we can arrive at the figure for the District Chairmen by deducting that sum from £219,000?—Yes.

Mr. Corlett.

939. It is not a flat rate, is it, for each County Chairman?—It is a payment of so much per office, but the individuals do not necessarily receive that figure.

940. Because dividing it up roughly, it comes to somewhere round about £2,200 each?—Yes; but there are various sections in Scotland where the areas are greater. I can give you the figures.

941. It would not be a flat rate of £2,000; it would be a varying figure; they will not all get the same amount?—No.

942. Because some will have bigger expenses than others?—The English pool share £115,000 and the Scottish pool £19,000. (Mr. Bailey.) It means that it is allocated amongst themselves.

Chairman.

943. Might I just ask this: We have been told that their duties really amount to part-time duties. May I ask what on the average that part-time duty amounts to—is it one day or two days a week?—(Mr. Higginbotham.) It will be a case of being on duty the whole time so far as the market is concerned. All these matters have to be dealt with, documents completed and forwarded, and they have to be checked. They have to provide the office machinery and they also have to sign the cheques to the producers.

944. Yes; you mean part-time in the sense that they carry on their other office work notwithstanding these duties?—Yes, but it is spread over the whole period.

945. Are there County Chairmen who are also District Chairmen?—No. I do not think that even the same firm is allowed to be in the same position.

Mr. Niall Macpherson.

946. The grading fees are paid to representatives both of the farmers and of the Ministry: is that right?—They call them butchers; they are butcher members who are there to look after our interests. We endeavour to get a balance on this grading. The Grading Panel consists of three members; there is a farmer member, a butcher member, and the District Chairman of Auctioneers is the third member.

Mr. Barton.

947. Is this the position, Mr. Higginbotham, that the services you enumerated

to me a short time ago are remunerated to the extent of these figures: auctioneer's commission, salaries and expenses, other expenses, grading fees, droving, and transport to slaughterhouses?—Yes, the auctioneers receive the first two figures. Other expenses represent actual disbursements.

948. Did I understand you, then? I understood you to say that the auctioneers were responsible for the cattle from the time they come into the market to the time they go to the slaughterhouse?—Yes.

949. So that the actual cost is the five figures that I have mentioned?—Yes.

950. For that service?—Yes. The actual droving in and about a market had to be found by the auctioneer out of his headage fees. If there is droving away from a market then the Ministry reimburses that droving, and that charge comes under the heading of droving and transport to slaughterhouse. Grading fees are paid to these two graders who are appointed for that actual purpose.

Mr. Corlett.

951. You said there are three of them actually?—Yes, there are three panels, one for cattle; then there are panels for sheep and there are panels for calves.

952. How many markets have you, roughly?—About 800, I think.

953. How often does the market meet?—Once a week most of them; a few once a fortnight.

954. In other words, there is £114,873 given to those three at each market?—No; they may have to have two panels at a market, and they may have to have a panel for calves and one or more panels for sheep.

955. So that you may have more than three in each market?—Yes.

Mr. Barton.

956. Can you tell me if the cattle was graded before the war, or was it bought by the wholesaler as live meat?—It was bought in many ways pre-war. There was a National Mark Scheme introduced which was something of the same performance as ours, and the grading was done in fact by the buyer before the war. He looked at that and decided what he could do with it.

Chairman.

957. In other words, it determined his bid?—Yes; and we get the farmer there and the butcher there on the Grading Panel, who are supposed to represent that same interest.

Mr. Barton.

958. In effect there were hundreds of graders before the war?—Yes.

959. It was part of the butcher's time, a part of his business, and cost money?—Yes.

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[Continued.]

Chairman.

960. I think it would be convenient to adjourn at this point. I think it would also probably be of convenience to us all if we resumed this inquiry at our next meeting. Originally I think we intended to take other witnesses next week, but if it is convenient to these witnesses I am sure it would be convenient to the Sub-Committee if we could as we hope pursue this present inquiry to a conclusion?—(Mr. Bailey.) Our convenience will be made subject to yours.

Mr. Niall Macpherson.] I think it might

save time if we could have a memorandum, quite a simple memorandum, on the procedure of the normal market. I think if we then asked questions on that it would save a great deal of time both of these gentlemen and of the Sub-Committee.

Chairman.

961. Yes, I think that is a good suggestion, if you could meet us upon that?—Yes.

Chairman.] In that case it will certainly shorten our proceedings. Thank you very much for the assistance you have given us.

The witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 17TH FEBRUARY, 1949.

Members present:

Mr. FREDERICK WILLEY (*Chairman*).

Mr. Corlett.
Viscount Hinchingbrooke.
Mr. Kirby.

Mr. Niall Macpherson.
Mr. Yates.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, Mr. R. H. HIGGINBOTHAM, Finance Director, Meat and Livestock Division, and Mr. J. G. CARNOCHAN, an Assistant Secretary, Ministry of Food, recalled and further examined.

Witness (Mr. Bailey.) Might I take up first a point that you raised by your opening question on the last day that we were before you?

Chairman.

962. If you please?—You asked about a particular case which had been heard at Newcastle Assizes by Mr. Justice Pritchard. That case was dealt with by the Parliamentary Secretary to the Ministry of Food in the House in response to a Question, and I merely draw the attention of the Sub-Committee to the information then given, and have nothing to add to it.

963. I am much obliged. I have again, I am afraid, one or two points to raise on the evidence we took last time. We discussed Australian, New Zealand and Argentine meat. I wonder whether you could tell us in broad terms how the prices for Australian and New Zealand meat compare with the Argentine prices?—(Mr. Higginbotham.) The Argentine prices for beef are rather higher because of the fact that they commanded a higher price before the war. The price for New Zealand lamb, on the contrary, is higher than the price for Argentine lamb. The prices still bear relationship to their pre-war differentials. On the whole, until the side payment is

added, the prices are comparable, but with the side payment brought in from the Argentine, the Argentine prices are higher.

964. In short, we can conclude that there are no marked differences between the prices?—Yes.

Mr. Corlett.

965. On that point, the side payments stopped with the Andes Agreement, did they not?—The Andes Agreement has not expired yet.

966. But did not the side payment stop?—Yes; but a new Agreement has not yet been entered into; deliveries are not complete. (Mr. Bailey.) It is not a recurrent payment.

Chairman.

967. You used the phrase, Mr. Higginbotham, about the Argentine meat, that "we are not getting the meat contracted for at our price." I apologise for not pursuing this at the time. Does that mean we are not getting the meat or we are not getting the quality of meat we contracted for, or that we are paying more?—(Mr. Higginbotham.) It does not mean we are paying more; it means we are not getting the deliveries we expected to get.

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[Continued.]

968. I do not know whether you have got the Minutes of Evidence before you?—I am afraid I have not had time to go through them carefully.

969. I am sorry that we cannot have these before us earlier, but if I could refer you to Question 881, Mr. Corlett asked: "Was that case where there was private buying also one of bulk buying?" You replied: "It is still bulk buying, but we have had a warning."—A warning that they are considering changing over to private trade on their side.

970. I thought that was what you meant, but I thought at the same time we should have it clearly on the record of evidence. Turning to the auctioneers, is the position that auctioneers receive fees by way of headage rates and grading fees in addition?—Auctioneers do not receive any grading fees.

971. They receive a comprehensive fee?—Yes.

972. A comprehensive fee which covers their services?—Yes, which covers their services on the Grading Panel.

Mr. Corlett.

973. If an auctioneer is called in, there are a butcher and a farmer sometimes, when an auctioneer is called in if there is a dispute?—No, they are all three equal members of the Panel.

974. Yes; but does he not get a payment for that service?—No, it is part of his duty to be on the Panel.

975. Those are the grading fees only paid to the others?—Yes, only the farmer and the butcher members.

Chairman.

976. To turn to the County Chairmen, we understand that they are reimbursed for the expenses of their clerical staff. How is the amount of such reimbursement calculated?—I am sorry, that is not correct. County Chairmen of Auctioneers receive this salary out of which they have to pay their office and clerical expenses.

977. So that the position is that they receive a part?—They receive a part.

978. Which is again a comprehensive fee, and they have to provide for such expenses as they are put to from that fee?—Yes.

Mr. Corlett.

979. There are the two items, of course, £725,220 for auctioneers, which is a global figure, apparently; and then there is the figure of £219,000. Is that figure of £219,000 an addition to or is it apart from that global figure?—It is shared in a separate way. There are three pools for each country. The County Chairmen of Auctioneers share in the larger expenses pool; the District Chairmen share in the small expenses pool; and all the auctioneers share in the headage pool.

980. Even if they render no service?—If they are members of the Association they will have provided their market. It may have been the market that they have shared pre-war with someone, but they will be sharing in providing premises.

981. But supposing some of those auctioneers with their reduced work are not wanted, do they get some form of compensation?—They share in the pool according to the arrangement made among themselves. The reason for that was that owing to the introduction of the scheme in January, 1940, the flow of stock was diverted, and therefore they share in the remuneration received from the Ministry partly in accordance with some method which has reference to their pre-war business.

Mr. Niall Macpherson.

982. Do they all share?—Yes.

Mr. Corlett.

983. Even those who perform no services because they are not necessary?—But they will have provided the premises, or they will have thrown their premises into the general pool.

984. But suppose their premises are not needed?—I think we are using all their premises. There may be occasions when their premises have been closed, but I would have to have notice, I am afraid, as to exactly whether there had been premises belonging to a firm of auctioneers which were not now used.

Chairman.

985. I think we have been informed that we are using about 800 markets?—Yes, that is right.

986. How many were we using before the war?—As far as I know, it was approximately the same number.

987. There have been no steps taken to examine whether about 800 is the ideal figure, for the present arrangements regarding the marketing of livestock?—I think I am right in saying that there are some markets—I can think of one to my certain knowledge, the Glasgow market—which are not in fact being used.

988. Are the market days at the markets the same as they were before?—No, they have modified them.

989. Who are the owners of the markets?—The owners of the markets are very often the auctioneers; in some cases the local authorities; in which case the auctioneer out of his headage fee has to pay the local authorities a rent or toll or whatever charge is made.

990. So that in short the auctioneer's fee covers the use of the market?—Yes.

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[Continued.]

991. If the auctioneers happen to be owners of the market, then naturally they take the full fee, but if not they have to make their own arrangements?—They have to pay the owner's charges.

Mr. Corlett.

992. Have not the authorities been compelled to limit their charges that they were charging before the war so that some of these authorities are losing on this market transaction, and I believe their toll fees are fixed?—Yes; but I am afraid I should have to have notice to say exactly what has happened, because we are not directly concerned. But I think the local authorities have been bringing pressure in some cases to get increased fees.

993. I think it is the home markets; I made inquiries at my own place, and I understand that there is a deficit. If there are all these sums going out to the auctioneers, and it is the ratepayers who are carrying the deficit because they cannot increase the tolls, it is rather a serious position?—I think we shall probably come to it on slaughterhouses, but I think I should explain that our attitude was that local authorities should be content with pre-war tolls for pre-war services, and that if they were subsidising their market before the war we asked them to continue. That has been departed from.

Chairman.

994. If we can go from the markets to the slaughter houses, I believe that somewhere we are told that there are at present 580 slaughterhouses. How many slaughterhouses were there before the war?—About 16,000.

995. Have any steps been taken to compensate owners of slaughterhouses not in use?—No.

Mr. Corlett.

996. Were these owners promised that they would have their premises returned to them?—They have got them. There is nothing to prevent their letting their slaughterhouses for other purposes; in fact I should say that most people do.

997. Had they a promise that they would have them back after the war?—No.

998. I gather that some of them are assuming they had such a promise?—I do not think so. I can assure the Sub-Committee that there is no definite promise.

Mr. Corlett.] There is no record of a promise, but there is an assumption on their part, or on the part of many of them, that they are going to get them, and they will be very much surprised if they are not allowed to.

Mr. Niall Macpherson.

999. You said that there is no definite promise. Will you explain that?—There was an indication made to wholesale meat

traders, who in many cases are the owners of slaughterhouses, that their business was being put in cold storage—that was the way it was expressed to them—but it was quite impossible to bind future Governments. But there is that promise that they would get their trade back. It is not tied to the ownership of slaughterhouses; it is tied to the facts of their trade.

Chairman.

1000. Does the Ministry rent the slaughterhouses used?—Yes, or they have requisitioned them. A great many are requisitioned by the Ministry of Works, or if they belong to local authorities they are taken over on the terms of the pre-war tolls for pre-war services subject to an adjustment where they show that the deficit has increased as a result, in which case the Ministry make an agreed contribution to that deficit.

Mr. Corlett.

1001. Was any contribution made for the closing of any of these private slaughterhouses?—No.

Mr. Niall Macpherson.

1002. You said there was a promise that they would get their business back. To what extent so far has that promise been implemented?—It has not been implemented at all.

Chairman.

1003. The work is carried on by contractors—Yes.

1004. When were the rates fixed, and have they subsequently been revised?—They are revised regularly; also each individual contractor is entitled to ask for a costings investigation.

1005. They are based, in short, on a costings investigation plus a margin?—Yes.

Mr. Corlett.

1006. Are the employees on the payroll of the Ministry or are they on the payroll of these private firms?—The actual slaughtermen are on the payrolls of the contractors. The Ministry has at each slaughterhouse a slaughterhouse manager, who is normally supported by a check weighman or a clerk, depending on the size of the slaughterhouse.

1007. Yes; I have watched our men; the Ministry of Food appoint the manager of the slaughterhouse?—Yes.

1008. And pay him?—Yes.

1009. Who pays the check weighman and his clerk?—The Ministry pay the check weighman and the clerk.

Chairman.

1010. This follows what we are gathering to be the usual pattern of the Ministry in making these arrangements?—Yes.

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[Continued.]

1011. We may presume that the contractors receive management fees?—Yes, which is a margin based on the number of animals handled. (Mr. Bailey.) There is a subdivision of that, Mr. Chairman. A contractor may receive either a fee, which includes his expenses, those expenses falling upon him directly, or his expenses reimbursed by the Ministry, plus a fee.

Mr. Corlett.

1012. I am not quite clear in my own mind about that. I thought the Minister of Food appointed the manager of the slaughterhouse. Where does the contractor come in?—(Mr. Higginbotham.) The contractor is the man who employs the slaughterman and performs the actual work under the slaughterhouse manager. The slaughterhouse manager is in charge, he says what has got to be done, and the slaughtering contractor has to carry out those orders.

Chairman.] If we could leave slaughterhouses for a moment, there is one other matter I should like to inquire about.

Mr. Kirby.

1013. Before you leave that matter, I only want to ask about the number of slaughterhouses that are being closed and are not in use. I take it, having in mind modern standards and the experience that we are having during this period of bulk purchase, distribution and so on, that some of them will never be approved for use again?—I should imagine a great many will not be; I cannot say; it depends on the Lucas Report. It is under consideration at present.

Mr. Corlett.] Many of them would not come up to any modern standard at all, and the question of supervision would arise, especially in the country.

Mr. Niall Macpherson.] There is a little more to be said about slaughterhouses.

Chairman.

1014. For the moment I was leaving the slaughterhouses, because I was going to ask generally what is meant by the hides and skins commission?—That is a payment made to hide markets for the processing of the hides preparatory to their being delivered to the Board of Trade under the control scheme.

1015. Does the sum total of £470,832 represent the fees earned by the commission for the work they carry out?—That represents the commission which they earn, which is so much a hide or so much a skin.

1016. Again, what is the basis of their commission?—The whole trade form themselves into an association and we fix their fees on the basis of a costings investigation.

1017. You do not know what the margin works out at?—The margin is 3d. a hide unit, and the cattle beast is one unit; eight sheep represent one unit, and I think calves are five. It is 3d. a hide unit. That is the actual margin.

Mr. Corlett.

1018. Was the association open to any merchant who cared to come in?—Yes.

1019. There was no minimum requirement?—As far as I know, there was no minimum requirement, but they had to have had a hide market before the war or been a collector of hides.

1020. Was there any check at all on his pre-war turnover?—His pre-war turnover had to be proved to allow him to come in, but that only entitled him to be considered. It is on rather a different basis from the others. We only pay the individual hide markets a rate for the actual skins they handle. There is one small adjustment on that, that later on in the scheme we introduced a scheme to reduce the number of the hide markets, and we do pay a small amount for continuing expenses in certain cases, but it is a very small amount.

1021. How did he prove it? Did a Chartered Accountant check his figures?—I think he simply had to satisfy the committee, or if he did not satisfy the association he had to satisfy the Ministry, that he was in fact a trader before the war. It was not based upon any figures or returns; it was a question of whether or not he was in fact in the business.

1022. I am only thinking it might be easier for him to satisfy the association—I mean, they might all be friends together?—I do not think that happened in practice. I think the association were rather jealous about that.

1023. He had not to satisfy the Ministry, had he?—I think it is fair to say that if the Ministry had to do anything, they had to insist that certain collectors were recognised.

Chairman.

1024. Can you put the margin as a percentage figure?—About 10 per cent. of the cost.

Mr. Niall Macpherson.

1025. Could you tell me how the trade was handled before the war? I want to get at two particular aspects of it; first of all, the financing of it; and, secondly, the quality of hides?—The financing of it was done by these hide merchants buying.

1026. Individually?—They worked individually, and in most cases I understand they bought the hides outright. There was also, I think particularly in Scotland, the performance of selling on commission for

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[Continued.]

farmers or meat wholesalers, but I understand the normal practice in England and Wales was that the hide merchant bought the goods outright.

Chairman.

1027. Is the 10 per cent. margin a percentage of the costs of handling or value?—It is a percentage of the costs of handling at a point. I think it must have been somewhere about 1942. It has no reference to the value of the goods.

Mr. Niall Macpherson.

1028. Could I just pursue that a little further? The hide merchant then himself either bought the hides or sold them on commission. Did he also sort them into qualities?—He had to lay them out and trim them and sort them into qualities and deliver them to his tanner in the form in which the tanner wanted them.

1029. Does he still do that?—He still does that, but the allocations are under the directions of the Board of Trade.

1030. Is there any evidence to show that the job is being done either better or worse than before from the point of view of the qualities being maintained or delivered?—We get detailed returns from the hide markets as a check up in our slaughter-houses. I have not heard any complaints from the tanners that the goods produced are any worse than pre-war.

1031. They are still divided into qualities, as they were?—Yes.

1032. Is there any change in the range of quality or the number of qualities?—I am afraid I would not know; I do not know the comparison of the existing price list with pre-war; I think that comes under the Leather Control.

Mr. Corlett.

1033. Have any of these firms been put out of business by concentration, and if so have they been compensated?—Those few that have been put out of business are getting the cost of maintaining their unused premises; it is an actual payment of the cost.

1034. An actual payment of the cost?—Of the cost of maintaining their premises less any income they are able to obtain from letting them off as warehouses or by other means.

1035. It is not like the W.M.S.A.'s where there is 1½ per cent.?—No.

1036. How do you ascertain the cost of running premises?—The people have to supply the details, which we go into, and if we are not satisfied the costings people take it up at an investigation. The amount involved is very small.

Chairman.

1037. If we can pass on to the question of imports from Eire, you have told us that the price paid to Eire exporters for livestock are based on those paid to English farmers. Does that mean that the Eire exporters get the benefit of the subsidy on meat?—Since the last arrangement it is fair to say that they do benefit. The form is that the price we have had to pay to the Eire farmers has gone up to very nearly the price we pay to British farmers for comparable animals.

Mr. Yates.] Where is this point, Mr. Chairman, that you are dealing with?

Chairman.

1038. It is on the Memorandum of Meat and Livestock Estimates, paragraph 8?—I think I should like to point out that the subsidy arises when meat is sold at less than its cost, plus expenses, and in effect what has happened with the Eire farmers is that we have had to bring prices up to virtually the same as those that we pay the British farmers.

1039. Can you say whether pre-war British and Irish prices were corresponding?—Certainly Irish prices were lower, and they are still lower by a penny a lb., which covers certain agreed costs, but I should say that the differentiation has to all intents and purposes disappeared.

Mr. Niall Macpherson.

1040. How shocking, to think that we are paying for Irish meat as much as we are paying for good Scotch beef!—There is still a quality differential.

Chairman.

1041. Can you say whether the differential between New Zealand meat or Australian meat is the same as it was pre-war?—It is a very technical question to which I think I would rather not commit myself.

1042. Perhaps you could let us have a very brief note on that. You will see the point the Sub-Committee have in mind, Mr. Higginbotham. We would like to have a point of comparison so that we can see how the Irish meat has come off comparatively with other meat we are purchasing from abroad?—I think I should explain that Irish meat is itself also fresh home-killed, killed in this country, so that there is always a premium on fresh meat.

1043. Those considerations, of course, would express themselves as much pre-war as they would today?—Yes.

Mr. Niall Macpherson.

1044. Is it handled in the same way? Was it fresh home-killed before the war?—Yes.

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[Continued.]

1045. It was brought over alive and slaughtered in this country?—Yes. There is a small trade in meat killed in Dublin and Wexford, but it is very small.

Mr. Corlett.

1046. Apart from meat, the cattle apparently do not come here in such great numbers as to the Continent—Irish cattle. Does that matter come into your Department?—I am afraid that we are a little disappointed that we have not received more Irish cattle.

1047. The numbers are very much down?—(Mr. Bailey.) The figures were given very recently in the House.

1048. Yes, they were?—I have forgotten exactly what they were, but they were not as catastrophic as that.

1049. But they were much below the previous year for both ourselves and the Continent, I was surprised to see?—I could not comment upon that unless I had the answer before me.

1050. What puzzles me is the suggested new arrangement, I think in June, whereby 10 per cent. of their exports were to be cattle?—(Mr. Higginbotham.) As part of the agreement for the price, we persuaded them to limit the quantity which would go to the Continent.

1051. To 10 per cent.?—It was a higher proportion for this year we are in at the moment, and it is lower thereafter. I am afraid I have not got the exact figures.

1052. You are being clearer than the Minister was. I did not gather from his 10 per cent. that that was to go to the Continent. I thought that was the total?—I think I should like to have notice of that.

Chairman.

1053. I do not think we can pursue the comparative clarity of the Minister and yourself, and in fact I was going to go on to canned corned meat and ask why MINDAL do not handle canned corned meat?—MINDAL handle the actual imports of canned corned meat at cost up to a point. The reason why they do not get full remuneration on it is that it was not a trade in which they were concerned pre-war.

1054. I thought that was A.C.M.I.?—(Mr. Bailey.) That is canned meat other than canned corned meat.

1055. So that corned meat is handled by MINDAL?—(Mr. Higginbotham.) Yes, corned meat is handled by them.

1056. One point on A.C.M.I. We are referred to one-third of a penny per lb. I wonder whether you could reduce that again to a percentage figure? I will not pursue it further if you could let us have

a note. Perhaps would would like to have notice of the question as to what one-third of a penny per lb. amounts to as a percentage figure?—Yes.

1057. The Association of Wholesale Distributors of Imported Poultry and Rabbits is a non-profitmaking Association. I gather the wholesalers provide the service for themselves?—Yes, that is right.

1058. If we could turn to Schedule C, we have got figures for stock losses there?—(Mr. Bailey.) That is on imported meat, poultry and rabbits alone.

1059. Yes. I was going to ask generally whether there is anything exceptional in those losses or whether they are unexceptional?—(Mr. Higginbotham.) Considering the quantities of meat involved and the value of the meat, I do not think they can be said to be anything exceptional. They do, of course, include pilferage, and in any case where it is proved we recover it. The total losses on our imported meat are under $\frac{1}{2}$ per cent. of the weight handled from the point where they are invoiced in the country overseas to the point where they are sold to the retailer. As that includes normal shrink, it is in the opinion of the people who know a very reasonable figure.

1060. I am obliged. Turning to Schedule D, we have got variations in stock levels at the end of the year as compared with the beginning, an increase of £11,634,000. I wonder whether you could just add a note of explanation to that?—That would appear to be a very appreciable increase?—It is a budgeted increase. In these Estimates we have to work to expected stock levels and the future Estimates. You must remember that these Estimates have to be made four months before the beginning of the year in which they are to apply, and the Statistical people produce these Estimates to show the position expected. (Mr. Bailey.) They produce the stock level estimates; the Estimates before us are, of course, the financial Estimates.

1061. But there is nothing untoward in that figure?—No.

Mr. Niall Macpherson.

1062. How many does it actually represent in terms of consumption—that increase? How much extra stock?—It is all canned corned meat, and I think if we may be relieved from answering that question, in view of the Minister's policy not to disclose stocks, we shall be very obliged.

1063. But in any case the consumption is pretty variable?—Yes.

Chairman.

1064. Now may we pass on to Schedule E, which deals with MINDAL? I notice you mention among the services rendered by MINDAL, under (iii), "acting in conjunction with the Ministry's Surveyors in:

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detecting damage ex ship". Does that denote some overlapping of responsibility?—(Mr. Higginbotham.) I do not think that is the case, because it is quite a reasonable practice for a MINDAL representative to draw the attention of the surveyors to it. You must picture the boat unloading at four or five points from different hatches. It is a perfectly reasonable function for the one to help the other.

1065. We got rather a graphic picture the other day in the House of the unloading from a ship, and I was wondering whether there was a possibility of overlapping the function between such Ministry officials and the officials of MINDAL?—The surveyors have got their particular duties, and the connection with MINDAL is that the latter are in effect calling in the surveyor.

1066. I was going to make a similar point on the seventh paragraph, where you state in brackets: "(MINDAL also deals with certain classes of claims on frozen meat, but such claims are for the most part dealt with by the Meat and Livestock Division)." In short, is there any reason why the whole of the claims should not be dealt with by the Meat and Livestock Division, or alternatively by MINDAL?—The position is that there are certain claims in which MINDAL are in a much better position to handle quickly. The ultimate responsibility on claims rests with the Meat and Livestock Division, but in so far as MINDAL can settle claims on the spot very quickly they will do so.

1067. Would it be accurate to regard this as a rough and ready assistance by MINDAL to the Division in performing its functions?—Yes.

1068. Is there any overlap between the functions of MINDAL and the inspection that is carried out by independent firms?—No, there is not.

1069. Again on MINDAL, we are told elsewhere that their remuneration amounts to, I think, £782,000. Is it possible to reduce that to a percentage margin?—I can give the figures.

1070. If possible in two ways: if it is possible, as a percentage return on capital—I gather that is not possible?—No.

1071. If it is not possible, then as a percentage in a similar way to that in which you have given us the previous percentages elsewhere in the memorandum?—The gross income for the year 1947-48, expenses, and then the net income. The gross income is £891,526, the expenses £248,134, the net profit £643,392. On the notional value of goods, which is the pre-war notional value, £52 a ton, the gross income represents 1.59 per cent., expenses 0.41 per cent., and the net profit 1.18 per cent. If we were to compare those with present values, in effect you could do it with two values: there is the subsidised

value and there is the unsubsidised value. On this subsidised value of £93 a ton, the gross is 0.89 per cent., expenses 0.23 per cent., and the net profit 0.66 per cent. With the unsubsidised value of £109, it would be 0.75 per cent., 0.19 per cent., and 0.56 per cent. Compared with pre-war, the gross income as ascertained was 1.8 per cent., expenses 0.5 per cent., and the net profit 1.3 per cent.

1072. I am obliged. Regarding reimbursement of expenses, we can assume that that is done in the same way as the other examples we have dealt with?—Yes. We approve their expenditure.

1073. Can you say generally how the staff of MINDAL compares with the pre-war staff?—It is very materially lower than the staff employed by the importing trades, but I am afraid I could not give that. (Mr. Bailey.) That is reflected in the drop in expenses.

Mr. Niall Macpherson.

1074. How many of them are people employed by the Ministry of Food Meat and Livestock Division?—A certain number, not a great number.

1075. That is a further overhead?—Yes; but those gentlemen are not also employed in MINDAL.

Mr. Niall Macpherson.] No, I understand that.

Mr. Corlett.

1076. You are referring now to employees of firms constituting MINDAL?—Yes.

1077. Are any directors employed in the Ministry?—(Mr. Higginbotham.) Yes, the Director of Imported Meat was in one of the groups.

Mr. Niall Macpherson.

1078. You say "was". He resigned, of course?—He is a full-time civil servant.

Mr. Corlett.

1079. I was wondering if you could tell us how many of those directors of those firms occupy positions in the Ministry?—(Mr. Bailey.) Perhaps I might deal with that. I think the answer to that, if we are talking only of the Meat and Livestock Division, is given in the last paragraph but one of the paper which has been put in on the Wholesale Meat Supply Association. There is perhaps one omission in that paragraph, namely, that the Division also contains established civil servants up to the Assistant Secretary level.

1080. I was differentiating between employees to whom Mr. Macpherson has referred and directors of those firms constituting MINDAL, because I think, following the point that Mr. Macpherson has raised,

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they have now become full-time civil servants and they have severed their connection with those firms?—The general position on that, and I am now going wider than the Meat and Livestock Division, was stated by the Parliamentary Secretary to the Ministry in the House on Tuesday of this week. I think it would be both difficult and presumptuous of me to add anything to it.

Chairman.

1081. If we can deal with one or two other matters arising from this memorandum on the Wholesale Meat Supply Association, can you explain how the incentive operates to reduce the expenses of the Association?—(Mr. *Higginbotham*.) The expenses are dictated to a great extent by the job the Ministry requires them to do, and we do take a great interest in the expenses which they incur. When they are under an obligation to provide depots at the point we require distribution to be made control is exercised over their expenses by administrative action.

1082. I have gained the impression that they have reduced their staff by about half?—Yes.

1083. Presumably their work has been halved but the profit remains the same?—Profit is still based on their pre-war figure, and out of that profit they are, we know, making up the salaries of the pre-war employees so as to preserve their position.

Mr. Niall Macpherson.

1084. Do you mean inside the organisation?—No, outside the organisation.

Mr. Corlett.] I am not quite clear upon that.

Mr. Niall Macpherson.

1085. In what capacity are their ex-employees working?—We do not know. It is from their share of the profit.

Chairman.

1086. The Association from their share pay some compensation to members who are no longer employed carrying out the functions that the Association are carrying out for the Ministry?—Yes, they make a distribution to members which is based on the pre-war tonnage. Out of that distribution the members do what they think fit, and I merely note as a fact that they do think fit to maintain the people.

Mr. Kirby.

1087. When you say "maintain the people", you do not mean make up their salaries and so on in relation to civil servants only who have been brought into the Ministry in any job?—They do that as well. They maintain the people who are lent to the Government. There are arrangements whereby the Government pay is paid to the firm.

Mr. Niall Macpherson.

1088. Could we get at this from the Wholesale Meat Supply Associations themselves?—Yes. (Mr. *Bailey*.) If the Sub-Committee wish, I could expand that very short reference in the last paragraph of Schedule E with regard to the remuneration of MINDAL. The scheme of remuneration provides for a gross commission of 1.5 per cent. calculated annually on the actual tonnage handled by the Association of those types of meat on which membership ranking was based, and usually known as "basic meats". For the purpose of the calculation, the meat is valued at a notional figure of £52 per ton. This rate was based on a costings investigation, and out of the 1.5 per cent. expenses were regarded as accounting for 0.25 per cent. The pre-war remuneration was 1.86 per cent. gross and 1.34 per cent. net, but a lower rate was adopted because (a) the pre-war level of remuneration was based on a value of £50 7s. 11d. per ton, while the remuneration of MINDAL is based on £52 per ton; and (b) the services performed by MINDAL are on balance less onerous than those performed before the war by importers trading as separate commercial enterprises. In two years the tonnage dealt with exceeded the pre-war figure. On these occasions the commission on the excess over the basic tonnage was reduced to 1 per cent. In respect of commodities other than "basic meats", the Association is paid its expenses (for the average rate of expenses on the entire throughput) with a nominal profit of about 6½d. per ton in addition. The distribution of the remuneration among the members is left to the Association. The salaries of senior employees are in accordance with limits approved by the Ministry. The expenses are subject to close scrutiny, and are given prior sanction if they are of an abnormal nature. That, I think—at least I should hope so—may serve to explain the figures that were given earlier.

Chairman.

1089. I am much obliged. Perhaps you might round it off by explaining a little more fully the last part of the second paragraph on the second page?—Is this now in respect of the WMSA's?

1090. Yes. If I could refer you to it, I am speaking of the phrase, "but one-half of all salaries paid to principals is deducted from the approved expenses of the Association and is thus paid out of funds otherwise available for distribution among the members."—I stumbled a little bit upon that when I read it, and I think it would be perfectly clear if you put in the words "which would be" between the words "funds" and "otherwise"—in other words, they have to pay this half out of their own pocket.

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1091. Thank you. Now, regarding the margin, I take it again that this is a margin for services, and that it is probably not practicable, and if it were practicable it would not be helpful, to reduce it to a percentage upon the capital employed?—It would be quite impossible to do so, but the figures have been given in the schedule to the paper that has been mentioned.

1092. If we could turn to the first paragraph on organisation, are you in a position to say how many transfers have been made?—I could not say; perhaps Mr. Higginbotham might be able to, but I rather doubt it. (Mr. Higginbotham.) No, I am afraid I cannot without notice. I could put in a paper.

1093. If you would, I should be much obliged, because the information will be before you, as your consents are required. Now, on the third paragraph on the first page, I wonder if you could tell us briefly what "certain of the by-products arising at Government slaughterhouses" covers?—They are mostly sold to *ad hoc* associations. If, however, there are sundry items left over, or retail butchers wish to buy any of those items, the Wholesale Meat Supply Association arranges those sales.

1094. So that they fall into the residuary miscellaneous category?—Yes.

1095. Turning overleaf, you give the pre-war figures for wholesale costs as 2 guineas per ton, and explain that those in 1947-48 were £1 3s. 6d. Would it be possible to give the figures for 1946-47 and for 1945-46?—Yes.

1096. So that we would not only have a comparison with pre-war costs but with post-war costs also?—(Mr. Bailey.) We have not got them here, but it would be quite easy to do that. (Mr. Carnochan.) We have them for 1946-47.

1097. Perhaps we could take those now and have the other figures later?—Yes. For 1946-47 it amounts to 39s. 3d.

1098. So that you are making continuous progress in the reduction of costs?—(Mr. Bailey.) Yes.

1099. With regard to the paragraph on non-active members, can you say generally whether this total of members is in a true sense indicating independent members, or whether some of the members so described are members of subsidiaries?—I think that would be quite a difficult analysis to make and one that could not be made by an inspection of the share register. I do not think we could do it without notice, even if we had the information to do it at all.

1100. Now, passing finally to the chart, which appears to me to be clear and straightforward, there is one point on the figures. It is perhaps an elementary point that is easy to answer, but it looks a little misleading on the face of it. The amount

of meat for 1947-48 is appreciably larger than the pre-war figures. Are we correct in assuming that we have more meat imported and home-produced today than we had pre-war?—From what figures in particular do you draw that inference?

1101. I am referring to the chart attached to the memorandum we have been discussing, the Wholesale Meat Supply Association Memorandum?—That is capable of a very simple explanation. The W.M.S.A. now handle, as indeed the paper shows, more meat than they handled pre-war. Some home-killed meat in particular did not pass through wholesale channels. It does now.

1102. I thought I should ask the question. I anticipated it was open to that explanation. In short, it means that the first figure is not a gross figure for the country?—That is so.

Mr. Niall Macpherson.

1103. Is it a gross figure for wholesalers, because there is this to be borne in mind, that a number of wholesalers did not come into the W.M.S.A., and you see, as your memorandum rightly says, the membership was open to all bona fide wholesalers. That may be so; advertisements were put in the Press; but a great many wholesalers, particularly in the part of the world that I represent, did not see those advertisements, and consequently did not become members of the Wholesale Meat Supply Association and have ever since been excluded. The question I am asking is whether their turnover enters into this first figure or not?—(Mr. Higginbotham.) No, it will not be included in that figure.

1104. It is probably quite a considerable figure, is it not?—Yes.

Chairman.

1105. Is it possible to indicate what that figure would be?—No, I am afraid I cannot give that. I do not know that I could even get it from any record that the Division has. We would have records of those cases we had been notified about.

Mr. Corlett.

1106. Mr. Macpherson raised it from a different angle from the angle from which I should like to raise it. I am wondering if some have come in which should not have come in; I am wondering what your definition of a wholesaler is?—(Mr. Bailey.) The answer to that may be the answer that was given in reply to a similar question in respect of another organisation, namely, that the body of the trade were extremely jealous as to the persons to be admitted.

1107. I know that in Bradford there is a definition of what a wholesaler is, but it is very different from the one in my district, and I should have thought a wholesaler was a wholesaler?—At any rate, a definition would be contained, I fancy, in the Articles of Association.

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1108. Yes; but they would vary from Association to Association?—I myself have looked at the Articles of Association of all these W.M.S.A.'s and compared them, and I think the definitions in the Articles in general are on almost identical lines; I may not be right; I am speaking from recollection.

Mr. Corlett.] I am informed that in York there were two, and I am trying here to find which two in York could qualify under any definition as a wholesale meat merchant.

Chairman.] I think we can pursue this on a later occasion.

Viscount Hinchinbrooke.

1109. I am still not clear about the incentive to be given to individual members of the Wholesale Meat Supply Association to increase their services or to reduce their costs if their profit is based upon the pre-war average. Why do you still retain the pre-war basis and do not you move to a sort of moving annual total of their previous year's trading and remunerate them upon that basis?—(Mr. Higginbotham.) I think the position is that they are now handling, or that most of the Associations are handling, more meat than they handled before the war, that the remuneration is restricted to pre-war, and that the suggestion you make would tend to increase costs.

1110. It might perhaps do that in the case of the successful firms included in the Association, but it would tend to reduce them in the case of those who were less successful?—I do not think you can judge their success under control; they are told where to distribute their meat. (Mr. Bailey.) I should like to add to the answers that have been given by saying that, as is pointed out in the paragraph last but one on page 1 of the memorandum, none of the work is carried on by or on behalf of individual firms or companies, but all the work is carried on by the Association as such.

1111. I had the impression that they received a sum of money from the Ministry of Food and divided it amongst their members who rendered services to the public. Is that wrong?—The Association render the services and receive the money and distribute it among their members.

1112. Yes, they distribute it among their members. What I am trying to get at is what incentive is given to the individual members to increase their services to the public and reduce their costs, if their remuneration is fixed upon a pre-war basis which may now be quite out of date?—The answer would be that the individual member renders no services to the public at all, inasmuch as the Association is the renderer of such services as come within the arrangement.

1113. But members are not wholesalers who actually engage in the business?—No; the Association employs staff adequate for its purposes. That staff is much less than the total of the staff employed by its members pre-war, and the Association through the medium of its own staff, drawn from the trade as I have explained, performs the services required of it by the Ministry.

1114. Then on Schedule A of Memorandum M.8, I see that you make a profit on calves and make a loss on cattle?—Yes.

1115. How does that come about, and would not it be good policy to save the taxpayers' money by moving more into calves and out of cattle? In other words, can we eat veal instead of beef?—(Mr. Higginbotham.) The Ministry, or the Government, at this moment are taking steps to prevent the slaughter of calves. (Mr. Bailey.) I think the short answer is perhaps that if we did turn over from cattle to calves, while we might be eating more veal than we are eating at present, we would be eating less meat as a whole.

1116. There is quite a difference there; we lost £15 million on cattle, and we are making £931,000 on calves. How does that come about?—(Mr. Higginbotham.) I think the answer is that the veal is sold at a high price; I think that is actually what happens.

1117. It is the deliberate policy of the Ministry of Food to ask high prices for veal and to ask low prices, too low prices, for beef? When I say "too low," I mean by reference to the losses?—(Mr. Bailey.) A subsidised price.

1118. Yes?—The price of veal and the price of beef would bear roughly the same relationship one to the other as they bore pre-war.

1119. I am still not happy, because it seems to me that the Government, or Ministry of Food, policy is to sell beef well below its cost and to sell veal above its cost?—(Mr. Higginbotham.) I think I might explain the fact that we have not increased the price of calves, and in addition to the fact that veal was based on the pre-war differential as a more valuable article, it is not our policy to increase the price we pay for calves so as to prevent receiving calves in the form of veal, but we want them to grow up and to become either dairy cows or beef-producing cattle. (Mr. Bailey.) Behind the price charged to the consumer is, of course, the price given to the producer, and that must to a very large extent be the determining factor in this context, I think. Furthermore, the net profit on calves is not the figure of £931,000, which is the gross figure, but £77,000 or £78,000. It is a small profit in relation to the total turnover.

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1120. So that the subsidy there and the converse of a subsidy in the case of calves is being used as an instrument of Government policy in the agricultural field?—I think I would say again that it is the price to the producer which is the governing and dominant factor.

1121. But you are providing for the conservation of calves by refusing to pay a satisfactory price?—Yes, in the interests of getting mature cattle.

Mr. Niall Macpherson.

1122. Before you leave that, with regard to the price that you actually get for calves, do you consider that is the maximum price that could be asked from the consumer, or could a larger profit be made?—(Mr. Higginbotham.) I think it is the price in relation to the general level of other meat prices, and as to whether all meat prices could be increased is a matter of policy.

1123. That is an unsubsidised price entirely, is it not, the price of calves to the consumer, so that your answer need not really hold water; there is no absolute necessity for the same relationship to be maintained? Why should it not bear a price that the market will agree to or will pay?—It is all part of the ration, it is all part of the general meat production of the country, all of which we are controlling. I do not think you can take calves in isolation except as looking at (1) agricultural policy, or (2) our standards of the relative value of veal to beef and lamb.

Mr. Corlett.

1124. On Lord Hinchingsbrooke's point, are you considering it is a better economical proposition for the country to produce beef than veal?—Yes.

Viscount Hinchingsbrooke.

1125. May I ask a general question on meat importing? I take it the world price picture is still a rising price picture, but are there any countries in the world where the price of meat is falling?—(Mr. Bailey.) I know of none.

1126. Or where it looks as if it might fall?—I should add to my answer by saying that the United States price has fallen, but that market is, of course, not readily available to us.

1127. Because of the dollar situation?—Yes; but apart from that I know of no other fall.

1128. Is it your policy to keep a very sharp watch on those countries where the price of meat is likely to fall and to go in there, or to be ready to go into those markets, instantly?—We should move into those markets at once on the first indication.

Mr. Niall Macpherson.

1129. Have we got funds available to do so? Surely the fact that you have long-term contracts on your hands would make it difficult for you to do so?—Not whilst the needs of the country in respect of meat are still only being partially met. Increased procurement would, of course, lead to increased consumption, and that would in turn lead to increased subsidies.

Viscount Hinchingsbrooke.

1130. I was going to make the point that the long-term contract with favourable nations possibly, rather in our own Empire, might be a distinct embarrassment in the event that prices began to fall in other countries in the world, and that those were soft currency countries or countries where we could readily buy with currency that we had available?—You have touched, of course, on a very broad subject there. I understand your suggestion to be that the long-term contract would operate as a brake upon the market which might otherwise have shown a falling tendency. That may well be true. But that can be regarded, I suggest, as part of the price which we have paid or may have to pay for buying under the market on the long-term contract basis. I could expand that if the Sub-Committee is interested.

1131. Could I ask one question upon it? Have all these long-term contracts got an annual break clause in them?—They are, I think, almost without exception upon the basis of an annual price review.

1132. So that we really need not bother about the fact that there are these long-term contracts at high prices and that the market may fall?—Only to the extent to which the swing up or down is controlled by the terms of the contract; that is to say, taking the Southern Dominions Contract, to the extent of 7½ per cent. up or down.

1133. We must keep strictly to our duty, and I do not want to explore this so long as it is quite clear, but there is nothing in the Estimates that we are looking at, or the Estimates for next year, which would reflect the inability of the Ministry of Food to purchase in a falling market?—I think I have expressed one limitation which there might be on our freedom of action in that respect, the dollar limitation.

Mr. Niall Macpherson.

1134. Has the view ever been taken into account that the fact that you have long-term contracts might cause a falling off in demand on a falling market from other sources, and so precipitate the fall of prices, there being no demand for marginal production?—Most of our long-term contracts are in the sterling area. Furthermore, we are the biggest buyers in the markets in

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question, and in many cases we are the buyers of the whole exportable surplus; so that the factor which you have mentioned could not operate as long as there was a contract running under which we were the buyers of every ton of meat exportable from that country—at least, I suggest that that is a material consideration.

1135. In fact the possibility of getting a reduction in those markets where we are taking the entire exportable surplus is merely the threat that you could go to other markets instead?—Yes.

1136. Which is a difficult threat to implement in regard to the Dominions?—It is a difficult threat to implement. On the other hand, there is always the prospect of renegotiation at the annual intervals; and there is, over and above that, the undoubted good will of the Dominions towards us. We would not, I think, find ourselves in a situation where we had to make use of such a threat as you have mentioned.

Mr. Yates.

1137. I should like to ask one or two questions on these schedules. With regard to Schedule A, these figures are very interesting in giving the total number of animals and the tonnages, but I do not seem to see any similar figures for imported meat?—That is advisedly done in relation to the Minister's policy of not disclosing stocks.

1138. So that we really cannot tell fundamentally why there is such a big loss on the home-produced meat as compared with the profit of imported?—I think I can suggest the answer, and the fundamental answer, that we are paying much more for home-produced meat than we are paying for imported meat.

1139. We are paying the home producers far more?—Yes.

1140. That is your answer, but one cannot deduce that—or at least it is difficult?—One cannot deduce it from the figures which are before you in Schedule B.

1141. Now may I come to the question of droving and transport to slaughterhouses? I note on this Schedule A there are two items of expenditure for transport, and lower down there is an item for transport, £1,663,000. They seem rather large figures to me. I do not know what this first figure means in regard to droving or what kind of transport is involved?—Droving and transport to slaughterhouses refers to live animals, and the other is in regard to dead meat.

1142. On the hides and skins commission, is it possible to know how many skins we are dealing with in this figure of £470,000?—(Mr. Higginbotham.) It is skins and hides from all cattle and all calves which are shown above, as well as all sheepskins.

There is a slight variation in the fee payable for sheep skins, as to whether they are taken direct to a fellmonger or are handled through the market; but, by and large, it can be taken that the hides and skins commission covers the hides and skins arising from the cattle, calves and sheep referred at the top of the statement. Pigs are not normally skinned, and anyway in the few cases that a pig is skinned, it would not go through that machinery.

1143. On county accountants, I bear in mind the answer which you gave about the auctioneers' commission and the amount given for each animal going through. Now I see that these county accountants are also paid on the basis of a fee for the number of animals passing through. What is that for?—The accountants' duties are to receive the records from the markets, to receive the records from the slaughterhouses, and to receive the proceeds of the sales from the Wholesale Meat Supply Association. They reimburse the auctioneers the amount they have had to pay to the producers. They see that all the animals have been accounted for; they study the returns for the processing into meat and by-products and see that the proceeds for the disposal of the meat and the by-products are properly accounted for.

1144. I suppose that they have qualifications which these other people, the auctioneers, have not got in regard to these matters?—Yes; this is definitely an accounting job, and it is one that requires an accountant's skill to keep proper records and to read the returns made. It is also that they are part of the financial control both in the case of the man who is paying the producers and the Wholesale Meat Supply Association who is disposing of the products; he is accounting for the proper money, so that it is a financial control over home-killed meat.

Mr. Niall Macpherson.

1145. It is a charge, I take it, that is wholly associated with the present system and would disappear if the present system ceased?—Yes.

1146. May I revert to the question of slaughterhouses and also the question that has been raised by Mr. Yates, on the subject of droving and transport to slaughterhouses? To what extent are animals being carried live now more than they used to be?—I would be quite unable to assess the position pre-war, I am afraid, as I do not know; but in so far as the scheme has changed, the movement of animals from one market to another has changed; so that the markets from which they come, the markets from which they are moved by road, and the markets from which they are moved by rail will obviously have varied.

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[Continued.]

1147. But you would agree that, other things being equal, it is much more economic, for many reasons—in fact, four times more economical—to transport dead meat than live meat, because, first of all, you get twice as much dead meat on a truck, and, secondly, you cannot use a truck for the back journey if you have used it for live meat. So that there is a difference of four times?—I think, as against that, we would be interested in the preservation of the meat; I think that that is one point. The meat is obviously much better preserved inside its skin than it is once it is killed.

1148. You mean in short that that is a nice way of saying that the handling is a bit slower than it was before the war?—No. I think there were then large movements of livestock before the war; otherwise, we would not have had the railway trucks or the motor lorries to use.

1149. You had a sufficient supply?—Yes.

1150. Was there no shortage of cattle trucks at all?—No. There had on occasions been a shortage owing to troubles with the railway companies at times, but I am quite sure that when the scheme started it was not a question of shortage of trucks. It may have got worse since and may be an excuse which is given.

1151. Perhaps there was more movement from market to market. There was a quicker turnover on sales of live animals?—Yes, I think that there was more movement.

1152. So that, as that was reduced, so more trucks would become available for the transport, at Ministry instructions, of animals to slaughterhouses?—Yes.

1153. You have not then got any figures which show the normal distances that live meat was taken by rail before the war as compared with the distances it is being conveyed now?—No, there would be no comparison with pre-war as far as I know. We could get out, with some amount of trouble, comparisons with the present time.

1154. You could take any particular area and say in that area so much was slaughtered before the war and so much is being slaughtered now, could you not?—No. We would have the consumption figures, but I am not sure that the records would be sufficiently detailed for that purpose. (Mr. Bailey.) The slaughterhouses were much more numerous and were not under control.

1155. Yes. So that you would not have any details, except such as you might get from the Wholesale Meat Supply Association's returns that they get?—It would be quite a large statistical exploration.

1156. I see. May I now turn to an entirely different question: that is the question of the shipping of meat, which I did

not touch on the other day. Are the shipping arrangements for meat at present entirely satisfactory?—(Mr. Higginbotham.) Are you referring to bringing it from abroad?

1157. Yes?—They are satisfactory, provided the shipping company can obtain a load on the other side of the world and provided the meat is made available on the other side of the world, in which case it is brought here in a very satisfactory manner.

1158. I mean this. I have gathered the impression, rightly or wrongly, that procurement is a little erratic—that it is not so smooth as it was before the war?—(Mr. Bailey.) I would say that it is not always procurement that is erratic, but delivery to the port of loading and quite a number of related factors.

1159. I did not mean to cast any aspersions on the habits of the procurers. Does that mean then that there are hold-ups and that it is difficult to ship deliveries as soon as they become available for shipment?—(Mr. Higginbotham.) Do I understand from the question that you mean there are stocks lying abroad?

1160. Yes?—That has not arisen except where there has been difficulty with the exporting country issuing the necessary permits; but, by and large, I can say that where meat has been placed as available we have been able to put the shipping there.

1161. Now you mentioned differences of quality and that you paid different prices for different qualities. Is that passed on to the consumer at all?—Yes; it is passed on through the retailer. There are first and second quality prices for meat; beef prices are different and mutton and lamb are different. When the retail butcher cuts it up there are two qualities. I would say that the second quality is very much smaller in quantity than the normal first quality.

1162. How was the quality determined and divided into simply two qualities and who determines it?—It is part of the food defence plan. Advisers to the food defence plan decided that on quality it was necessary to interpret the market price pre-war and that sort of thing, and on the basis of that the decision was taken, before the scheme began, as to the make-up of the price lists.

1163. Then is fresh meat differentiated from frozen, and is that the main difference?—There is a separate price schedule for fresh meat.

1164. Do I understand, then, that there are two classes in each, or is all fresh meat first class and all frozen meat second class?—No; there are two classes in each.

1165. Is there any chilled meat at all?—No, there is no chilled meat.

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[Continued.]

1166. Is that because it is not available or because it is difficult to handle?—That is because we have to save shipping space. I think that was the primary consideration; also, we have to hold the meat in store. Imported meat is held in frozen form in store and issued. Where fresh meat is insufficient to meet the ration the balance is provided by imported frozen meat; but chilled meat, when brought in, would have to go into immediate consumption, and is, therefore, not suitable for our present distribution.

1167. Was there a complete cessation, then, of imported chilled meat as soon as the war started?—Yes.

1168. The point being that chilled meat has to hang?—It takes up more space in the ships.

1169. To what extent in the opinion of the Ministry of Food are the differentiations in quality adequate for the protection of the consumer?—I do not think that, as an accountant, I am the person to answer that. (Mr. Bailey.) I would say perhaps that it is an inevitable concomitant of the present scheme that the consumer's choice is restricted—if that is any answer to your question.

1170. In fact the consumer may be paying the same price for articles which vary quite widely in quality, because in the first category there is quite as wide a variation as there is in the second?—(Mr. Higginbotham.) Yes. There are two classes now. Before the war there were no definite classes: it was what a piece of meat would fetch at that particular season and place; so that quality was decided before the war by the ordinary operation of supply and demand. The Ministry's price lists were based on those comparisons from the statistics available.

1171. But surely one of the considerations of supply and demand was not only what the stuff looked like but where it came from; in other words, meat from certain parts of the country might command a premium?—I think that is fair.

1172. But that does not exist today?—No.

1173. In view of the fact that there is, shall I say, a rather rough and ready classification, is there any means of training people nowadays to make a more detailed classification of meat than existed before the war, and are young men being brought on to fill the places of those who used to do it in the past?—There are definitely men who returned from the Services who have been employed in wholesale meat supply associations. They are the people who would be the buyers if the wholesale meat trade recommenced operations. They would be the people who had a connection with wholesale firms before and who have been brought back after war service.

1174. The people who have done it before?—They may not have done it themselves. They were juniors in the trade; they may have been boys.

1175. Yes; but I take it that if this present scheme were allowed to continue sufficiently long, the possibility of ever going back to the close division into quality ranges that existed before the war would be prejudiced through lack of trained personnel?—I imagine that there would still be, anyway for a few years to come, sufficient trained personnel available to pass the knowledge on to the younger people who got employment in that way.

1176. So that it would still be quite an easy transition back to the old system?—I do not think it would be easy, but the expert people are still there.

1177. Yes, I see. Now, turning to an entirely different question, can you give the total number employed by the Meat and Livestock Division. I could not extract it myself from the Estimates. You give the proportion here of the Ministry of Food overheads relating to meat and livestock?—(Mr. Bailey.) That is a different question. The figures are, of course, available, but I have not got them in mind. Mr. Higginbotham may have them. (Mr. Higginbotham.) I would not know. (Mr. Bailey.) We may have them available in some of our papers. No, apparently we have not; but they are easily obtainable.

1178. I think they are easily obtainable. I think it would be a good thing if this Subcommittee could have a look at those figures: to show the number of employed in their grades by the Ministry of Food and also possibly as regards their distribution in the country.—Those figures could very simply be obtained; they are regularly available and continually kept up to date.

Chairman.] I think that one of the points we would have in mind would be how far these figures are qualifications upon the staff-saving figures that we have had regarding the associations. You can see the point we have in mind, Mr. Higginbotham. You may say that the associations are saving staff, but before the war there was no staff employed by the Ministry on this work.

Mr. Niall Macpherson.

1179. Yes. Do I take it that those figures are readily available for each division?—Yes.

1180. Or are they generally consolidated by regions?—No, they are readily available for each division.

Chairman.] For the moment we will not trouble you further with the Meat and Livestock Division.

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[Continued.]

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1181. Did I understand that you were going to let us have a note on the Irish meat trade? I understood the Chairman to ask for that?—(Mr. Carnochan.) I have a note that we should give a note on the differentiation between the price paid for British meat and for Southern Dominions meat now and pre-war, and how this compares with Eire. Is that sufficient?

1182. Yes, that would be sufficient?—(Mr. Bailey.) I think that Mr. Carnochan would like to intervene here to correct an answer that he gave earlier. (Mr. Carnochan.) Yes. I intervened earlier to give a figure for 1946-7 in respect of the W.M.S.As. I thought you were talking about the gross remuneration per ton and I gave you a figure on that. I should have given the figure of 20s. 9d., which is the cost. I think you were talking about expenses.

Chairman.

1183. Yes; it is a comparative figure to the figures in your memorandum on the wholesale meat supply associations?—Yes, that figure I gave you was wrong; it should have been 20s. 9d.

1184. I am much obliged?—(Mr. Bailey.) It follows that the inference that was drawn by a subsequent questioner, that we were moving in the right direction, was a wrong inference. That is why we have taken pains to correct it. Of course, the expenses figure is affected by increases in the cost of transport and every other sort of cost, but the increase per ton is within narrower limits.

Mr. Niall Macpherson.

1185. Only one more question with regard to M.I.N.D.A.L., or, possibly, the question might be more appropriate in regard to the I.M.T.A., but I think it applies to M.I.N.D.A.L. Are all those British companies?—(Mr. Higginbotham.) No.

1186. What proportion of the trade before the war was done by companies other than British companies, and were they all of one nationality?—(Mr. Bailey.) I can give you the figures. Thirty-five per cent. of the shareholding is held by English importers and wholesalers; two per cent. by New Zealand; 37 per cent. by the United States; and eight per cent. by Argentina. The balance, mostly agents of one sort or another, is 18 per cent. That is the residuary classification.

Chairman.

1187. What was the nationality of the 18 per cent.?—I have no details of that. The agents are presumably agents operating in this country—(Mr. Higginbotham.) Yes. (Mr. Bailey.) They might be of any nationality.

Mr. Niall Macpherson.

1188. May I ask this: are there no Scottish firms—or do you mean British when you say “English”?—British. Let us remove the offending word.

1189. Not offending, but confusing!—Yes.

1190. To what extent is that proof of the limiting factor on the policy of the Ministry of Food or is it to any extent dictating the policy of the Ministry?—No, it is not presently affecting the policy of the Ministry of Food but it is a factor to be taken into account in the formulation of any future policy.

1191. I see. Then, before the war, what proportion of this trade was handled on consignment?—(Mr. Higginbotham.) I think that the trade people would be able to give a better picture. I would not know. It is very difficult when you have these firms who were owning abroad and operating in this country, to say which was consignment and which was not.

1192. Then could I ask this. What proportion of those firms did own abroad and trade in this country? Is it easy to determine that?—(Mr. Bailey.) I do not think we have any analysis.

1193. I think that probably the question can be answered more easily by M.I.N.D.A.L.?—Yes. I might perhaps add to an answer I gave earlier by saying that the presence of important foreign interests in M.I.N.D.A.L. obviously raises a delicate diplomatic question.

1194. Does that make it any more difficult to bring this diplomatic pressure to bear, of which you have already spoken?—Not at all. You are speaking there, I fancy, of diplomatic pressure upon sources of supply?

1195. Yes?—No, it does not interfere with that in the least.

1196. It is only with regard to future policy?—Yes, with respect to meat distribution.

Mr. Corlett.

1197. On the question of the long-term agreement that Lord Hinchingsbrooke was raising, you said that there was an annual review. Is there an “escalator” clause whereby it can only go up so much or down so much?—Yes. In some contracts there is—I called it a limitation of the swing one way or the other, but it is a new feature of our long-term contracts, first applied, I believe, in relation to the Southern Dominions, and then only last year.

1198. It is fair to both sides if there is a world movement of prices?—It allows some freedom to the movement. The relevance of the percentage is quite obvious, of course, namely, whether it allows sufficient freedom or does not.

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[Continued.]

1199. We were discussing the point about this long-term agreement and whether that prevented your taking advantage of cheaper markets elsewhere, and I wondered how far it would be true to say that your long-term contract or agreement perhaps made possible the cheaper markets elsewhere?—That would be speculation.

1200. I am thinking now of the analogy with Russian grain, which brought down the price of grain elsewhere because it came into the market?—In so far as one is secure in a source of supply, one assures the bulk of one's requirements, and one is freer in the purchase of marginal requirements in other markets.

1201. I suppose you could argue—and I am wondering whether it is true—that you are quite prepared to forgo the possibility of going into cheaper markets because you have already gained by your long-term agreement?—I cannot foresee a state of affairs where we would feel ourselves inhibited from entering cheaper markets, inasmuch as the long-term contracts do not cover the whole of our requirements.

1202. But the long-term contract or agreement into which you enter is itself a helpful factor, so that you would not need to go to the same extent into a cheaper market?—I think if the cheaper market were there we would find ways of entering it.

1203. I am very pleased to hear that. Now may I go on to that question of the chart which you kindly added on to the particulars about the W.M.S.As. In the very last column of all you give a profit per ton of 23s. 6d. pre-war and 19s. 6d. now?—19s. 6d. in 1947-8.

1204. I suppose that if we were to adjust the 23s. 6d. to modern prices, instead of a difference of 4s. we would be getting a difference of somewhere about 15s. or 16s.?—Indeed; and, of course, it is clamped down to a notional pre-war value.

1205. So I see?—In that respect we have protected ourselves from the rise in values: indeed, there are many features of this arrangement which one can only deal with adequately by a close study of the agreement.

1206. So that, although we are handling more tons of meat, and because we have concentrated, we are really making quite a considerable difference in the profit per ton, much more than is shown on the table?—Yes, we are paying less than we were paying pre-war, we are paying that figure for a greater turnover, and the consequence is that we are, under this arrangement, paying out a smaller profit per ton than pre-war despite the fact that values have almost doubled.

1207. Yes, so that concentration is an economic proposition as proved by this difference?—That would be a broad infer-

ence to draw from the facts, and I would merely say that this arrangement has certain features of advantage to us.

1208. This is a very nice way of putting it. I only wanted to be clear that it was fair for me to adjust that figure of 23s. 6d. at the end to somewhere about 34s. perhaps?—I do not know to what extent exactly you would have to adjust it. You might easily, if you took a 100 per cent. rise, double it.

1209. Yes, that makes the figure better still. Now in the last paragraph of the same paper, on remuneration, you have very kindly given us what I suppose is a very clear statement, but I am afraid that my mind was not quick enough to grasp it. I am not clear what the remuneration was. You say that the scheme provided for a commission calculated annually on the actual tonnage handled?—I was dealing earlier, of course, in what was a prepared statement, with M.I.N.D.A.L., but here I have no such prepared statement to hand; but likewise, with you, I pondered over those words this afternoon. If I may have a shot at it—and Mr. Higginbotham will correct me if I am wrong—I judge that the profit element of 1½ per cent., calculated as it is upon the qualifying membership tonnage taken at its pre-war average value, must move percentage-wise when applied to the actual tonnage turnover.

Chairman.

1210. Is this the position, Mr. Bailey, that the reference to actual tonnage is only to determine the allocation between area associations within the global figure?—Mr. Higginbotham will perhaps give you a figure which is a comparable figure to the 1½ per cent. (Mr. Higginbotham.) I think I should explain that the fixed figure is the amount on which the profit element is paid, provided the association concerned handles that amount of meat or more. There is a fixed membership based on pre-war which is worked out at a notional value, and they will receive, say 1½ per cent. on that notional figure provided the association has handled a weight of meat which is more than that figure.

Mr. Corlett.

1211. They do not automatically get 1½ per cent. of their pre-war figure?—They get it on the pre-war figure, provided the association has handled at least that pre-war figure. If, however, the association has handled less, there will be a reduction; if it handles more there is no more.

1212. Are the approved expenses of the association in addition to that figure?—The gross figure is made up in this profit element that I was talking of, which is fixed, and the expenses which are actually incurred.

1213. So that it is rather important that the Ministry should have a close supervision over those expenses?—Yes—as we have.

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[Continued.]

1214. As you have; that is the point that I am on. When I went into my own place recently, I found a Retail Buyers' Association at one point with an office there, the Wholesale Meat people there, and the Ministry there. I talked to each of them separately, and I got a composite figure; but it did seem to me there is need for supervision of the expenses of the W.M.S.A.'s in regard to the check weighmen they employ and in regard to supervisors and so on, because the Retail Buyers told me frankly, rightly or wrongly, that they could do all that the other people are doing and they could be entirely cut out?—(Mr. Bailey.) I think Mr. Higginbotham will deal with your question on the control of these expenses in greater detail, of course, than I could; but in relation to the question which you say was put to you by the Retail Buyers' Association I should like to refer to a passage in this paper which seeks to answer that suggestion. It is the fourth paragraph on the first page. I should also like to refer to the chart that has been put in showing where the W.M.S.A. fits in and the multiplicity of the functions performed by the W.M.S.A. at various points of the distribution scheme. If I might leave that and call on Mr. Higginbotham to answer on the question of control, perhaps I might merely add that I think the suggestion that the Retail Buying Committees could do for the Ministry what the W.M.S.A.'s do is somewhat fanciful.

Chairman.

1215. In short, you must have a point where wholesaling ends and retailing begins?—Yes.

Mr. Corlett.

1216. I grant that; I agree it varies in different areas. In some areas the W.M.S.A.'s do do more?—In some areas there are no Retail Buying Committees at all.

1217. In my own case they tell me that for £100 a week they could do all that is being done now?—That would be a matter of close examination of the flow charts that we have put in. Hazarding a guess, I should think, as I said, the suggestion is somewhat fanciful.

1218. I had not realised at first that these expenses were additional to the 1½ per cent.; I thought they came out of it, in which case it did not matter to us?—They are additional but under control.

1219. If they are additional, then, of course, it is a vital matter that we should look into. I am informed that they are carrying quite big staffs, and sometimes find it difficult to keep themselves too busy. That is one of the things that we hear about in the House of Commons—extravagance and waste?—Any organisation which has to meet peaks must at times carry staffs which are excessive for the valleys.

Mr. Yates.

1220. It is a question of peaks and valleys?—Yes.

Mr. Corlett.

1221. Might I ask how detailed your supervision is of this depot management?—(Mr. Higginbotham.) Our advisers at Head Office have lists of depots and the staffing of depots, they deal with the issue of permits, the number of R.B.C.'s concerned, or the number of retailers concerned, and in addition they have particulars of the salaries of depot managers, allocators, and also particulars of the number of operators employed regularly and the number of operators employed part-time.

1222. In my own case there are check weighmen for wholesale meat delivered and one for the Ministry side by side, watching the same thing being done?—I am afraid that is rather necessary with control.

1223. I should have thought that the Ministry check weighman, plus perhaps one on the retail side, could deal with that, without the wholesale meat man being there with his check weighman, because you have to have one for home-killed meat and one for imported meat, because they are two different slaughterhouses?—We definitely have a check weighman at the slaughterhouses. The Wholesale Meat Supply Association has to take over, and at that point the retailers are entitled to be present. The point is that they are not in a great many cases attending.

1224. I can only cite from our own case, and I must not generalise from it, but I am told that in that case the wholesale meat people use their humpers and pay them; the retail buyers have more humpers than the wholesale people, who have only one, I think?—(Mr. Bailey.) As is stated in this paper, the W.M.S.A.'s have 1,889 humpers.

1225. Yes; but the retail buyers also have them, and in some cases the wholesale meat people are hiring them from them and paying them a wage?—I would not know the details, but presumably there are two humps to be humped.

1226. This is the sort of thing that retail butchers are talking about?—(Mr. Higginbotham.) The position is that if the Wholesale Meat Association at a particular depot are having any humping done either by the employees of a slaughtering contractor or by employees of a retailer, that is recorded on this record and is taken into account.

Mr. Corlett.] I am sure it is recorded, but what I am thinking of is this; I do not know how many depots there are, but if this kind of thing is being duplicated throughout, then there is, in the famous phrase, a state of extravagance and waste.

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1227. Presumably retailers bear these expenses entirely out of their own pocket, do they not; it comes out of their allowed profit?—In so far as the retailers do not like the services produced by the W.M.S.A.'s, they have got to produce extra services for themselves; but there is a system at certain points where these humpers are taken on by contract because they are only required for a limited number of days in the week, and instead of employing a whole-time humper you employ a retail butcher's shop man by arrangement.

Chairman.

1228. A general question not about humpers, but about the staff generally: In the memorandum you claim that the Association require only about half the staff employed before the war on wholesale distribution, despite the increase in the tonnage of meat handled. Does the Ministry claim the credit for that very desirable state of affairs or does the Association?—It is the Ministry scheme that has resulted in that. (Mr. Bailey.) It is the Ministry to which the benefit accrues.

Mr. Corlett.

1229. I am sorry this has got on to humpers; I did not want it to; but the retail buyers cost us nothing; they provide their own machinery themselves?—Yes, they pay for services out of their margin.

1230. Yes. They provide these services themselves, and if they say they could provide them in my case for £100 a week, that would be a big saving?—They may; but might I draw your attention to the third paragraph of this paper and ask, though it is not for me to ask questions, but rather suggest that it is difficult to find an answer to the proposition that retailers could perform the functions performed by the W.M.S.A.'s as described in the third paragraph. I think it is possible that retailers, in making this suggestion, look only at their part of the operation and not any wider. For instance, I find it difficult to understand how individual retail buying committees could do equity between each other, as is done by the W.M.S.A.'s, or how they could cope with the distribution of meat to the meat manufacturers—how they could in any corporate fashion deal with the incidence of emergency coupons, or serve as a useful instrument for effecting a balance between the arrivals of imported meat and accruals of home-killed meat so that the ration might be met; indeed, I would go as far as to suggest that if the proposition became effective there would be a breakdown in the weekly meat ration.

1231. Yes; districts vary so. This particular question I did put to my people, and they assured me that they could carry out those services.—I do not think they could carry out the entire function.

Chairman.

1232. I think it would be more profitable to leave this line of inquiry until we have heard what the Associations have to say, and then if necessary we could invite your opinion on any conflict that might emerge?—Yes.

Mr. Niall Macpherson.

1233. In general, would it not be true to say that in some places the W.M.S.A.'s render more services than they do in others, but because of the rigidity of the scheme, nevertheless the remuneration has to be the same in each case?—(Mr. Higginbotham.) No; where the W.M.S.A. does a detailed allocation to retailers, then the retailers have to make a contribution to that work, which applies in Scotland.

Mr. Corlett.

1234. That is in your statement?—Yes; so that where the Wholesale Meat Supply Association perform more than a bulk allocation, then the retailers have to pay for that service which is being done, which goes to reduce expenses.

1235. Am I right in assuming, then, that you have a particularly close check on these depots from Headquarters?—Yes, A very close check.

Mr. Niall Macpherson.

1236. That is accounted for to the Ministry?—It is brought into account.

Mr. Corlett.

1237. In addition, the Ministry of Food officer would open out in the depot a bigger check than that?—Yes. We see their accounts in detail, and we have got people going around the Associations; we have got wholesale trade supervisors who are visiting.

1238. Have you supervisors and auditors as well?—Yes; the check now is to a great extent a check on results as disclosed by their returns. The position is reviewed whenever there are requests for changes in salary.

1239. You feel satisfied you have a really close check on the way they are running?—Yes. (Mr. Bailey.) I should like to point out that a nice balance has to be held in all this matter of financial checks between detailed checking and cross checking and calls upon man-power. Within those limits I think Mr. Higginbotham would say that the check maintained over the W.M.S.A.'s is both effective and detailed.

Chairman.

1240. To return to the chart which is attached to the memorandum on the W.M.S.A.'s, accepting it as complete for its own purposes, nevertheless I wonder whether it would be possible to see if a figure could be obtained which would indicate the consumption in tons of meat

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[Continued.]

pre-war, because I assume we can take it that the second figure which appears in the first column does in fact indicate the consumption of meat during the year 1947-48?—Yes.

1241. Secondly, I wonder if you are able to tell us if the Ministry has any view about the desirable proportion between home and imported meat—in short, whether it is working towards any proportion which it considers desirable, and whether there is any forward planning in that respect?—(Mr. Higginbotham.) We are definitely working to increase the total supplies of meat available for the public, and, when it is possible, to look for increases of supply from all sources which can possibly be found. I do not think the estimates are so good that we have yet been able to think of not using any source which is available to us.

1242. Regarding the organisation generally that we have been discussing, have any steps been taken to ensure that we will get new entrants into that organisation—in short, that it will not stifle because of the present form that it has taken on, but that it will still be open to the recruits that it obtained in pre-war years?—There are schemes being devised by the trade for apprenticeship, and I think probably the trades themselves would be able to give you more helpful particulars about that.

1243. I am much obliged. At any rate, the matter is a concern of the Associations?—That matter has been thought of. (Mr. Bailey.) It is, of course, a matter of concern both to us and to the trade, if new entrants are not likely to come in as freely as they would if this were a free trade. That position was slightly relieved on the return of men from the forces, but it is one of our and the trade's major pre-occupations, that the average age of those employed in this trade is, with the advance of years, getting higher and higher.

Mr. Corlett.

1244. Does it require a lot of capital? Have not they got to lend credit out to retailers for one, two or three weeks?—They may do.

1245. Which means that a limited number of people would come in?—Yes; but new entrants would really enter by the doorway provided by those already in the trade, who have their own capital resources and a call upon further capital if they require it.

1246. Yes. I see the Manufacturers' Association allow beneficiaries to come in now?—Yes.

1247. So that that would mean recruitment from the same source—still a closed shop?—In what sense is the arrangement a closed shop?

1248. But it may remain one if there are beneficiaries who are coming in, and if there is a lot of capital required?—Not only beneficiaries. If you refer to the first paragraph, you will see there are purchasers too.

Chairman.

1249. To turn to another subject, it appears from the flow charts that supplies to the Services are made direct, and that the organisation of M.I.N.D.A.L. and the W.M.S.A. are bypassed. Is that following the pre-war pattern?—(Mr. Higginbotham.) Yes. The supplies for the Services are handled by Service agents, who performed those services for the Navy, Army and Air Force before the war, and they are still employed.

1250. This arrangement has not caused any difficulties?—No.

1251. I should like you to give your attention to a passage which appears in a recent publication entitled "Government Bulk Buying", by Mr. Ronald Russell, about by-products. After I have put it to you, I will ask you if you have got any comments to make upon this statement. He says: "Since the war most of the by-products have been decontrolled and can be sold in the open market. Some of them have risen from 100 to 200 per cent. in value compared with pre-war, but these increased values are not being credited to the value of the meat. They are going into the coffers of the Government or firms concerned, and consequently meat is far dearer than it ought to be. We receive no profits, for instance, from the sale of the by-products of Argentine cattle."—That is not a fact. We realise on our by-products from our slaughterhouses. To take the case of hides, they go to the Leather Control. The prices agreed there are those agreed in the early days of control and allow them to increase the prices paid to the farmers. They have been increased by the same percentage as the prices we pay to the producers, and the only one where there has lately been a free market is our wool. When the wool is separated from the pelts, it is now disposed of by auction. I think, with that exception, that is the only case where there has been an increase in value. We receive that increase in value, and we get the exact amount of the proceeds of the wool at the wool auctions, less expenses.

Mr. Niall Macpherson.

1252. Who sells it for you?—It is sold through the Ministry of Agriculture, who have a Wool Control Section; it was under the Ministry of Supply Raw Materials Control at one time. Now, under the Ministry of Agriculture, the skins are moved to the fellmongers, who are under the control of their Wool Section, and they are then either

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taken over as furrier skins or passed over to furriers, and the rest are pickled. You separate the pelts from the wool; the pelt goes to the Leather Control at an agreed price, which we have had increased lately, and the wool is then auctioned.

Chairman.

1253. I gather that for the moment we have got home-produced meat in mind?—Yes.

1254. If we turn to imported meat, is there anything in the argument that we may be buying just the meat and not the whole carcase, and if by reason of that form of buying we are losing the opportunity of making a profit on the profitable parts of the animal?—I think it is fair to say that the pre-war trade was a meat trade. There was a separate trade in hide and horns which we do not participate in as the Ministry of Food, though I am not sure as to what extent the Leather Control are concerned in that; but in so far as sellers abroad are able to get higher prices for their by-products they will have benefited to that extent. But we buy the meat and we get a proper proportion of what we call the red offal out of the animal.

1255. One final point on this subject: Could it be argued from the structure of the firms we are losing the benefit of the higher prices, if higher prices there be, for the by-products, inasmuch as we have within the firms foreign firms who in their own countries will be dealing with the by-products? If I could perhaps attempt to make it a little clearer, are we dividing, shall we say, one of the big international importing firms and saying that we are dealing with the import of meat and making an arrangement with you which is satisfactory, but as far as your activities with the carcase before you deal with the meat imported into this country are concerned, your dealings with the carcase are more profitable than pre-war—in other words (I realise this is rather a difficult point to put), we are not taking this factor as a compensating factor into account when we come to our agreement with these firms, who have got points of operation not only in this country but in the meat-producing countries, such as the Argentine?—(Mr. Bailey.) In the first place, we are buying the meat, and the red offal, as it has been described, and to that extent, since that was the pre-war practice, the point is scarcely valid, but to the extent to which the operator is operating abroad it must be the fact that he gets what profits he can from his operations in other by-products of the animal, and takes what losses there are. On a rising market there are more profits than losses, but that part of his operations, I think it would be fair to say, is not taken into account in coming to the arrangement we have come to. With the

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W.M.S.A.'s it would be somewhat difficult to take it into account in the case of a company which for our purposes is an importing firm but for other purposes is a firm dealing in by-products locally disposed of.

1256. Apart from the difficulties, it is not a factor that you would put as a substantial factor?—No; it may be substantial, but it is not one that we would think relevant.

Mr. Corlett.

1257. You are pursuing the pre-war practice?—That is a very broad statement.

1258. But it means this, as I see it, that these firms, acting as private firms, bring their meat over here, but also sell their by-products to their own advantage, and we have taken from them the less profitable part of the animal?—I should scarcely be disposed to agree that it was the least profitable part; it is the major part.

1259. I am trying to feel my way on it. Let it be profitable from the point of view of the trader, that is, from the point of view of profit. We are not concerned about that so much as the good of the community. I do not know anything about this trade, but if these people found themselves in a position where there were valuable by-products you were not allowed to touch, then they would be at a great advantage compared to what they were before the war?—But, as Mr. Higginbotham has remarked, whilst it may not be any part of our operation as the Ministry of Food, it may be part of other Departments' operation, in respect, for instance, of hides, in respect of horns, bones and glue, and every other sort of product from the animal, and I am relieved to think that I do not have to answer for what other Departments do.

Mr. Corlett. I have not read that book to which the Chairman has referred, but it seems to me it is an argument of substance.

Chairman.

1260. If I may just intervene there, I rather gathered that it is not in Mr. Bailey's view an argument of substance?—I said it may be of substance.

1261. It may be substantial, but even if it were substantial it would operate in very much the same way pre-war?—Yes. (Mr. Higginbotham.) In so far as our prices are controlled by costs of production, for instance, they are based in the Southern Dominions on cost of production, the value of by-products is taken into account in those estimates. (Mr. Bailey.) That is a very material point. (Mr. Higginbotham.) That is where it is of value. In our previous deals with the Argentine we definitely had investigations in costs when we were dealing

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with new packers; but now that the Argentine Government can control their internal transactions to suit their own books there is little or no point in that.

Mr. Corlett.

1262. But if it is taken into account that alters my view considerably?—In the case of the Southern Dominions, where the position is still based on costs of production, the value of the by-products is taken into account.

Chairman.

1263. One final question. There are many features about the present organisation that have engaged our attention, but can we say generally that the reason for many of these features is that the organisation has to be shaped so that the trade can take over once again its former functions when the time comes to remove controls?—(Mr. Bailey.) I think the general answer to that would be rather this, that the Food Defence Plans organisation, faced as they were before the war with the problem of handling the distribution, importation and consumption of food in this country, have had to use the instruments at hand which were the pre-war instruments. They had

to protect themselves from the practical impossibility of dealing with thousands of individual firms, persons or companies, and as a matter of administrative convenience those individual trades were, at the suggestion of the Government, formed into Associations. One has to look at this thing against its background. The machinery has worked well; it has creaked at times, and it creaks more as time goes on; but at the outset it was so devised as to lead back to de-control. So far as that is in issue the future is not clear, and the longer the problem is unsolved the more the machinery will creak.

Chairman.] On that provocative note, I will conclude the proceedings for tonight, denying my colleagues an opportunity of going through the door for further inquiries which you have opened; but before I do so I should like, on behalf of the Subcommittee, to thank you very much indeed for the patient and extremely helpful way you have given evidence before us. It is perhaps with a note of regret that I say the only way we will reward you, or your Minister rather, is by appearing as experts upon meat in the House on such occasions as we can find.

The Witnesses withdrew.

Ajourned till Thursday next.

THURSDAY, 24TH FEBRUARY, 1949.

Members Present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.
Mr. Walter Fletcher.

Mr. Kirby.
Mr. Niall Macpherson.
Mr. Yates.

Mr. N. BAINES (W. Weddel and Company, Limited), Mr. A. BORTHWICK (Thomas Borthwick and Sons, Limited), Mr. R. J. COLLIS (Ridpath Brothers, Limited), Mr. A. M. FLETCHER (Armour and Company, Limited), Mr. A. THOMSON (Sheed, Thomson and Company, Limited) and Mr. J. CURLEY (Executive Officer), Meat Importers' National (Defence) Association, called in and examined.

Chairman.

1264. We understand that you all represent MINDAL, apart from Mr. Thomson, and that you all, including Mr. Thomson, represent IMTA?—(Mr. Borthwick.) That is correct, Sir.

1265. We have gained the impression that it will be to your convenience, as it is certainly to our convenience, if we confine questions regarding MINDAL as far as possible to factual questions arising from the organisation, and any wider questions that arise we should put to IMTA?—That will suit us, Sir.

1266. And if I may, I will ask a few factual questions in the first place?—Before you begin, Sir, we have also got here Mr. Curley, who is an Executive Officer on the staff of MINDAL, and if you ask any purely factual questions he has brought along a bag with a lot of figures and so forth in it, so that he ought to be able to answer any of those questions.

1267. We are very glad to be forewarned that you are so well armed to meet any inquisitiveness we may show. Now, the first question I wanted to put is a general question, and it is this. Without entering

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into any discussion on the necessity for controls, accepting controls as being necessary, are you generally satisfied with the present organisation?—With the day to day running of it, yes; I think it runs smoothly and efficiently. I cannot actually suggest any sort of modifications or improvements. That is based on the supposition you have made. (Mr. Baines.) I think we might also say that the Ministry of Food are perfectly satisfied. We have had their authority, I think, always up to now for saying that they are perfectly satisfied with the actual physical running of it.

1268. Granted the assumption I made, is full advantage being taken of the knowledge and experience of the trade?—Absolutely. (Mr. Borthwick.) Yes, that is so.

1269. Now, there are one or two smaller matters. We have noticed that MINDAL does not cover the importation of corned beef. Is there any good reason for that?—(Mr. Baines.) Actually it does, Sir. I do not quite see the point there. MINDAL does handle corned beef. That is right, is it not? (Mr. Curley.) That is quite correct, Sir.

1270. MINDAL is comprehensive in that it covers the import of all meat and canned meat?—(Mr. Baines.) Not all canned meat, but it covers canned corned beef and mutton. It also handles all canned meats that come in perhaps on a different basis, but it does handle and receive and take care of stocks of all canned meats.

Mr. Barton.

1271. Does it handle canned meat that comes in from European countries?—No. I think I am right in saying that they would come on individual import licence. (Mr. Curley.) On individual import licences.

1272. MINDAL has nothing at all to do with canned meat other than from a Dominion, South America, Canada or Eire?—Yes.

Mr. Walter Fletcher.

1273. What sort of proportion is that?—I would say almost infinitesimal up to now from the European countries.

Mr. Barton.

1274. My information is that it was 700 tons in 1947 other than what is handled by MINDAL?—(Mr. Fletcher.) I believe that is a very low figure; it would be more than that in 1948, and we are all hopeful that it will be considerably more in 1949.

Mr. Corlett.

1275. Those firms, I take it, handling it would be members of MINDAL?—(Mr. Borthwick.) Not necessarily, no. (Mr. Fletcher.) Generally speaking, yes; there

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are a few who would not be classed as pre-war importers, and as a consequence would not be members of MINDAL.

1276. But generally, yes?—Generally speaking, I think, yes, Sir. (Mr. Baines.) Anyone is at liberty to apply for a licence, and there are many of them to whom licences have been granted, I think.

1277. I thought MINDAL was a fairly all-in body, taking in most of them?—(Mr. Borthwick.) This is a tiny affair compared to the whole. We must get it in its proper perspective.

Mr. Barton.

1278. Would it be right to put it in this way, that MINDAL are the agency for handling imported canned meats which are bought through Government agency?—That is right. (Mr. Baines.) Yes, that is the correct way of putting it, Sir.

Chairman.

1279. Turning to another subject, we understand that you do not handle meat for the Services. Have you any comments to make upon that exception?—(Mr. Borthwick.) This extends back—I speak as one of the firms who do the Service handling—to an arrangement made before the war started, and I do not quite know why it has gone on. We get indents from, let us say, Northern Command or Aldershot or wherever it is, and we send it out from store, but we get the stuff in store in the first place from MINDAL. (Mr. Baines.) MINDAL keep the stock. (Mr. Borthwick.) They hand us over (and when I say "us" I am talking now personally) a statement showing that there are so many quarters of beef available for Service requirements, and we do the actual delivery.

1280. So that, in effect, it is dealt with through MINDAL but it is not dealt with through the Wholesalers' Association?—Yes, it is put in store by MINDAL.

Mr. Walter Fletcher.

1281. But the Chairman asked whether full advantage is taken of the organisation of MINDAL, and you replied: "Yes." Now, in what sort of categories is that, and does that go the whole way through? When you reply: "Yes," is full advantage taken by the Ministry, and does that mean within the ambit of what you do for them?—Certainly within that ambit or within the premiss that the Chairman stated.

1282. Yes. Are there other functions in which the Ministry might take fuller advantage of your organisation?—I do not think so; that is, granted your first premiss. (Mr. Baines.) They work with us. We have a monthly Management Committee Meeting at which representatives of the Ministry of Food are present, and we have full discussion of everything that may arise.

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1283. Do you initiate ideas?—(Mr. *Borthwick*.) It has run very smoothly for some time, but Mr. Baines was present from the beginning of the war, when I understand things were not quite so smooth. (Mr. *Baines*.) We had our teething troubles, of course, like every other association. We have outgrown those, and the thing does work very smoothly now.

1284. I was not thinking quite so much from that point of view as from the point of view of whether you are able to tender advice or to initiate action from your experience, and in that way take up matters with the Ministry?—(Mr. *Borthwick*.) Yes, within the terms of the Chairman's opening remarks, I think certainly.

Chairman.

1285. I think for the moment we shall have to keep within those terms?—Yes. (Mr. *Baines*.) We might say that we have knowledge in our possession as Committeemen of the stocks, and should we take a serious view of the position we do mention it to the Ministry at these meetings; but it certainly does not mean that it is any information to them, because they have it, I understand, day by day, and the position is covered the whole time; but we do draw attention to the seriousness of a position when it arises, when stocks are extremely small, as they are today. But we would not consider that was giving them advice, because they already have the information. (Mr. *Collis*.) We try to look as far ahead as possible. (Mr. *Baines*.) Yes.

Mr. Corlett.

1286. When you said it was put in store for Northern Command—?—(Mr. *Borthwick*.) I just gave that as an example.

1287. Yes, and I am taking it as an example. Does that mean it is put into store by other stores on your payroll?—No; the cold storage position of the country is rather different, and perhaps somebody else knows more about that than I do. (Mr. *Fletcher*.) There is a Cold Storage Officer under the general authority of the Ministry of Food who sees that the cold stores, more particularly during the war than at present, are properly operated.

1288. The store, I take it, is run by people in the employ of one of your firms?—(Mr. *Borthwick*.) Not necessarily. Some of us are cold store owners in that we owned cold stores before the war, but those cold stores are now part of the cold storage control scheme. When the war started it was obvious for reasons of geographical fortune some stores might be empty and others might be full, but what it amounted to was that their earnings were pooled, and that system still operates. Now, my firm own two cold stores. The day to day running of them, the question of telling the foreman that he is not doing his job or

something like that, is done by us, but, of course, we do it on behalf of the Ministry, for—I cannot remember what the rate is—but anyway 90 per cent. of the takings are pooled, and we have no say as to what goes into that store or what comes out of it. We merely run it in the same way as people run other stores. In the case of Northern Command, it would be completely fortuitous if it went to our own store.

1289. What was in my mind was that it was people on your payroll who may be in the Government cold store?—No; there are some Government cold stores in addition to those owned by private individuals which were put up when the war started because it was thought that cold storage would get bombed and we wanted more space. There are some Government-owned stores, and their employees are not ours at all.

1290. I am thinking of Northern Command as a case in point where I think it does go to a Government-owned store, and I imagine that they are on the payroll of one of your bodies?—No. (Mr. *Baines*.) You are talking of a Government-owned cold store?

1291. Yes?—That is quite different. (Mr. *Borthwick*.) Yes. The others are run by someone who is deputed to run it.

1292. Are the staff of that store on the payroll of one of your firms?—(Mr. *Borthwick*.) No. (Mr. *Baines*.) They pay them on behalf of the Government.

Mr. Niall Macpherson.] Is it done by the Government direct or by contractors, and if by contractors are the contractors members of your organisation?

Mr. Corlett

1293. That is the point?—(Mr. *Borthwick*.) I see. I am sorry.

1294. I thought I had not made it clear?—I cannot answer that one myself. I did not know it was done by contract. (Mr. *Baines*.) If a firm is running a Government cold store for the Government, the people who are employed in that store are paid by that firm on behalf of the Government, surely.

1295. Yes, I take it you get a management fee, your particular firm?—I am not particularly *au fait* with that, but I think that is the position.

Chairman.

1296. Perhaps I could put a general question, and it is this: Do any difficulties arise from the fact that you have some members of the trade who are now employed by the Ministry of Food, to mention one possible difficulty; and are there any difficulties arising from the feeling that perhaps members of the trade may believe

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that they are prejudiced?—(Mr. Borthwick.) I do not think that there is any difficulty at all; I can state that quite confidently.

Mr. Niall Macpherson.

1297. Arising from that, is there in your view any overlapping or duplication in this system that might be avoided as between yourselves and the Meat and Livestock Division?—(Mr. Baines.) When you say "yourselves," Sir, do you mean MINDAL?

1298. Yes, MINDAL. We are addressing you now as MINDAL?—Yes.

Mr. Niall Macpherson.] Before you answer that, you, Mr. Chairman, if I may say so, departed from your usual procedure of asking these gentlemen who they are, how they are constituted, and what they do, to start with. I would like to know, for my information, who are members, why they are members, when they became members and how they became members, as well as how many members there are, and so on, in the organisation.

Chairman.

1299. Perhaps you could give it to us and then it will be on the record?—(Mr. Borthwick.) There are 63 members of Mindal, with a Management Committee who run it for the Ministry as appointees, if I may so describe them. The Articles of Association are such that the Ministry have a veto or an overriding vote, which comes to the same thing, though I have never known that exercised, and our deliberations are always very friendly. The members were appointed by the trade. (Mr. Baines.) The members of the Management Committee were originally appointed in that way, and some of us have been there from the beginning. I myself have been there from the beginning, but I think I am the only one here present today.

Mr. Walter Fletcher.

1300. When was the beginning?—When the war started, but we did negotiate and discuss the position before the war, of course, with the Food Defence Plans Department.

Chairman.

1301. When the Association was formed, I suppose all the bodies in the trade were incorporated in the Association?—All the importers?

1302. Yes?—(Mr. Borthwick.) There is a separate part which comes later on for the wholesaler. It is run comparatively like a company; there is a general meeting each year, and the committee, I suppose, could get the sack.

Mr. Niall Macpherson.

1303. Did you form yourselves into an Association at the request of the Government?—Yes.

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1304. Did you form yourselves as a company with capital, shares and all the rest of it?—Yes. I do not know if we have got the Articles here.

Mr. Corlett.

1305. Could we have the date when you formed yourselves?—When the war started. We could give you the exact date.

Mr. Niall Macpherson.

1306. Perhaps a copy of the Articles could be made available?—(Mr. Baines.) Yes, we will leave a copy with you.

Mr. Corlett.

1307. I am only asking that because you mentioned the question of Defence before the war?—We had a lot of discussion as to the way we were going to run this during the war.

Mr. Niall Macpherson.

1308. Could any new importer start up now and join your organisation?—No, Sir.

Mr. Corlett.

1309. Did you rule anybody out when you became an organisation, or were you open to every importer?—Yes, it was open to any person or corporation who imported meat during the year 1938. That will all be found in the Articles. (Mr. Borthwick.) There is a very brief summary here, if you would care to look at it. (Document handed to the Chairman.)

Mr. Walter Fletcher.

1310. Nobody who was not an importer before can import now?—No. (Mr. Fletcher.) That in itself is not conclusive. The Government is the importer now, so that it is not a question of being a closed body, barring anybody. None of us are permitted to import.

Chairman.

1311. There can be no opportunity, unless the Government provide the opportunity, for an importer setting up in business and so qualifying to become a member of the Association?—(Mr. Baines.) Unless we return to our normal functions of importing meat, which we hope we will do. (Mr. Borthwick.) If that happened Mindal might cease to exist. (Mr. Fletcher.) I think it is fair to say that it was intended to be of a temporary nature.

1312. I will not pursue that matter whilst you are giving evidence in your present capacity, but I was going to return to Mr. Macpherson's point about duplication of service. Is there any duplication, for example, regarding detection of damage and claims for damage, and suchlike matters, where the Ministry exercise certain functions and the Association also exercise similar functions?—(Mr. Borthwick.) I should say no. (Mr. Curley.) Our representatives would perhaps detect

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damage in the first place at the importation of the meat. The Meat and Livestock Division of the Ministry of Food employ Perfect, Lambert & Company, a firm of surveyors, to deal with any damage on their behalf. With regard to any damage that was brought to our notice later on in the cold store, again our knowledge of it would be reported to Perfect, Lambert & Company, who act for the Ministry in that respect.

1313. If we strike a comparison with the position before the war, Perfect, Lambert & Company would then have exercised the functions they are exercising now?—No, because each firm would employ its own surveyors. (Mr. Thomson.) Perfect, Lambert & Company or some other surveyor was required by any importer prior to the war.

1314. So that we are only continuing the pre-war practice?—Yes. (Mr. Fletcher.) That would not constitute any duplication of the service.

Mr. Niall Macpherson.

1315. With regard to stock-keeping, at any rate, you said previously, I think, that you were in a position always to check the Ministry of Food's stocks, but that they kept them independently. Does that mean there is duplication now? (Mr. Borthwick.) No; I think we gave a false impression there. We get the stocks through the same people as the Ministry get them, through the same organisation, and the Ministry under a sort of seal of confidence let us have them, because, after all, we could hardly run this business unless we knew them. (Mr. Baines.) MINDAL actually do record the whole of the stocks that come into the country; the Ministry do not keep them,

Mr. Barton.

1316. Can we get a starting point for those functions? Should I be correct in stating that this is the function of MINDAL? MINDAL as an importing organisation take meat from the ship either into store or deliver direct to the wholesale organisation the meat that is in store. It is again MINDAL's function to transfer from store when the wholesale organisation is ready to distribute?—Quite.

1317. That completes the function?—Yes.

1318. At each port, I understand, there is a port meat agent?—Yes.

1319. Now, what is the function of the port meat agent alongside or parallel with MINDAL's organisation?—(Mr. Curley.) In our view, Sir, the port meat agent is a duplication of MINDAL's functions at the port.

1320. There we are. Can we hear where the duplication is, and what does the port meat agent do?—The port meat agent has

cabled advice of shipments coming in; he passes that on to MINDAL, and notice of where the ship is coming into port. We ourselves are perfectly able to get that knowledge; we get it regularly by cable, and we in fact do have to do the practical work. We pass the information back to the port meat agent as to what we have done.

1321. Do I understand, then, that the Ministry of Food through its buying organisation advises the port meat agent of contemplated arrivals of ships, and that the port meat agent is responsible for instructing MINDAL as to how that cargo shall be disposed of when it is landed?—In fact, Sir, we have to tell the Ministry of Food how we are distributing a cargo, because we have the orders, and we get the information as to which of the stores have space available where meat can go. We have the orders from the WMSA, and we know what will go out daily to fulfil those orders.

1322. What is the port meat agent's function, then? He surely has some function; he is not just a figurehead standing on the dock-side, surely?—I have not worked with a port meat agent, but it would seem that they are duplicating in that respect the work that MINDAL is already doing. (Mr. Baines.) The port meat agent is not employed by MINDAL.

Mr. Niall Macpherson.] Could we get this quite clear as to where the responsibility lies for advising as to general clearance? Is the port meat agent in any way responsible, and what are his responsibilities? In the first place, has he any responsibility?

Mr. Yates.] Who employs him?

Mr. Walter Fletcher.

1323. Perhaps we can get at it in this way. Can we see the exact chain of events now as compared with the exact chain of events as it was before the war, because we are trying to see whether there is redundancy? I think that will come out. From the time that notice is received of a shipment, what happens in the two spheres of activity, that of the port meat officer and that of MINDAL?—May I say this, Sir? It may be that the Ministry of Food would be better able to answer just what information and duties they expect on the part of the port meat agent. It is fair, I think, for Mr. Curley to say what is done, but the port meat agent is employed by the Ministry, and it seems to me that he may have to do with the berthing of the ships, but really he is a Ministry of Food man, and they may have very good reasons for employing him.

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Chairman.

1324. I think we can best do it in this way. We do not want you to explain to us the duties of a Ministry official, but we would like, with the reservation you made in answer to Mr. Fletcher's question, to know what their functions are, as far as they affect you?—(Mr. Borthwick.) I think Mr. Curley could give you a clearer picture than I could of the sort of day to day machinery.

1325. Yes. Perhaps you will do that, Mr. Curley?—(Mr. Curley.) We receive the cable advice either from the shipper or from the Ministry of Food of a ship that is coming in and the quantity that is on it.

Mr. Walter Fletcher.

1326. Is that a detailed cable?—Yes.

1327. Does it give where it is stowed and does it give a full picture of the grades and qualities?—It would merely give generally the tonnage on the ship, and we would get particulars of the stowage and the quantities in each particular hold later. Upon that position it is the duty of MINDAL to arrange for the distribution of the meat as it is discharged.

Chairman.

1328. What part, if any part at all, does the port meat agent play?—The port meat agent is a Ministry of Food official, but in regard to the duties of a Ministry of Food official, of course, you would have to get that from them.

Mr. Niall Macpherson.

1329. Is that advice that you get now exactly the same advice that you used to get before the war, or is there any difference?—Before the war each shipper would get his own advice from his own people.

1330. Assuming that there was a complete shipment, does MINDAL get the same advice as that one shipper would have got before the war?—(Mr. Borthwick.) Yes.

Mr. Barton.

1331. There is no alteration of procedure except that now it is done by MINDAL for all importers, whereas before the war each individual importer attended to his own business according to his own shipments?—Yes, that is right. Then there is just this further point. I suppose it will be fair to assume that the bulk of the meat that is imported does not go direct to the distributing organisation, the wholesale organisation, but the bulk of it goes into store?—Yes.

1332. There is a continual turnover from cold store to consumption rather than from importation straight to consumption?—It is very difficult to do a big quantity straight.

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1333. To what extent and in what circumstances does your organisation co-operate or otherwise with the area cold storage officers?—(Mr. Curley.) The area cold storage officer is responsible for advising us as to what space is available in each cold store, and as to each store the tonnage that has to go into that store—where it has to go.

1334. Is there any possibility of his being able to say: "My particular area wants" (say) "2,000 quarters of beef, and it has got to go to this particular cold store"? Can he determine where it goes, and is his function to provide the storage space? Is that correct?—Yes.

Mr. Walter Fletcher.

1335. Does he advise you direct?—Yes; we have a department who, when they want to store so many tons of meat, talk to the cold storage officer.

1336. That is a department of MINDAL?—Yes.

Mr. Corlett.

1337. I thought at one time you said you got something from the Wholesale Meat Supply Association with regard to where you should store meat?—The Wholesale Meat Supply Association only indent for meat, and it is our function then to get it out of the suitable cold store or out of the ship.

1338. They have no say in regard to which cold store should be used?—No.

1339. Who does have that say?—(Mr. Borthwick.) I think it is more complicated than at first sight it might appear. There is a limit, irrespective of the space in a store, to the amount that store can take in each day. Supposing a ship unloads and it is unloaded fairly quickly, even if there were a very big cold store next-door, that cold store could not take all that that ship could hump out.

Chairman.

1340. It would not have the facilities to deal with it?—The lifts and the loading bank and so forth are just not big enough.

Mr. Corlett.

1341. I am thinking more of a distribution area nearer to the consumption point. There must be a selection at some stage as to which cold store shall receive this meat, and I want to know who makes that decision?—(Mr. Curley.) We have to maintain a certain amount of stock in proportion to our total stock in certain areas. MINDAL would normally go through our stock records in a certain area, and we would then apply to the cold storage officer for space. He would tell us that he had so many thousand tons of space

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in an area that was suitable for meat discharging, and we would arrange for it to go into that, but we would have no say into which particular cold store it went. The cold storage officer would tell us that.

Mr. Barton.

1342. Actually the cold storage officer has no distributive function; the distributive function up to that point is entirely in the hands of MINDAL, and there is no duplication?—(Mr. Borthwick.) That is right.

Mr. Niall Macpherson.

1343. You have a certain responsibility, or should I say you have the whole responsibility, for seeing that stocks are maintained in areas in accordance with instructions received from the Ministry of Food?—Yes. (Mr. Collis.) It is to see that there are sufficient stocks there at any given time.

1344. Is that your responsibility?—(Mr. Borthwick.) I think it would be our responsibility, too, to warn the Ministry that stocks were getting dangerously low; if they decided to disregard our warning, the answer would be No.

Chairman.

1345. Have you any responsibility for determining in which port a ship should berth?—No.

1346. Can you give advice about it?—(Mr. Curley.) There is a rule of thumb method that a certain percentage go to London and a certain percentage to Liverpool.

1347. Such decisions that are taken result from the close contact that there is between yourselves and the Ministry?—(Mr. Borthwick.) Yes.

Mr. Corlett.

1348. Then after they have reached the port, and when they go to what I would call the distribution cold storage place, do not the Wholesale Meat Supply Association have any say as to which cold store they should go to?—No; I do not think it would be very easy for them to have a say. For instance, if it was obvious that meat was required in Birmingham—I do not know offhand how many cold stores there are in Birmingham—I do not think we could say: "Well, the WMSA says it must go to that store." I think that would have to be done through the cold store people. (Mr. Baines.) I do not think they would be interested in it really. What point would there be, Sir, in that, as long as they are in a position of getting their deficiency made up?

1349. We have had evidence put before us about that point?—But to my mind I do not see how the WMSA need be concerned with the origin of their meat as long as it is what they require and it is there when they

require it. Why should they worry about which store it came from? I do not see that.

Mr. Barton.

1350. Can you tell me this, then: Is there any insuperable difficulty to prevent your organisation delivering direct to the Retail Buying Committees?—I should say there is very good reason, because the whole system which is organised by the Ministry of Food just disallows that, and the distribution goes through the WMSA's. It is rather out of our province, but that is the position.

1351. Leaving out what the Minister says, is there any insuperable reason why the Wholesale Association should not be bypassed, because it seems to me that their main functions are distributive, and it seems to me that going through the Wholesale Meat Association to the Retail Buying Committees is a step that could be bypassed?—(Mr. Borthwick.) What I have in mind is that instead of eight customers we would have two thousand, and it would mean the complete re-casting of the whole system. I, like Mr. Baines, am not prepared to say offhand whether it would be possible or not, but it certainly would not be possible within anything like the present scheme.

Chairman.

1352. It would not be possible if you were to retain your present establishment?—It would mean a completely different affair altogether, and whether that would be possible I am not, like Mr. Baines, prepared to say. (Mr. Baines.) I should like to consider it.

Mr. Niall Macpherson.

1353. I take it that you could not have any information about the retail buying organisation at all, and therefore you could not give an answer to that question?—No.

Chairman.

1354. Can you say how your staff compares with the staff of your constituent bodies before the war?—(Mr. Borthwick.) No, I do not think we could, Sir. We certainly could not say it now. I rather question whether our members are willing to give us figures of their pre-war staff. Of course, we do not do the same jobs now that we did before the war, when the consumer had freedom of choice, which he has not got today.

1355. To return to Mr. Barton's point, even before the war you drew the line at the wholesaler; you did not carry on a wholesaler's functions before the war?—If you are discussing the pre-war organisation of the trade, it really was so different that I think it would have to be the subject of a special meeting.

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1356. To generalise, would this be a fair summary, that before the war you did not get in every case this horizontal line that is drawn today between MINDAL and the WMSA; the line might have been drawn differently in different cases?—(Mr. Fletcher.) I think that that is a very difficult question to answer as you have put it. Before the war we operated as importers and wholesalers' distributors. We did both. I do not doubt that an organisation could be created, or some dovetailing could be done, given notice of the proper proportions. That would permit that if it were not for one thing. The beginning of the meat ration is always the amount of fresh meat available, available in different areas. Then there is the idea of economy in some areas, because some of them have very little imported meat today; some have fifty-fifty; some have a predominance of imported meat. Each week MINDAL has to produce sufficient imported meat to make up any deficiency in the requirement, taking home-produced meat as the basis. That is fair, is it not?—(Mr. Baines.) That is correct. (Mr. Fletcher.) If we start there with our pre-war position, we took nothing of that into our consideration at all. We were importers who had varying-sized organisations, depending on the size of the company; some had depots in perhaps sixty different communities; some had only one or two. We had—and I am going to use the expression advisedly—expert knowledge of the requirements of the various areas, and we put into those areas exactly what we knew they would buy. We never put fat meat into Manchester, for instance, and we sent a particular type of lamb to South Wales. That was our job, and if we did not do the job that way we were going to lose some money. Have I made that clear? It is a very difficult question to answer.

Mr. Barton.

1357. The point is, is it not, that before the war you were in with home-produced meat?—Yes.

1358. Your function now is to supplement home-produced meat to make up the meat value of the ration?—Yes.

1359. That is the point?—(Mr. Borthwick.) That is correct.

Chairman.

1360. I think we are getting very close to questions which could more appropriately be put to you as representing IMTA, but perhaps before we do that I ought to put to you one final matter. We have received evidence about the net profit you receive, and I will put this to you. It is as follows: "MINDAL therefore receive a rather lower rate of net profit (approximately 12s. 6d. per ton) than they earned pre-war on the tonnage of frozen meat and canned corned meat

handled up to a maximum of the pre-war quantity. A lower net profit (approximately about 6s. 6d. per ton) is allowed on any excess tonnage of these commodities, and a purely nominal profit of about 6½d. per ton is allowed on other canned meats which did not qualify the pre-war importers for membership of MINDAL." Is that a correct statement of the position; and, secondly, so that I can put both questions together, are you satisfied with the position?—(Mr. Thomson.) I am sorry, I could not get that.

Mr. Yates.] Could we ask, bearing on that same question, if there is a lower rate of net profit, what was the net profit before the war and what the position was then?

Mr. Niall Macpherson.] The average net profit.

Mr. Yates.

1361. Yes. This information is to the effect that MINDAL receive a rather lower rate of net profit.—(Mr. Borthwick.) This scheme started when the war started, and the question of what we were to be paid for services rendered was not raised till a bit later, by which time I was doing other things; but the rate of remuneration was arrived at after a Departmental costings inquiry, or whatever they called it, and they arrived at the figure of the average pre-war profit, but they said: "After all, you are not doing as much work as you did before the war, and you must have rather less." I have to register a sort of slight protest about the use of the word "profit," because it is slightly misleading; it is not just a question of money going into our pocket.

Chairman.

1362. If I may perhaps put you at rest about that, we understand this as payment for services rendered?—Yes.

1363. It is not profit in the ordinary sense?—It does also include keeping our organisation on a sort of care and maintenance basis and so on.

Mr. Corlett.

1364. That is rather interesting. Was that fixed with a view to keeping your organisation on a care and maintenance basis, or had it any relation whatever to the profit you made before the war?—No, they took the average profit that the costings inquiry said that importers made before the war. They said in effect: "We are not going to pay you that because you are not doing as much work, but we must pay you enough to enable you to keep your wheels turning."

1365. "To keep your pre-war organisation in being"?—Not quite that, but to keep it in a sufficiently skeleton form to enable us to resume our functions.

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Mr. Corlett.] Irrespective of the number that might be required to perform those functions during the war?

Mr. Walter Fletcher.] Firms?

Mr. Corlett.

1366. The machinery that they would require to do that service for the Government?—(Mr. Baines.) May I say this, Mr. Chairman, that when we first fixed this remuneration it was some time after we had been working; actually it was in June, 1941; they had a very clear and concise investigation, and there was a report made by the Director of Costings, and the figures when they were fixed for that particular year were based on the average pre-war profit which was made by importers. It showed that there was a certain percentage of profits; on the notional value of meat, that is to say, on the value of meat that applied in prewar days. The value was very different from what it is now.

Mr. Barton.

1367. Can you tell us what that figure was—was it £70 a ton?—No, £52 a ton. That was the notional value, and that is shown in all the yearly reports. That is the basis on which today we still receive remuneration, although, of course, it bears no relation to the value of the meat and the services as they are today. Since then our remuneration each year has been based more or less on the same lines; it is not always there in the exact figure of a percentage, but it has been very close to the figure that was fixed in the first years.

Mr. Corlett.

1368. My difficulty still persists, because we are faced now with the question of a figure that covered net profit, and now we are also faced with the question of the care and maintenance basis. If this job had to be done, was it necessary to employ the whole of your pre-war staffs to do this work, seeing there would be less work required to be done? Are we maintaining the whole of your pre-war staffs? Is that the care and maintenance basis?—(Mr. Borthwick.) No, not the whole of our pre-war staffs.

Chairman.] I think the Sub-Committee would agree with me, if we now took evidence from the Imported Meat Trade Association.

Mr. Niall Macpherson.] Do you not think we could get this point clear, Mr. Chairman, because I am not at all clear as to what the net profit of MINDAL is supposed to represent, and how it is dealt with?

Mr. Yates.] Yes, Mr. Chairman, this is rather important.

Chairman.] Perhaps I could make this clear. I do not think we should deal with comparisons between pre-war, the present and the future position whilst we are taking evidence from MINDAL, if we are keeping purely to the point of the amount of the profit; then we might continue to take evidence from MINDAL.

Mr. Niall Macpherson.

1369. Yes. Could we have that point clear, as to what this net profit figure is supposed to represent?—Payment for services rendered and services to be rendered.

Mr. Yates.

1370. Before the war?—No. This is how MINDAL'S profit arises, and what I am saying now is, of course, subject again to my protest about the word "profit."

Chairman.

1371. It is a management fee?—The rate involved was a payment for services rendered and to be rendered, and these services had been made available in full measure whenever demands had been made for them. But besides this—and this is the point I wanted to make—the rate was intended to be the cost to the importers of maintaining their organisation on a care and maintenance basis. Against the time when its full use could again be employed, this care and maintenance basis includes the retention of unused depots and the subsidising of staffs not employed in the control scheme, for instance, in the service, but also staff who are employed in the control scheme at a wage lower than they would themselves accept in other circumstances. To take an instance, salesmen are artists rather than craftsmen, and they might, I think, frequently be pretty bad clerks. Now we have in many cases to keep them in the meat trade by subsidising their wages, because when we resume our normal functions we have got to have salesmen, and if they have all cleared out and have gone and joined the motor trade or something like that, we could not resume our pre-war functions.

Mr. Corlett.

1372. That is only emphasising the point I have made: Is the cost of running this business for the Government the cost of maintaining your pre-war staff?—Not the whole of it, no. (Mr. Baines.) I should like to say that I consider this figure which was agreed by the Ministry as a fair and proper basis, but may I say also at the time it was supposed to be carried on until the time when the emergency had passed and we could resume our normal functions.

Mr. Corlett.] Yes, I am quite clear upon that, but I am still trying to get at the basis of payment, because presumably some members of your staff have died in

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the last eight years. Are we still carrying on with the same numbers?

Mr. *Walter Fletcher*.] Are we comparing like with like? Are we not deceiving ourselves when we talk about comparing the basis of profit that was made by a certain organisation which was carrying out its functions before the war and that which is made by MINDAL which is carrying on now? Therefore, the question is, are you getting exactly the same amount now that you carry on a bigger organisation with more people, because it does not take into account, surely, the fact that the functions carried out now are different.

Mr. *Corlett*. That is the point I am making. We have dropped the word "profit."

Chairman.] I think I might intervene again, because I think it is very difficult to discuss this point without making comparisons with the past and estimates regarding the future. If it would be convenient to the witnesses and to the Members of the Sub-Committee, I would suggest that we break for a short time, and then we will continue taking evidence from IMTA.

Mr. *Niall Macpherson*.

1373. Before you do that, Mr. Chairman, could I be quite certain about this? Could you confirm this impression as to what this so-called profit is, that it is a sum that is made available by the Ministry to MINDAL for distribution in accordance with the shareholdings of its members?—(Mr. *Baines*.) That is correct. (Mr. *Borthwick*.) After paying expenses.

1374. Now, I should like to know what those expenses are. Is it only the expenses of holding the company together or secretarial expenses, and what other expenses are met by the Ministry—running expenses?—No, we pay all salaries. (Mr. *Baines*.) The whole of the expenses are met out of the remuneration, of course. (Mr. *Thomson*.) The Ministry have nothing to do with the remuneration of MINDAL's staff; MINDAL pay the entire expenses out of the remuneration they get from the Ministry.

1375. Then it is the most peculiar description of "profit" I have ever heard; it is a management fee?—Yes.

After a short adjournment:

Chairman.

1376. Perhaps we could resume by taking evidence from the Imported Meat Trade Association, and perhaps I can start the ball rolling by calling your attention to a statement that the Meat Association made some time ago to this effect, that the threat to our meat supplies is no surprise to IMTA, who regard it as the inevitable outcome of continuing to flog the dead horse of bulk buying. Perhaps you

could let us have a little more fully your point of view about that?—(Mr. *Fletcher*.) I think I am entitled to say on behalf of the trade members that we have always been just a little bit suspicious of the theory of bulk buying.

1377. If I might intervene for a moment, I perhaps should have put this to you in the first instance: IMTA, I take it, is the free voice of the importers?—Yes; we are trade members now of IMTA.

1378. It is a trading association consisting of members of MINDAL but in an independent capacity?—(Mr. *Borthwick*.) As members of MINDAL, we would not care to criticise the Ministry, with whom we get on very well, but as members of IMTA we feel ourselves a little freer. (Mr. *Fletcher*.) This is not directed at the Government, please understand that. This is solely the premiss of whether bulk buying is an adequate way of dealing with the question of bringing in meat supplies. We do not think so. This in its inception was of a highly experimental character, and those of us who have had long experience in the business were most uneasy about the long-term implications. By that we mean that having been through previous crises, including the 1914-18 war particularly, we knew that farmers have to have an incentive to produce livestock; if they do not have sufficient incentive they can go to an alternative crop. That is perhaps not so true in a country the size of Britain as it is in vast areas like Argentina, the States, Australia and Brazil, where there are a climate and a soil that can produce grains. The farmer is very quick to tot up the probable returns over a period of years from raising livestock as compared with quick crops like any of the cereals, and he knows the one that pays him best. He is just that much human. We also have to think of how to deal with an emergency brought about by flood or drought. Nature is not controllable, and we do not think that any group of individuals is smart enough to attempt to legislate in advance for probable or possible crop failures or droughts. We were also able to observe during the war that farmers in the Argentine, who had never thought of raising grains, gradually began to shift from livestock to grains because it was a quicker turnover, and they knew where they stood quicker. Another important feature that in our opinion was overlooked was the necessity for an incentive to the livestock producers. In connection with the occupation of vast areas of the Continent, although we had no definite information, we likewise knew, as a result of our experience in the first war, that the livestock numbers would be decreased and that there would be as a consequence at the end of hostilities a greater demand on the overseas supplying countries. Finally, there is this question of bulk selling that has resulted. There

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is considerable evidence that the short-term interest of the bulk seller is to keep supplies a little bit short in order to increase the price, and I think that it is not letting the cat out of the bag when I say that we know that meat is going to the Continent at a premium that could have come here and would have come here. Bulk buying has kept the return of the farmer down—I cannot emphasise that too much—and he has not, to flog a word, had the incentive to keep his herds up, and we are suffering from it now. As an alternative to these controls, I think the finest example is what is happening in the United States and what has been happening in the last few years since they have taken off controls. The farmer has produced grains and livestock to such an extent that the markets have dropped by about a third in the past year.

Chairman.] Would you regard as the most harmful factor of bulk buying bulk selling or long-term contract operations?

Mr. Walter Fletcher.

1379. Before that is answered, is it not very important that we should all be thinking on the same lines as to what these terms mean? What do we mean by bulk buying and bulk selling? Do we mean the Government and Government contracts or do we mean long-term contracts with the Government on the one side and producers' associations on the other? It is extremely important, when we are talking about bulk buying, about which more variations of meaning exist than in the case of almost any other word, that we really should have the same definition in mind?—(Mr. Thomson.) Is there any buying by Government from a producers' association?

1380. I do not know. That is not the point. The point is this: let us all be thinking on the same lines?—I should say that practically all the bulk buying in this country has been either with regard to goods bought by the Government or through Government servants or by bodies set up in the producing country by the Government.

Mr. Walter Fletcher.] There you have got two variations already.

Chairman.

1381. That is why I separated bulk buying from bulk selling?—(Mr. Baines.) I think the answer to the question, Sir, is that we do mean any bulk buying as opposed to the normal operation of supply and demand operated by people who have been in the business the whole of their lives and who have knowledge and experience in buying cattle and killing them, preparing the meat, dealing with the by-products and shipping them. I think that is what we quite clearly mean. On the one hand there is bulk buy-

ing which breeds bulk selling, and we are definitely agreed that is wrong. When I say we are agreed it is wrong, I mean it is not in the interests of this country when we are thinking of supplies of meat.

Mr. Barton.

1382. Are you suggesting that the bulk buyers, the people who are buying meat for the Government, are amateurs in the field of meat buying?—No, Sir, I do not wish to say that, but I still say that I wish to draw a distinction between the individual buyer of meat, the exporter of meat and the importer of meat, against a body which is set up to operate against a bulk buyer, that is, the bulk seller.

Mr. Walter Fletcher.

1383. Is not one of the real troubles this, that unless the bulk buyer and the bulk seller at the other end, which is in most cases a Government working through varying agencies, are of equal moral standing and have equal standards of honesty in carrying out contracts, the result of bulk buying is always greatly to the disadvantage of the more honest; and is there not a remarkable instance of that in existence now? When you are doing your bulk buying and performing your bulk contracts inside the Empire, you have got in most cases a very much better chance of their being carried out properly than when you do it, as now, for instance, with the Argentine, where quite clearly there is not the same idea about carrying out a contract which exists in this country?—(Mr. Thomson.) But you have got to remember this, that some of the contracts that have been made are for the exportable surplus. What does the exportable surplus mean? It means nothing, or it may mean 10 tons or it may mean 10,000 tons. There is no quantity put in the contracts with New Zealand or with Australia for the exportable surplus. It may mean anything.

Mr. Niall Macpherson.

1384. What does it mean in practice?—What it means in practice is that you get what they care to send you, and if the price is more remunerative to the grower locally, as it has been in Australia all the time, you will not get as much meat as you would if you were in active competition with local demands.

1385. Are not the prices arranged taking that into consideration?—We cannot tell yet. Sometimes it is a bit of a puzzle to know how prices are arranged, but some of the prices in Australia for the local trade have always been a shade higher than the contract price paid by this country. The result is that you neither have had the quantity which you might have got nor the quality.

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Mr. Corlett.

1386. What authority have you for that statement, that we have neither had the quality nor the quantity?—It is a well known fact that you have not had the quality.

1387. You said quantity as well?—Yes.

1388. You would have some authority for that statement?—I have authority for saying that the consumption of meat whilst we were going short in the Dominions, apart from New Zealand, because in New Zealand there is a limited population, increased in Australia, and I have the authority of people who are in the trade there.

1389. You are telling us that bulk buying has definitely got us from these people less in quantity and quality than we would have got otherwise?—Yes. Supposing you had travelled in the Dominions as I travelled year after year, going round to the different growers and seeing them, you would have understood the position. Think what they had to produce to get the best price for it; if they produced a certain thing they got a higher price than if they did something else. Today it is a flat price. There is no incentive. If an individual grower produces something better, he knows that he will get the same price now, whereas in the past the grower, if he listened to you and realised that he would get a better price for his produce, paid a higher price for his breeding stock to start with.

1390. Are the experts who are going out to buy not conversant with the position?—Are there experts going out there?—(Mr. Borthwick.) That is a thing we question.

Chairman.

1391. To pose the question as clearly as we can, I wonder if we can take it by stages. The first point is: Are we satisfied that the people who are making purchases on our behalf are sufficiently experienced and competent?—(Mr. Thomson.) I should like to know who are making the purchases on our behalf before I answered that question.

1392. If you are not in a position to know you are not in a position to criticise on that score?—I am only criticising the result. (Mr. Baines.) It is the system.

1393. That is the point, whether it was a criticism of the method of purchase?—(Mr. Fletcher.) Yes, I think that is what we are getting at. I should like to say, on my own behalf at least that I am not criticising or belittling Sir Henry Turner's experience. I think that when he goes abroad he does know what he is trying to do, but I think it is also impossible for him to set a price today for a twelve months contract and to legislate for all emergencies and all the variations in the

trade that can take place in a twelve-month period. To prove that, I start with the recognition that grain prices are increasing, and farmers will be encouraged to go into grain. He cannot foresee all those twelve months in advance. That is what we think is the weakness of bulk purchase.

Mr. Yates.

1394. How could the private trader foresee that?—He cannot.

Mr. Walter Fletcher.

1395. Private enterprise: let me take an instance where the facts are known, the facts regarding a certain man in North America two years ago. A contract for a good deal of grain was made between their Government and our Government here, but the farmer at the other end found that it paid him very much better to feed this grain to hogs rather than deliver it for consumption by human beings. As there was a bulk purchase contract between the British Government and the United States Government, what happened was that it was incapable of fulfilment. If the normal pre-war system of non-bulk purchase had been in operation, the farmer would have made a contract for the delivery of his grain which he would have been compelled to deliver; he would have had a contractual obligation?—That is correct.

Mr. Niall Macpherson.

1396. May I try to get this clear? I take it that there are two separate cases here, one the exportable surplus case referred to by Mr. Thomson. Is this right, that in that case the price, which you may or may not know, but, of course, we would not ask you about the price, is negotiated for a certain period for the exportable surplus? It would immediately follow that the price at which goods are offered to the home market would rise above that. Is that so? Would that be the normal effect?—(Mr. Borthwick.) It could not fall below it.

1397. It becomes the minimum price?—If the exportable surplus represents quite a small proportion of the total, as it does in Australia but not in New Zealand, say 10 per cent. of the total, then, particularly if you get an increase in population, you may quite easily get a higher price locally than you could have got for export; I do not mean that export would cease entirely, because there were other farmers living miles away from towns who continued to send their stuff for export, but more was eaten in Australia and less was shipped here than would have been the case otherwise. Of that I am confident.

1398. Would it be the case that the price for the same quality might be lower than the fixed price, whereas the price for other and better quality would be higher? Would that be the case, or would that price be

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higher?—I do not think you could say all. To take a simple instance, the prices of pork in Australia have been extremely high, and there has been, therefore, no exportable surplus at all. The Australian eats a bigger proportion of mutton than the Englishman. I think it is conceivable that mutton exports to this country have suffered more than beef exports. I am, by the way, guessing this, but I think it is an example that is quite likely to be correct. (Mr. Thomson.) The reason being that the price of wool has been so high with a free market for wool that if you were a farmer in Australia you would say: "I am not killing that sheep this year. I am going to hang on to that for another year," and they have often hung on to a sheep far longer than in normal times.

1399. Would it not be fair to say that even if there had been no bulk buying, if the demand for wool had been so great as to send the price up to its present level, without bulk buying at all, there would still have been an incentive to the farmer to have kept his sheep rather than to have killed it?—Unless you are prepared to pay a higher price for the carcass.

1400. Yes.—But there is one point which we ought to make clear, and that is this. I think I am safe in saying that in normal times I should say 90 per cent. of the meat was not bought by people here to be shipped over here; 90 per cent. of the meat that came to this country was shipped on consignment to fetch the best price that the market would pay from day to day; in other words, what the public were prepared to pay for their meat. This was the one outlet for the exporting meat countries. They shipped the meat regularly here to fetch the best price they could get.

1401. In free competition with each other?—Yes.

Chairman.

1402. And the main criticism regarding the question of the exportable surplus is that it is not sufficiently flexible to reflect domestic changes in demand in the country of production?—That is right. (Mr. Borthwick.) That is the criticism. (Mr. Thomson.) If I said to you at the beginning of the year: "I will take your exportable surplus for twelve months," I would not know what I was going to get from you.

Mr. Walter Fletcher.

1403. To buy an exportable surplus is to give the seller a free option throughout the length of the contract as to whether he will complete the exportable surplus contract, or if he can sell it better elsewhere he will not have one?—Or if the price is not good enough the producer does not produce it.

Mr. Barton.] Let us touch on Mr. Fletcher's point. Mr. Fletcher's point surely overlooks the fact that we have had

Governmental undertakings from both New Zealand and Australia that all their exportable surplus shall come here.

Mr. Niall Macpherson.] But Mr. Fletcher meant at home.

Mr. Walter Fletcher.] Yes, in the domestic market.

Mr. Barton.

1404. Despite that fact, New Zealand and Australia have supplied us with 52 per cent. of the imported ration?—(Mr. Borthwick.) The Australian figures have gone down. The New Zealand have very much gone up.

Mr. Corlett.] There was a serious drought in Australia.

Mr. Niall Macpherson.

1405. Could you say something about New Zealand? You have been talking mainly on the basis of the Australian market. What proportion would you say of the New Zealand output is taken by this country?—I hesitate to give a guess. (Mr. Thomson.) By far the biggest proportion. (Mr. Borthwick.) The New Zealand farmer, unlike the Australian, has no alternative—at least he has to go into butter; but New Zealand is a country that does not lend itself to grain-growing, and a man fattening lambs must continue to fatten them; there is little else he can do.

Mr. Corlett.

1406. If a big proportion of his export was coming here, surely then it is to his advantage to send us something we would like—that is, if the big proportion of his production is exportable, as I understand you to say it is?—Quite correct.

1407. If he wants us to maintain the contract with him, he will try to give us the kind of thing we want?—But he does not get any more by producing something better than his neighbour.

Mr. Barton.

1408. The price we would have to pay for opposing and abolishing bulk buying would be an increase in price to the consumer?—No.

1409. That, surely, is your argument?—No. I must take you up here, Sir. There is a very big gap between what the Ministry pay and what the producer gets. New Zealand, with a population of only a million and a half, have made about twenty millions—I have got the exact figure here, if you would like it—since bulk buying started. Now, that is our money—I do not mean the importers; I am speaking as one of the taxpayers of this country.

Chairman.

1410. Where would you lay the responsibility for this form of trading—upon the purchaser or the seller?—I think that is

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difficult to answer. (Mr. Fletcher.) It originated with the Government of the day.

Mr. Niall Macpherson.] This country?

Mr. Walter Fletcher.

1411. I do not think that is quite fair. It originated surely during the war?—With the Government of the day, not the Government of to-day. I beg your pardon.

Chairman.

1412. I am not putting in issue at all the origin of this form of trading, but accepting the position as it has developed, would you say to-day that the main reason for its continuance lies with the purchasing Government or with the selling Government?—(Mr. Borthwick.) I think with the purchasing Government.

1413. I am not solely concerned with the Dominions, but also with countries such as Argentina?—If there were no bulk purchasing I do not think there could be any bulk selling. (Mr. Fletcher.) I think I agree with that.

Mr. Kirby.

1414. Would I be in order to come back to the question of wool and the killing of sheep? I am interested in that because I had something to do with sheep farming, and I was interested in the idea that farmers in Australia held back the killing of their sheep in order to get a better return on their wool. I have never heard that suggested in this country at all—that the farmer out there hangs on to his sheep in order to make a profit on the wool rather than on the carcase?—(Mr. Thomson.) I did not say they held back the sheep to get a better price for the wool; they held back the sheep because of the good price for wool. (Mr. Borthwick.) To get another clip.

1415. Yes—to get extra?—(Mr. Thomson.) This we know forces up the price of wool or meat, and because of the world demand for wool they paid such a price for it that it paid them to hang on for another year.

1416. I follow that. But is there any evidence of that. Is that merely your opinion or have you got any evidence or statistics to support it? Can you show that that is correct?—I take it from the fact that the killing of mutton has gone down in Australia substantially.

Mr. Barton.

1417. In proportion to the flocks raised?—Now you are getting on to something else. I do not know what the flocks raised are. All I know is that the quantity for shipment to this country has gone down and if mutton was being killed at the previous figure there would be more mutton coming here.

Mr. Corlett.

1418. Would that apply to New Zealand?—That is Australia. (Mr. Borthwick.) There is a difference here. The man who holds on to his wool is a grower of Merinos as a rule. Now you mentioned New Zealand. New Zealand does not lend itself to Merinos. That is not quite true because there are some Merinos in the South Island, but on the whole the New Zealand farmer does not do it, even if he wanted to, because he is not in a position to do it, and so he will not give up meat and go into wool, because Merinos would not do for climatic reasons. In Australia it is different. I think it is more a sort of long-term trend than perhaps we have indicated. I think the first thing that happens, and I speak without any intimate knowledge of sheep farming, is that, instead of putting a crossbred ram to his ewes, he says, "Well, wool is fetching a good price: what about a Merino ram?" In the course of several years you get a tendency to switch from the carcases that produce the meat that will fetch a certain price to the Merino which can be done in order to produce a very much more valuable commodity—wool.

Mr. Kirby.

1419. Could I ask on this point whether this policy of keeping sheep in order to make a profit out of wool is being pursued and whether you have any figures relating to the increase in the numbers of flocks or the lamb yield each year as compared with the past? Are flocks going up extensively in numerical strength?—In Australia, yes, but there are so many other things that come into it that it is difficult to say categorically. One reason is known: they had a bad drought in I think it was 1943.

Mr. Yates.

1420. In 1944 and 1946, according to the Minister of Food, there were eight million animals lost. Would not you say that that was really the reason?—We want to be a little cautious about drawing drastic conclusions about these Australian figures. Australia is a big country and there is always a drought somewhere or other and there are always meat losses. Nineteen hundred and forty-six, though dry, was nothing like as drastic as the earlier one in 1943, or thereabouts, when the flocks went down from—I am speaking from memory, 120 million to 89 million.

Mr. Walter Fletcher.

1421. I seem to remember reading in Dalgety's Report that that was also very considerably influenced by the very high proportion of the inhabitants of Australia who were away on war service?—There was a shortage of stockmen and so forth, and it is said that the 120 millions was an

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excessive figure and they had got overstocked. But you appreciate the temptation if wool prices are high and the season looks good to say, "Well, although these things are getting a bit aged, we will keep them for another year." If there is a drought the unfortunate owner is not always in a position to do anything about it, because hand-feeding and buying maize, as well as the staff's payroll, are extremely expensive. A friend of mine spent 50s. a head on hand-feeding sheep, which, after he had hand-fed them for a long time, were only worth 25s. So that the owner has that problem before him. When you have got a drought you say, "Shall I hand-feed or not?" And you look at the sky and hope that it will rain. In 1943-4, or whatever it was, it did not rain and they died. In this country that would not arise. You get bad seasons and so forth, but you never get to the stage where you have got to get rid of your stuff. You might lose money on it; but in Australia they definitely do reach a point where the stock is too weak to move and if it rains it will all recover and everything will be splendid, but if it does not rain, then the poor fellow "has had it."

Mr. Kirby.] If there was a heavy loss in 1944 and in 1946 due to drought, might not that kind of thing urge him to get his stuff over to us instead of holding back in order to get an extra price for his wool?

Mr. Niall Macpherson.

1422. This question of exportable surplus seems to take up an even greater proportion of the picture if there is a shortage, because if there is a drought, then, surely, if we are going to get any sort of proportion of those exports, we would have to compete equally. The exportable surplus being a surplus and being marginal, is likely to be very much smaller after a drought?—I think that that is correct. But there is one difficulty, if I may say so, which is unavoidable with question and answer, because these questions do not lend themselves to a direct Yes or No. I am sorry if I appear to quibble.

Mr. Kirby.

1423. I did not mean that at all. What I was trying to find out was whether it was merely opinion or whether you had got any figures to prove that your opinion was right?—The figures that I have given about sheep stocks I have quoted from memory, but they can quite easily be discovered. (Mr. Thomson.) The only thing I would say is that from past experience it has always happened that when the price of wool went up the killing of sheep went down.

Chairman.

1424. Do you know whether the countries concerned in these negotiations and agreements take any steps themselves to determine what the exportable surplus would

be?—(Mr. Borthwick.) If they give an honest opinion—and when I say "honest" I cannot speak for some of our friends—

1425. In regard to some of the circumstances you have mentioned which have affected production, were any steps taken by the Government concerned to limit or to control domestic consumption?—In Australia steps were taken, but I regret to say that they were not at all effective.

Mr. Walter Fletcher.

1426. May I ask one question about the 20 million pounds that the New Zealand Government really took out of the contract before the actual producer got paid for his produce: Is not one of the difficulties or evils of bulk buying that it does permit of a Government taking a tax out of a producer and thereby making it much less likely that he will want to implement the contract if there is any temptation for him not to do so?—I think it is a temptation which most Governments would find it difficult to avoid taking. But I must do justice to New Zealand. There is a case for what they did. Their Mr. Walter Nash had an economic adviser whose name I cannot remember, who said that during wars you get inflation: "Therefore, we must stop inflation. Now, if we allow the full price to be paid to the producer he will make a lot of money and we cannot necessarily collect it all in taxation. Moreover, land values will rise and there will be a boom." He went on to say: "We will cut it off at the source by only paying him what we think he ought to get." My complaint is not so much that he did that, but that the British Government has paid them too much. It would have been more fun if we had kept that money instead of giving it to New Zealand. I think that is a question for Sir Stafford Cripps.

1427. We are subsidising the New Zealand Government to that extent?—Yes.

Mr. Barton.

1428. Surely this situation could arise whether you have bulk buying or not?—(Mr. Fletcher.) It could, but it never has.

Mr. Walter Fletcher.] It is a matter of a contract at a definite price between two parties which has to be carried out.

Mr. Niall Macpherson.

1429. You say it never has, and this is rather outside the scope of your evidence, but there is the case of the tax on tea that is being lifted now by certain countries that export tea. Could not the same thing be done as far as meat is concerned?—It has happened in that respect in the South American countries: there has been an export tax. I think I am right in saying that originally that was because they did not attempt to raise too great a part of their budget by income tax—as a matter of fact,

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when I was first in the Argentine there was no income tax. There was an export tax as well as an import duty.

Mr. *Niall Macpherson*.] I seem to remember that an export tax had something to do with the loss of the United States!

Chairman.] I was going to turn from this very important question of bulk purchase to the machinery of distribution and I was going to put a point of view before you and to ask for your comments upon it. It is this: "The machinery has worked well; it has creaked at times, and it creaks more as time goes on; but at the outset it was so devised as to lead back to de-control. So far that is in issue. The future is not clear, and so long as the whole problem is unsolved the more the machinery will creak." Do you agree with that opinion inasmuch as it refers to creaking?

Mr. *Walter Fletcher*.] What do you mean by the "machinery."

Chairman.

1430. The machinery that we have been discussing and in which you are playing a part?—(Mr. *Borthwick*.) We do take the view that in the very long run the meat supplies of this country and the freedom of choice to the consumer, which at the moment is non-existent, are conditioned by this, that the longer the period continues the longer will it remain impossible to resume the ordinary business of the housewife being able to buy what she wants. But when you say the machinery creaks, I do not think that in the day to day operations of the scheme as it exists there is any question of creaking; I think it is really pretty efficient.

1431. If we are to make the assumption that meat rationing will continue for some appreciable time, would your view of this machinery be that it should continue?—Well, Sir, take a period of ten years. It is not just control at one point. But ten years of manipulation by various bodies has got the trade, if one can use rather an omnibus term, into a sort of tangled skein that it would really be quite difficult to unravel. If you ask me sort of straight off: what would I do about it, I would have to say I do not know. But one grievance, I think I can say, that IMTA have is that we did put up a scheme; we called it the Operating Members scheme, but the name does not very much matter, which would have worked within the framework of rationing and within the framework of bulk purchase as a sort of interim measure to getting back to normal as and when supplies permitted. But the Ministry turned that one down. We put a good deal of work into it. It is I think impossible for us to make a plan until we know what we are to plan for. (Mr. *Baines*.) From that angle, I would like to say this. We

do know that you will be interviewing people who are responsible for carrying out this plan of distribution, the W.M.S.As., and they are, shall I say, more able to reply than we. (Mr. *Borthwick*.) They could talk much better about it than I could.

1432. It is quite clear that it is a vital matter and has caused your Association some concern: whether, if rationing is to continue, the distribution of food can in your opinion be carried out with the trade de-controlled, or, alternatively—?—(Mr. *Thomson*.) In this country?

1433. Yes—or, alternatively, if you would not go as far as that, if, in your view, it could be simplified; or whether we have got the best form of arrangement whilst rationing continues?—I see.

Mr. *Walter Fletcher*.] And whether the machinery would creak less.

Chairman.

1434. Yes?—What comes into my mind is what happened in the previous war. Take bacon. Bacon was purchased by the Ministry from individual firms in competition, and it was distributed by individual firms on a ration and it worked very well.

Mr. *Walter Fletcher*.

1435. Where did they get their bacon from?—It was allotted to them by a small staff at the Ministry of Food—and it was a very small staff. They allotted it each week to individual distributors throughout the country. I was only taking that as an example that came to mind.

Mr. *Kirby*.] But that reply is not quite an answer to what the Chairman was asking, is it? His question was, if State bulk buying continued overseas.

Mr. *Yates*.] No—if rationing continued.

Chairman.

1436. The assumption I asked you to accept for the purposes of your reply was that if meat rationing continued?—(Mr. *Fletcher*.) It largely depends on the scale you mean, Mr. Chairman. At the present level, that is one thing; at twice the present volume it would be a very different thing.

1437. Perhaps you could give us your opinion?—If slightly more than twice there would not be any need for this.

1438. Do I gather from your reply that really it depends upon the amount of the ration, and that if we could reach a certain amount then the time would also be reached at which the present system should be abandoned and a freer system introduced?—That has been our constant hope, yes. But I think your question has rather taken us by surprise. In attempting to get out a plan for the future, in so far as it relates to our functioning normally, has

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been on the premise of greater supplies being made available. We would make them available, we would bring them within the scope of the Government's permission, and we would do the job of distribution in a way that would give the housewife the same choice which she had before. I can only say that I have always assumed that that was the purpose—and long-term purpose—of any Government.

1439. In short, you need a bigger ration to give scope for the choice you have mentioned?—Yes. (Mr. Borthwick.) I think that it would be very defeatist to think that the present ration was going to continue for all time. I am not suggesting that is your view.

Mr. Walter Fletcher.

1440. I do not think that that answer is quite a complete answer to what the Chairman put. Can we put it in this way. On a short-term view, with the present ration being somewhere round about where it is now for one or two years, what other machinery can you think of that would creak less than the present? That is narrowing it down?—(Mr. Fletcher.) I did try to answer it by saying that we had never visualised such a thing; we had never tried to contemplate such a problem. We would have to have notice of that one—if that is the correct phraseology.

Mr. Yates.

1441. The longer the present system continues, the more it adds to your particular problems?—(Mr. Borthwick.) Yes.

1442. Which would cause the present machinery to creak more than it does now?—The longer the present system continues, the more difficult it will be to improve upon it, because the skilled people who would be indispensable to restoring the consumer's freedom of choice are no longer being recruited to the trade. A young man does not come along now, saying, "I want to be a meat salesman," because there is no such thing; and if that went on for twenty years there would be no salesmen left. It would be impossible, I would say, or at any rate very difficult, in twenty years' time, even though the Government then in power might say, "Now we would like to restore freedom of choice to the consumer," to produce the necessary men. We would have a go at it, but not many of those present to-day would still be active in the trade, although perhaps I am still young enough.

Mr. Corlett.

1443. Let us assume that there is to be a continuance of some kind of rationing, and we are aiming towards getting at the complete pre-war arrangement, is there any alteration you could make in the machinery now that would help towards that?—Yes, there is.

1444. What would it be?—We got out a scheme, the Operating Members scheme; we put a good deal of work into it. I would prefer somebody else to give you a synopsis of it.

1445. It was coldly received?—What it amounted to was that we were to control the staffs that MINDAL and the W.M.S.A.s at present control—for instance, instead of having retail buying—(Mr. Fletcher.) I think we are getting into next week's evidence now.

Mr. Yates.

1446. Why was it turned down?—(Mr. Borthwick.) We do not know.

Mr. Corlett.

1447. You were not consulted? I thought that it was discussed; or did you merely send it in in writing and they rejected it?—(Mr. Baines.) I think we should explain that this was not sent in by IMTA. You will be taking evidence from the people who are responsible for that, I believe, next week; it is only fair to say that. (Mr. Borthwick.) I really know nothing about it. (Mr. Fletcher.) There is one point I would like to make if I may, and that is that the distribution to these retail buying committees is wrapped up with the home-produced side and that involves a very complicated set of rules with which we are not concerned. When I say that I do not mean to imply that it is not part of our problem, but we have stood ready, and we stand ready to-day, to resume our natural functions as importers and distributors of meat. We have made that offer to the Ministry.

Mr. Barton.

1448. It is just within the limited present supply state, is it?—Within any limits. If meat supplies must continue as they are to-day, we can undertake the job; if they become three times as large, we still undertake the job.

Mr. Corlett.

1449. Your scheme had regard to these two features, as to whether the supply was to continue as to-day, or whether it might be considerably increased?—(Mr. Borthwick.) The scheme would work in both sets of circumstances.

Mr. Walter Fletcher.

1450. It was sufficiently flexible to work with an increase, a decrease or stabilisation?—Yes.

1451. Do you think that nationalisation of the means of distribution would creak more or less than the present arrangement?—I should like somebody else to answer that. (Mr. Thomson.) I should say it would clog.

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Chairman.

1452. What I think would be helpful to the Sub-Committee would be if you would let us, in due course, have a note upon the main points of the scheme that you put forward?—We could let you have the scheme. (Mr. *Baines.*) Let us get this clear: Do you mean this Operating Members scheme?

1453. Yes?—There are two schemes that have been put forward. One scheme was put forward by a certain committee which was formed by the trade, which purported to take over the functions of MINDAL. Now there is another scheme which has been put forward by another committee which purported to deal with the distribution of meat to the retailer and that is what is called the Operating Members scheme. You will be seeing the people who are responsible for putting that scheme forward next week. The scheme for taking over the functions of MINDAL was put up by another committee. That could be done at any time. We have never been given an opportunity of discussing it in detail with the Ministry but it was not accepted. Two or three years ago there was put forward this scheme whereby individual importers should take over separately, not necessarily all of them, the functions which MINDAL carry out now.

Mr. Niall Macpherson.

1454. Within the framework of bulk purchase?—Yes. There are two schemes. Therefore I wanted to make quite clear that we are not talking about the Operating Members scheme.

1455. And that was intended to be transitional towards the time when bulk purchasing would end and you would resume your normal purchasing functions?—Yes.

1456. Is that a necessary step in your view or could you go directly back, cutting out bulk purchasing abroad, and you yourselves importing?—If bulk buying were to stop, certainly. (Mr. *Fletcher.*) Given reasonable notice, yes, Sir; we could perform all the functions of importers and distributors of meat.

1457. That leads me to my next question. Do you think, with your long experience in the trade, that if you did so you would be able to obtain more supplies, and would that be straight away or within a longer period of time?—(Mr. *Borthwick.*) In the long run, certainly; but when you say “immediately,” I would reply that meat does not lend itself to any sort of quick results. I mean, obviously the cow has got to have its calf, so to speak.

1458. Do you further think that under the present system when meat imports have been shrinking, they will continue to shrink?—(Mr. *Thomson.*) Yes.

1459. Do you think that tendency is likely to persist?—Yes, I think so. There is no incentive to the grower to-day that there was in normal times. It is my opinion that if the procuring of meat was left to the individual importer gradually we would increase supplies; we would be finding meat where it is not found to-day. That is what we did in the past; and we would gradually increase supplies in that way. I am perfectly confident about that. I do not say that it would happen to-morrow or next week or next month, whereas bulk buying is deadening the whole incentive of the producer.

1460. Would it necessarily involve paying higher prices for meat?—It might.

1461. Would it necessarily involve it?—To-day it would.

1462. It would to-day, in order to get better supplies?—Yes.

Mr. Kirby.

1463. Do you suggest that there is meat available in the world that nobody knows about and is not every country in the world scrambling for it?—I can only speak from what I have been told. I will give you one instance which I had from a shipper in Australia, I think about eighteen months ago, where 10,000 tons of meat were guaranteed to be put in store for the Ministry of Food. Within, I think it was, two months they were asked if they would pay the local ceiling price, which was a little higher than the export price. They never even got a reply to that.

1464. I take it that somebody else was in the market for it, prepared to pay the higher price?—No; there are no countries taking export meat from Australia.

Mr. Barton.

1465. What became of the 10,000 tons?—It went to local consumption. The shipper advised that in that period when they said he would guarantee to sell 10,000 tons he did not believe there would be a thousand tons put into store for export.

Mr. Niall Macpherson.

1466. Local consumption being elastic?—Yes.

Mr. Corlett.

1467. When you say you are going to get this, has not the standard of comfort in those countries risen, and are they not retaining more of what they produce for themselves—the Argentine for instance?

Mr. Walter Fletcher.] Are not they producing less?

Mr. Corlett.] But their standard of living, I understand, is rising in all the countries that are producing primary commodities, surely, and there is a tendency to raise

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their own standard of living and to retain more of what they produce.

Mr. *Walter Fletcher*.

1468. It depends what it is?—Probably there is, up to a point, but still there is competition between the exporter and the local man; that competition has existed in times past, and the exporter has seen that he was going to get his supplies just as well as the local man.

Mr. *Kirby*.

1469. In the case of those 10,000 tons, surely if that is ploughed back into local consumption, surely that will have a very serious effect?—(Mr. *Collis*.) I think it is necessary to bear in mind that you cannot take meat in isolation. If meat gets a little bit dearer people will switch on to other things. That is the way a free market operates in any country.

Mr. *Corlett*.

1470. Surely we are facing a world where standards of living are going to go on rising in the producing countries, and therefore there will be less exportable surplus?—(Mr. *Thomson*.) It is the wish of the people that is going to rise, but we do not know that it is actually going to rise.

1471. Would that affect getting more meat?—No. (Mr. *Baines*.) There is just one thing that occurs to me when we talk about standard of living in those countries—and this perhaps may be an answer to you, Sir. The point is that there is sufficient and there is too much, and if a local market is flooded with meat at a lower price, I suppose it is reasonable to say that consumption will go up unnecessarily. There is no specific standard of measurement. But if you throw meat or any other commodity on to an unwilling market, the price will be lowered and consumption will go up.

Mr. *Barton*.] Production will ultimately cease.

Mr. *Kirby*.

1472. Assuming that we go on with bulk purchasing, rightly or wrongly, and that we are compelled by circumstances to have rationing, do you think that the organisation of distribution is the best we can get?—(Mr. *Borthwick*.) My answer, within your premise, is yes. (Mr. *Baines*.) But I must say that that part of the distribution system this gentleman refers to will be discussed by another body next week.

Chairman.

1473. Yes. Now I want to put a series of questions and I will put them together because then you will have a clear picture of what I have got in mind. What proportion of the firms who together constitute your organisation are not British, and are

there any grounds for the suggestion that we may be prejudiced by having firms that are subsidiaries of firms in producing countries? Finally, is there anything in the argument that at present we are faring rather badly regarding imports of meat as against imports of carcasses, if that were the position before the war?—(Mr. *Baines*.) I did not quite follow that last point.

1474. It might be argued—whether it be the fact or not is another matter—that we are losing profits on meat bye-products which are obtaining a higher price now than previously?—When you say bye-products, do you mean edible bye-products like liver and so on?

1475. No—hides and skins?—(Mr. *Borthwick*.) This 20 millions that New Zealand has acquired comes largely from tallow and pelts. I have got the figures here. Now there is a case where the other fellow has made a profit. I do not know if that is what you are getting at?

1476. Yes; that is the short point we had in mind?—Australia have been less successful in cashing in on this “racket,” if one can use that word without offence. They get quite a lot of hides and tallow, but nothing like the same that New Zealand has.

Mr. *Corlett*.] What about Argentina?

Chairman.

1477. Perhaps you could at the same time say whether this is in your opinion—because we value it—attributable at all to the fact that we may have importing firms who are subsidiary to the producing firms?—No; there is absolutely no connection there at all; it is quite clear there is no tie-up there at all. (Mr. *Thomson*.) There is one thing and that is that in normal times when a man bought any livestock for killing and exporting he worked out what he would get for his skins and any other bye-products, and the better the price for those, the lower the price of meat. It was always worked back on to meat. The higher the price he got for these subsidiary things, the lower the price this country had to pay for its meat.

1478. Does that factor operate today?—It cannot.

Mr. *Niall Macpherson*.] May I pass on that point, because I understood meat was coming on consignment and that the price therefore was determined?—Yes; but because the man was getting a higher price for his hides or skins or anything else he was enabled to take a lower price when it came.

1479. To be satisfied with a lower price?—(Mr. *Borthwick*.) And ship in expectation of a lower price.

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Mr. Walter Fletcher.

1480. If it is a consignment, surely, if you have got to pay your landing charges, storage charges, insurance, and banking charges, the tendency always is to sell your stuff afloat in order not to have to pay those charges, and was not that pressure sufficient as against the pressure of what he had already encashed on his non-edible offals?—No; the price of the stuff landed was higher than these charges.

Mr. Corlett

1481. Today we buy f.o.b.?—Yes. (Mr. Collis.) But the charges have to be paid all the same, freight, insurance, and all the rest, and the value of money lying idle during shipment.

Mr. Walter Fletcher.

1482. I said after landing. If you send a consignment and do not sell it fairly soon you have a great bill mounting up against you the whole time?—(Mr. Thomson.) The shipper consigned his goods and he paid freight, insurance, and everything else and hoped to recover, according to the market, the full disbursements, and in working out the cost of his meat he takes into account what he could get locally to sell the hides, skins or whatever it is locally.

1483. My point was that with a consignment of commodities the tendency must always be for the seller not to wish to land the goods.—(Mr. Baines.) I think that is quite a fair statement. There were times when people would take a view of the market. In that case a man might think it worth while incurring charges with those things in view; in other words, supply and demand operated. (Mr. Fletcher.) I would like to make it perfectly clear that there was practically no chilled beef from the South American countries that was sold afloat.

Mr. Niall Macpherson.

1484. There is none now at all?—No.

1485. What proportion of beef was chilled before?—(Mr. Baines.) From the Argentine, about 98 per cent. (Mr. Fletcher.) And the same percentage from Uruguay.

Mr. Barton.

1486. Is it all hard frozen now?—Yes.

Mr. Corlett.

1487. Are great losses occasioned to this country by the fact that producers can get rid of their bye-products individually elsewhere?—I cannot follow your question upon that. (Mr. Baines.) I do not see that point.

Mr. Corlett.] It is in the realm of bulk buying that there is a definite loss on bye-products in this way. There is a big difference on it.

Chairman.

1488. I am not asking you to accept the basis of the question at all, but is there any difference in practice today as compared with pre-war?—(Mr. Borthwick.) By-products?

1489. Yes.

Mr. Barton.

1490. Did you as meat importers buy both edible and inedible offals?—He bought the animal and put it through the freezing works for better or worse. In some cases it might be works owned by the importer's own company; in other cases he might put it into a Government-owned works. They killed it for him and he then got the meat. In the case of sheep and lambs he would get the wool and the pelt and he could do what he liked with them. He would probably consign the meat to be sold somewhere else; the works took everything else. I will not bore you with the technical details, but they took all the other things except wool and pelts as part of their treatment rate and they charged him about a halfpenny or a penny a pound. He got the meat, the wool and the pelt, and they kept the rest. As regards the runners (guts), the works did not always treat them, but they could sell them "green" to somebody else. Custom or practice varied. The works got the tongue, the heart, the liver, kidneys and so on; and in many cases the works would consign that edible offal to this country, so that you could get a particular animal with the meat coming here on consignment with perhaps the offal shipped by the works that had treated the meat, also on consignment, to someone quite different.

Chairman.

1491. Supposing there was an increase in the value of the by-products, that would reflect itself directly in the price of the meat?—Yes, because the works could then charge, instead of say a penny a pound, as they would be making a lot of money.

Mr. Walter Fletcher.

1492. And that had exactly the same effect on the sale price?—No, not necessarily.

1493. If they got more for their wool?—The effect is the same on the grower, but not on the buyer.

Chairman.

1494. The whole point is: whether that factor operates equally to-day?—To-day—I am again speaking of Australia and New Zealand—there is a controlled price for tallow which is a long way below the world price. The indirect effect of that is that the treatment rate at all Australian works is higher and therefore the price paid to the producer is lower.

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1495. A final question. I will put this to you as an expression of opinion. It has been stated that there is a feeling amongst some meat merchants that in pre-war years the market tended to be dominated by one big importing firm, and when a free market is restored steps should be taken to prevent this happening again. The remedy for monopolies is to break them up, not to encourage even greater ones. That is an expression of opinion by Mr. Russell in "Government Bulk Buying." Do you agree with that view about the meat importing business?—I think I had better answer this. Speaking as one of the smaller ones, the

answer I could give is unprintable, but the one I can give is nonsense.

1496. On that happy note, if it is agreeable to the members of the Sub-Committee and also to yourselves, we will conclude this session, but before we do so I would like to thank you very much for the assistance you have given us. It is obvious you have not been intimidated at all by appearing before a Parliamentary Committee?—On behalf of us all I would like to thank you for the very kind way you have received us. Thank you, Sir.

Chairman.] We are much obliged.

The Witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 3RD MARCH, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.
Viscount Hinchinbrooke.

Mr. Kirby.
Mr. Niall Macpherson.
Mr. Yates.

WHOLESALE MEAT SUPPLY ASSOCIATIONS.

Mr. P. EATON, Mr. W. G. SHARP, Mr. R. F. GARNHAM, Imported Meat; Mr. E. H. ASHLEY, Mr. J. S. SPENCE, Mr. H. G. PADBURY, Home-Killed Meat; and Mr. H. G. GARRETT, O.B.E., Secretary, National Wholesale Meat Advisory Joint Committee, called in and examined.

Chairman.

1497. As you are probably aware, we are a Sub-Committee of the Estimates Committee at present inquiring into the Ministry of Food Estimates, and at the moment we are paying particular attention to those concerning meat. We understand that you are representing the Wholesale Meat Supply Associations and also the National Wholesale Meat Advisory Joint Committee, and that Mr. Eaton, Mr. Sharp and Mr. Garnham represent the interests of the imported meat side, and Mr. Ashley, Mr. Spence and Mr. Padbury on the home-produced meat side, whilst Mr. Garrett is the Secretary of the N.W.M.A.J.C.?—(Mr. Garrett.) May I add one word on their behalf by saying that it is not quite correct for us to say that we represent the W.M.S.A.'s. All these gentlemen serve on the Committees of the different W.M.S.A.'s; they represent rather a cross section of the Associations. We say that because not all the W.M.S.A.'s have in fact appointed them for the purpose of appearing here to-day.

1498. Am I right in assuming, therefore, that there is no National Committee of the W.M.S.A.'s?—There is no National Committee beyond the fact that we formed for this purpose what we called the Post-War

Plan five years ago, that is this National Wholesale Meat Advisory Joint Committee.

1499. That is a voluntary organisation—you formed yourselves into that?—Yes.

Mr. Kirby.

1500. Are you all members of the Advisory Committee?—Yes, Sir.

Mr. Corlett.

1501. Are all the W.M.S.A.'s represented on this body?—Not all.

1502. Are they all affiliated to this body?—(Mr. Spence.) The point is that all the W.M.S.A. members are represented on the Advisory Committee but not all W.M.S.A.'s are represented in this particular deputation.

Mr. Corlett.] I thought that with eight organisations it would have been easy to get a representative body speaking for the eight.

Mr. Kirby.

1503. I take it you do speak for the eight?—Yes.

1504. As a national body. The only thing is that all eight of them have not got a representative here?—Yes. You did not want too many.

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Chairman.

1505. To have had all the Associations represented here would have meant having eight representatives present?—Yes.

1506. But as you have got the Joint Advisory Committee you can speak generally for the Associations?—Yes. (Mr. Ashley.) The Ministry have a 51 per cent. vote.

1507. I was going to follow up that point immediately. We have been informed that the Ministry have this controlling voice in each of the Associations. Can you say generally whether that has worked satisfactorily or whether there have been any conflicts within the Associations?—(Mr. Spence.) I can only speak for my own Association. We have not had any conflicts. (Mr. Padbury.) Generally speaking it is satisfactory.

1508. I am speaking about the organisation and the machinery?—(Mr. Garnham.) Speaking for the one with which I am connected, it is eminently satisfactory.

1509. We also understood regarding the Associations that they were open to all bona fide meat wholesalers carrying on business at the outbreak of war?—With an annual turnover of not less than £10,000.

1510. Do you know whether any wholesalers who would qualify are in fact outside the Associations?—(Mr. Eaton.) I believe there have been one or two applications from small people whose primary business was not the wholesaling of meat but a sort of retail business, with a bit of jobbing going on on the side, who applied several years after the closing date and were excluded; but I know of no bona fide case of a genuine wholesaler being excluded. (Mr. Spence.) There was an example in South Scotland, in my own area, but they did not apply to my Association actually; they applied to London, and they were excluded. Certain of those members were admitted, people who originally had made application to our Association.

Mr. Corlett.

1511. Does your definition of a wholesaler differ in different districts for different Associations?—No; these people were taken out purely because the date of closing for membership was published and they did not make application.

Chairman.

1512. With that exception the Associations are absolutely comprehensive?—As far as I am aware.

Mr. Corlett.

1513. Would the definition of a wholesaler be the same in Bradford as in York, for instance?—(Mr. Sharp.) I should say definitely, yes, the definition is common.

Chairman.

1514. I take it that each Association has got its Articles of Association?—(Mr. Garnham.) Yes.

1515. Have you got a Management Committee?—Yes.

1516. Within the Association I gather that each member is allocated an interest on the basis of his pre-war turnover?—Yes, and that still operates.

1517. Are there any difficulties in the operation of that provision?—I do not think so; we have not come up against any. (Mr. Padbury.) Not that I know of.

Mr. Corlett.

1518. What year did you take?—1938.

1519. How would a man prove what his turnover was?—(Mr. Garnham.) By auditor's figures in every case.

1520. Who did the auditing?—The firm's auditors, and then they were scrutinised, if thought necessary, by our auditors.

1521. The man himself did not provide the accountant for his own figures?—No, they are always Chartered Accountants' figures.

1522. Were they responsible to you or to the man?—To both.

1523. Who paid him?—The man. We had our own accountants; we had Deloitte, Plender & Co.

1524. It is an important point, because it is 1½ per cent.?—Yes.

Chairman.

1525. If I could put this before you fairly, this would not affect the percentage; it would affect the allocation of the overall figure amongst yourselves?—Yes. (Mr. Spence.) In south Scotland we took an average of three years' turnover.

Mr. Corlett.

1526. 1935 to 1937?—No, three years ending August, 1939.

Chairman.

1527. And this interest is disposable by succession or sale; in short, a member can dispose of his interest?—(Mr. Garnham.) No, it descends in the case of death. (Mr. Spence.) Under certain conditions.

1528. What are the conditions, broadly?—That it is a continuing business and that he has not previously sold any of his interest in the business. (Mr. Padbury.) That he is prepared to carry on the business on the cessation of control. (Mr. Spence.) That it is a continuing business.

1529. Can you say whether there has been any substantial transference of

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interests?—(Mr. Garnham.) No, there have been very few indeed, and very few deaths, too.

Mr. Corlett.

1530. Could you give us the number of wholesale meat merchants in the country?—(Mr. Eaton.) We have the exact figure of members; it is 1,135.

1531. Can that be broken down into areas, so that we can see who are the wholesalers in any given area?—I have not got the list of names. (Mr. Garrett.) Perhaps I could hand in the list? (Document handed to the Sub-Committee.)

1532. The function of your Association is to distribute meat to meat manufacturers and the Retailers' Buying Committees as well as to retailers?—(Mr. Garnham.) Yes.

1533. Can you say whether you distribute meat direct to retailers in any substantial amount?—No, only the shipping suppliers; the others are practically all Butchers' Buying Committees.

Chairman.

1534. So that apart from those exceptions the distribution is done solely through Retail Buying Committees?—(Mr. Spence.) That is not the case in Scotland; in Scotland we distribute to every individual retailer. (Mr. Sharp.) I think our duties could carry us a little further than that. We arrange with M.I.N.D.A.L. for the quantity of imported meat which, with the availability of home-killed meat, is necessary to fulfil the ration each week. This is a somewhat tricky business and calls for the utmost flexibility in view of the fact that the ration is expressed in a money figure, whilst the meat we get is on a weight basis, and it is not always easy to reconcile the two.

1535. I am obliged. I was not for a moment endeavouring to give the impression that this was a simple operation; I was only trying to find out the point at which it was distributed and whether you invariably dispose of meat to the Retail Buying Committees?—(Mr. Eaton.) I think we ought to start all over again, if you will forgive us, and say that there are two methods of running this. There is one peculiar to Scotland, where Mr. Spence is Chairman of the W.M.S.A. and which he can explain to you. The other system is peculiar to the rest of the country, and as far as England is concerned distribution is through the Retail Buying Committees or groups corresponding to the shipping butchers we have mentioned, certain institutions such as the Port of London Authority Canteen, the Metropolitan Police, some of the larger manufacturers, and the London County Council. Those are dealt with direct. Everything else goes through the R.B.C.'s or the R.B.G.'s, as they call them.

In some cases we deliver the product in bulk to the Retail Buying Group, who then take it away and redistribute it on their own premises. In our own case—and this is true entirely of London—we break it down into individual allocations and invoice the Retail Buying Group each day with a flat invoice which is the sum total of the individual allocations that we have made to retailers.

1536. Without entering into the merits of the two systems, can you say for what reason Scotland and the exceptional cases you have given have one system and the rest of the country another?—Yes.

1537. Perhaps I could just put a reason. Is it due to a different view on the part of the different Associations?—(Mr. Spence.) As far as Scotland is concerned, it was the fact that the retailers in Scotland wished the wholesalers to do more or less what they had done in pre-war days; that was to perform the detailed function. We have always charged the meat to individual retailers and invoiced it at the end of the week, and collected the individual accounts, for which we receive a contribution from the retailers, because there was some difficulty with the Ministry as to whose work that really should have been. Now, there are no R.B.C.'s in Scotland. They have a Vigilance Committee who are purely voluntary, with no employees, and they in some cases do attend at our depots, but in the majority of cases we never hear from them or see them. For that the retailers pay us 1d. in the £ sterling on their accounts, and we are very happy with that. Otherwise we carry out the same functions of the W.M.S.A.'s. (Mr. Ashley.) Exactly the same scheme has been in operation in Birmingham since the inception of control. Wholesalers do the whole physical distribution of the meat, both in allocating meat to butchers, in supplying it in bulk, and also getting the accounts out and drawing the money on behalf of the Ministry from the individual butcher.

1538. And this is an arrangement which the retailer finds satisfactory?—Yes; the butchers asked for that in Birmingham, and they have found it satisfactory ever since, the remuneration being from retailers to the Midland Wholesale Meat Supply Association for that service.

1539. I believe I interrupted Mr. Sharp again, so that I will at once give way to him?—(Mr. Sharp.) I believe it is true to say that originally the meat livestock scheme envisaged the Retail Buying Committees taking over meat in bulk, but in practice it was found that the wholesalers were equipped to do it, and the retailers were content to see them do it. I would say that in the large majority of the W.M.S.A.'s the retailer takes the meat

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direct. (Mr. Padbury.) That is the fact in London.

Mr. Corlett.

1540. The majority, you say?—(Mr. Sharp.) There are very few instances where the R.B.C. takes the meat in bulk.

1541. I only know of one personally where they have a levy on their members and set up their own machinery?—(Mr. Padbury.) I think you will find that wherever the R.B.C.'s operate they have a levy on their members for services which the R.B.C. performs, but it varies.

1542. In the case where they do it, they say they do not need you?—We will give an answer to that later on.

Chairman.

1543. Speaking generally of the experience of your Associations, would you say there has been remarkably little loss of meat owing to faulty handling since the scheme was introduced?—(Mr. Garnham.) I should say yes, considering the volume of the turnover, it is marvellous the small amount that has been lost—unbelievable. (Mr. Eaton.) It would be rather difficult for us to admit that having staffed and run these Associations we were doing a rotten job!

Chairman.] I put it as a leading question because I did not anticipate disagreement, and I did not think I would prejudice you by putting it in that way.

Mr. Kirby.

1544. We make due allowance?—(Mr. Garnham.) Those facts can be proved.

Chairman.

1545. We have received other evidence which I think indicates that that has been the position, that there has been remarkably little loss. Now I want to ask you a question about staffs. Is it the fact that owing to the concentration of work in fewer centres staff have been about halved compared with the pre-war staffs?—(Mr. Eaton.) In London at the outbreak of war there were approximately 3,600 total staff employed in the wholesale meat business, in manual, clerical and administration work. Today the figure is down to approximately a third. There have not been quite such drastic reductions up and down the country, but I should think you could say there has been a reduction of at least a half. We used to give a real service before the war, but you cannot give a good service without the machinery to do it.

1546. Therefore I was going on to ask what has happened to the redundant staffs?—(Mr. Spence.) If I could answer that, as far as my own area is concerned we have not had any redundant staff, because whereas wholesalers only operated in certain parts of South Scotland, we have

depots all over South Scotland, and redundant staffs in Glasgow and Edinburgh have been sent out into the country districts. (Mr. Ashley.) There are other sections of the Ministry of Food where these men have been employed. (Mr. Garnham.) At the inception of the scheme no employee of the trade under the age of thirty was taken into the Ministry scheme. That immediately put probably 30 per cent. of our staff into the Forces. (Mr. Eaton.) That was in London only.

1547. Can you say whether owing to this contraction, and making allowance for the staff that have been taken on by the Ministry or in other capacities, there has been any substantial loss in personnel to your side of the industry?—(Mr. Padbury.) Undoubtedly. (Mr. Sharp.) I think we have lost definite possibilities of recruitment all through these years. That is one point. (Mr. Garnham.) There has been a period of ten years of wastage through illness and age, of course.

Mr. Corlett.

1548. You talked about men under thirty in London. Have they no employment with you?—(Mr. Eaton.) If they went into the Forces and had reinstatement rights, they were reinstated upon application, but many of them, the vast majority of them in fact, did not have those rights, and they went, as has been said, into the slaughtering end of the Ministry, all sorts of things, or just went out into the blue, and we have lost them, and we do not know what has happened to them. Quite a few have emigrated overseas. (Mr. Padbury.) I think it should be made clear that in London we were decentralised right at the outbreak of war, the first day of war, and we operated for nineteen weeks before control came in. Consequently we had to have shadow plans before. No man under thirty was taken on by the W.M.S.A.'s—at least, it was not the W.M.S.A. then; it was called the Defence Plans Committee then. Those people at the inception of the war probably carried on in some other part of the industry which was still functioning, but they have no reinstatement rights with the W.M.S.A., as Mr. Eaton says.

Chairman.

1549. I wondered what difficulties you anticipate may be before you when in changed circumstances you may find it necessary to recruit additional staffs?—(Mr. Sharp.) None whatever; the industry was so attractive that we were confident of doing it and of getting the right type of men again coming up. (Mr. Padbury.) We shall be short unless we are allowed to do some recruitment meanwhile.

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Mr. Corlett.

1550. I thought that meat salesmanship was quite a craft. Are you training any apprentices to it at all?—No.

1551. And no men under thirty?—Yes. We have very few men really today under fifty. (Mr. Eaton.) The average age in London is fifty, approximately.

1552. I am wondering about this recruitment for this training for this skilled craft?—(Mr. Garnham.) There is no attraction for a young man to come into a trade that is stagnant as this is today. (Mr. Eaton.) The only way in which you can train a salesman is to teach him the product and put him in a shop full of meat on a hot summer's day and tell him to get a fair price for it. We are not able to do that yet, so that we cannot train him.

Mr. Yates.

1553. The longer you are not able to do that the more difficult it will be to attract them later on?—There is a very real prejudice to successful operation in this connection, and if we do not get, sometime within the next year or two, into a better position, not only will there be prejudice to our position but prejudice to the Ministry's position.

Chairman.] I think we can appreciate all those difficulties.

Mr. Niall Macpherson.

1554. Could you elaborate on the prejudice to the Ministry's position?—We will lose the personnel we have; in fact we are losing a great deal year after year of our skilled personnel and the scope for advancement is so negligible under this regimented thing that you cannot attract the class of young man that we used to be able to because what can you offer him? You can offer him a job as a glorified check weighman or a scales clerk or a tally clerk or pushing a pencil adding up invoices, but there is no salesmanship in that. There is no chance of payment by result; there is no opportunity to give the kind of service that brought with it good rates of pay to ambitious young men, and every month or so we lose and have resignations and it is always the best type of young man that throws his hand in. (Mr. Sharp.) I would like to add that the pre-war momentum, dating back sometime now, is very largely responsible for maintaining the scheme to-day as efficiently as it is. (Mr. Padbury.) If I could give an illustration of how it would affect the Ministry, going back into the collecting centres as they are to-day, you have graders there who are grading and judging the animals alive up to a pound or two. Those people who are doing that have done it through just sheer experience of going into markets

pre-war and risking their money on their judgment. That is the only way that they learn. Those people will be eliminated in course of time and I do not know how anybody is going to be educated without that fact of risking their money or their judgment upon it.

1555. That is obviously a real prejudice to the Ministry. As things are just now am I right in supposing that the job is not a highly skilled one and therefore if the country were to continue to accept the type of man that it is having to accept just now it would not really prejudice the Ministry of Food very much in that they do not need a high class of man in the organisation as things are. So long as the ration is as small as it is I think that would possibly be true. (Mr. Spence.) I do not agree. In our system it is true because I think we still do need to have people in charge of our depots who know good meat or bad meat. We have an obligation to the retailers to give them a fair allocation individually without any supervision from any R.B.C. and therefore we hope that our standard and the standard of our men is still pretty high. Now, in our larger depots in the city the staff have not an opportunity of learning anything about home-killed trade, but in our smaller outside depots they have because all our depots practically are at slaughter houses. They are seeing the animals coming in from the collecting centres, they are seeing them before slaughter and after slaughter, and they are getting a very good working knowledge of the home meat trade apart from the salesman side of it. They are getting a basic knowledge of the trade and they should be able to take great advantage from that.

Chairman.

1556. Now I will turn to another subject and that is the question of remuneration of the Associations. The information we have is that the scheme provided for a commission calculated annually on the actual tonnage handled by each Area Association so as to provide for the approved expenses of the Association and for a profit element at 1½ per cent. calculated on the qualifying membership tonnage taken at its pre-war average value of £70 per ton. In the first instance, can you tell us whether that is correct?—(Mr. Eaton.) That is correct, except that it is not the full 1½ per cent. In the London area it has been about 1½, as low as that, or 1½, but roughly I should estimate the average over the country would be in the neighbourhood of something better than 1½. That remuneration, quite simply, was payment for services rendered.

1557. I carefully avoided the word profit for that reason. I believe it is more correct

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to regard it as a care and maintenance fee and as remuneration for services rendered?—Yes, it covers a host of things, Sir; for instance there is another element, for the Ministry have, as they have in the past, wanted the best man in the trade, they wanted him to go all over the world for them. He went, but they never paid him a salary that he could afford to accept. There was a very large element of care and maintenance of unused buildings and equipment as well as of establishments of which leases are falling through and which had to be renewed at a much higher price than the Ministry pay under the requisitioning orders. Then there are pensions to staff, sick pay, to people in the official organisation when their benefits run out and there is the making up of salaries to people who, because they were good salesmen and earned a fair wage and could only look forward to a routine job, are tied to very low rates. There is a substantial element of the making up of salaries both to people employed by the W.M.S.A.'s and M.I.N.D.A.L. as well as in the Ministry of Food. There was the welfare side in connection with a large staff during the war, so that there are a lot of things that could add up to the substantial amount that goes on care and maintenance. Of course, justification of the care and maintenance is that when we all threw our facilities into the common pool at the start of the war we did not know what we were going to get. We told the Government they had our 100 per cent. support and they told us they would give us very fair treatment and the next thing we knew was that we were all scrambled up in this scheme, and in due course we settled on the basis of a departmental costings investigation on a rate of remuneration which was not satisfactory to all members but which by and large was considered by both sides to be a reasonable one.

1558. Can you say whether there are any difficulties arising from what perhaps we could best describe as compensatory salary payment to the people you have mentioned, some of your own staff, some of the staff of M.I.N.D.A.L., and some of the Ministry of Food's staff, in the sense that they have continued for a long time now and it may be felt by some people, who I take to be the majority and who are, after all, earning salaries, that other people are being paid increased salaries for having done less responsible duties for the past ten years?—I have not had any experience of that. I must say, however, quite frankly, that there are probably some of the younger men who have not been able to prove their mettle in the market, who went into the Army as youngsters and have come back as married adults and they may feel they have lost a lot; but in many cases like that, in order to keep them in the trade, the pre-war em-

ployer has not made up their salary based on the few pounds they got when they left but has said: "Well, as that man to-day is worth £12 or £15 a week we will pay him that amount," because it was no good going on for ten years in anticipation of having our business given back if we were going to break down when we thought we were going to get to the end of the road.

1559. Can you say how substantial an element this payment of compensation is?—(Mr. Sharp.) To individuals, Sir?

1560. Yes?—(Mr. Eaton.) I think a lot of us could say about our own firms, but it varies so widely that I would not like to hazard a guess over the country as a whole, except to say that it represents a very considerable sum. (Mr. Padbury.) We could give the experience of our own firms, because these matters are private to individual firms. (Mr. Sharp.) As a W.M.S.A., we know nothing of it. (Mr. Spence.) It is material, of course, because some of the higher posts carry very moderate salaries, and, of course, are held in some cases by people who are members of a firm, and therefore they get a certain remuneration plus a salary, but if they did not get that other remuneration the job would not be worth holding.

1561. There is another point that comes to mind on the higher salaries of some members of the Association, and that is this: How does this rule regarding executives operate? As I understand it, half the salary is paid by the Association direct and reimbursed by the Ministry and the other half comes out of a general fund?—(Mr. Eaton.) You are referring now to the salaries of principals, partners and directors?

1562. Yes. Does that rule serve any good purpose?—It just affects the remuneration a little bit, that is all. (Mr. Spence.) Not to the individual—to the whole. (Mr. Sharp.) It is collective.

1563. It is a rule that has operated from the beginning?—(Mr. Spence.) Yes; that was part of the agreement. (Mr. Ashley.) They are not executives really; the Management Committee would be the executive of the Association. (Mr. Eaton.) By executives I think you mean members of firms.

1564. I am in some difficulty, because I am using an expression that has previously been used, and that was "executives"?—(Mr. Garnham.) The salaries really of partners and directors of firms are dealt with on that basis. (Mr. Eaton.) They might only be an employee. I can think of cases in point; one such case is where a man was making £1,500 before the war and is now getting £8 or £9 or £10 a week: that is all he can get. He would not be an executive but a highly skilled salesman. But that is not a surcharge. It is only the

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salaries of principals, partners and directors of member firms, of which half is charged against remuneration.

1565. It seemed to be rather an odd rule at first sight. I wondered if there was any particular reason for that?—(Mr. Padbury.) It arose because when the question of remuneration was settled, which was some year or two after we had begun operations, these people were working, and had they not been paid salaries there would have been no incentive for them to work. The W.M.S.A.'s required their skilled knowledge; so that it was decided that they should be paid a salary, but that half of it was to be deducted from the remuneration paid to the W.M.S.A.

1566. Are there any difficulties arising from the continuance of compensatory payments made to non-active members?—(Mr. Spence.) There are no compensatory payments; they are all for services rendered in one way or another.

1567. I gathered that there were cases of members whose services were no longer required but that they were being compensated on the ground that at the time the scheme was introduced they were salesmen?—(Mr. Padbury.) No; they were receiving remuneration as individual members. (Mr. Ashley.) They were doing the job for the W.M.S.A.'s in the Association, actually working, and they were being remunerated for that. (Mr. Eaton.) Yes, that is it. (Mr. Spence.) Some of them were not employed, it is quite true. (Mr. Eaton.) We discharged a lot in London. I think it would be safe to say this, that one could refer to those as sort of absentee landlord types. There are very few of them, and they are not worth racking our brains about.

1568. They are not sufficiently substantial to cause any difficulties?—No.

1569. After all, we realise that it is a domestic matter of the Associations?—(Mr. Garnham.) Yes. When these people all put their businesses into the pool it was definitely a service.

Mr. Corlett.

1570. It is a serious matter if we are paying 1½ per cent. over a period of years and some people are sitting back doing little for it. I have before me the balance sheet for one of your Wholesale Meat Supply Associations, and the commission earned from the Ministry was £383,000, and their expenses, which were expenses paid by the Ministry, of course, in addition to this, expenses of people, I take it, who were employed, came to £236,000; so that there was a sum of £146,000 left. Now, that is a lot of money out of an income of £383,000. £86,000 of that was distributed, I do not know to whom or for what purpose, and £61,000 carried to

the balance sheet. I am wondering how much of that went to people who did nothing whatever?—(Mr. Eaton.) It would be very trivial, because I doubt if you could find twenty firms out of the 1,135 that we have told you of, that are of the absentee landlord type. After all, many of the principal ones in the London area that I know about were where we had a redundancy programme, and we encouraged those men to resign, because they had some income from their membership of the W.M.S.A. Some of the other people may not have had any income like that. (Mr. Sharp.) I think the Ministry of Food encouraged us to encourage them. (Mr. Eaton.) They even sent a letter from Colwyn Bay to all Chairmen suggesting that they should ask all people over sixty-five to resign, with particular emphasis on principals of member firms. (Mr. Sharp.) That was particularly at the time of reinstatement. We were anxious to take back all that the industry had lost.

1571. If they resigned what claim had they upon you and upon this 1½ per cent., if any? Have they a claim?—(Mr. Eaton.) Yes. (Mr. Ashley.) Yes.

Mr. Niall Macpherson.

1572. Have they resigned from salaried posts?—(Mr. Eaton.) Yes, and some have resigned membership. (Mr. Sharp.) There have been a few such cases.

Mr. Corlett.

1573. If they perform no functions do they still receive a proportion?—Yes, if they qualify as members.

1574. And if this goes on for another twenty years they will still go on receiving it?—(Mr. Garnham.) Yes; it is similar to having shares in a company. There are the Articles of Association.

1575. Is it possible to know the amount that is going to these people who are rendering no service?—(Mr. Spence.) I am afraid that would be very difficult, because for one thing, you do have people who are in a temporary Civil Service position with the Ministry on the slaughtering side, or something like that, who are members.

1576. No, I am excluding those. I am saying those who are rendering no service; I am not dealing with those who have jobs under the Ministry. (Mr. Padbury.) It might be an elderly person, a man of seventy if you like. Even in the case of ordinary businesses, when people reach that age they retire, and their business is carried on, and they still draw an income; in other words, they have invested their money in it.

1577. Are we sure that it is just a question of age?—(Mr. Ashley.) Most of these principals surely had business where they

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had younger men coming in, who are now doing useful service; it is really a continuance of their business.

Mr. Niall Macpherson.

1578. May I put the question in this way? Surely this remuneration is given to the W.M.S.A.'s to dispose of as they like, and that even if these people who are rendering no service were to withdraw there would be no reason to suppose that the W.M.S.A.'s would still not get the same amount; so that it is an entirely internal and domestic affair. Is that correct?—Yes.

Mr. Corlett.

1579. That is why I am asking the question?—(Mr. Eaton.) The simple answer is first that this type of thing is negligible in view of the whole, and secondly the real answer to it is today that we were promised in 1939 that they would give us back our businesses, so that we do not have to worry about a poor old fellow drawing fancy dividends!

Chairman.

1580. We will come to that point very shortly. I want to put to you generally a statement that we have received about wholesaling costs, and it is this: Before the war wholesaling costs were £2 2s. 2d. per ton, while those for 1947-48 were £1 3s. 6d. The point I should like you to advise us about is this: On those figures as stated the impression might be gained that wholesaling costs before the war were too high?—I do not know. The only criticism the wholesalers of this country ever got was for bringing in too good meat and selling it too cheaply. (Mr. Ashley.) And ruining the British farmer. (Mr. Eaton.) After all, we took sides of beef from the chillers in the Argentine, and we put them at the free disposal of retail butchers up and down the country when they wanted to go into our premises and buy them off the hooks. It cost us less to do that than it cost a lot of retail butchers to deliver their meat with their local roundsmen. This business was a very delicate machine handled on a very narrow margin of gross and net profit, but it was turnover that built the thing up. I have never run into an argument with Income Tax collectors yet where they do not say: "Well, there is something funny about this." But there are the balance sheets, there are the figures. It was quite common. The thing is turnover. We never expected a big margin of profit and we could not have stood a big margin of expenses.

1581. In other words, the services rendered at the two points of time are entirely different?—Yes, entirely different. (Mr. Padbury.) The figure of £2 2s. 2d. that

you mentioned, which is approximately a farthing a lb., is not a very extravagant rate, is it?

1582. We are not giving evidence?—(Mr. Eaton.) I do not know what the overall figure is, and nobody can tell you, unless the costs investigation has brought that out. It might give you a cross section of the industry; but I can assure you that in the imported meat trade it did not cost us anything like that to cover the whole caboodle.

1583. What are your comments upon this statement of the position as it obtains today: "The machinery has worked well; it has creaked at times, and it creaks more as time goes on; but at the outset it was so devised as to lead back to de-control. So far that is in issue. The future is not clear, and so long as the whole problem is unsolved the more the machinery will creak"?—(Mr. Garnham.) We do not agree. I think some of the people are getting a bit old, their bones creak when they carry quarters of beef about, but we do not agree that the machinery is creaking.

1584. Do you think that working within certain accepted assumptions the machinery works well?—Yes.

1585. We have got, for which we are obliged, the notes upon the operating members' scheme. Are we right in assuming that the main point of your suggestions is to eliminate the R.B.C.?—(Mr. Eaton.) No. The operating members' scheme was designed first of all to give us an interim stage in getting back to our normal methods of doing business, and it was very largely patterned after the method of distribution which operated in the South of Scotland during the first three years of the war.

1586. That is what I meant, if I may just intervene to make my point clear—by undertaking the work of the R.B.C.'s?—Yes; but the primary thing was for us to recover our individualities, to get our staff around us, to get our premises fixed up, to start training some young men, and in that way to get ready to go back to the running of our own businesses. That was the rough scheme. It can be designed in all sorts of ways, but we had in mind that as we operated and as we improved the service we would reach the stage where the Retail Buying Committees would not want to continue in business because they would merely be duplicating the service that we were giving them, and probably not doing it as well. They would say: "What are we getting for our money?" So that as time went on the Retail Buying Committees would disappear quite amicably, and we would find ourselves in the day of de-control organised to do the job as well as we used to do it before the war.

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Viscount *Hinchingsbrooke*.

1587. Dealing directly with 45,000 retail butchers?—Yes. (Mr. *Spence*.) It is true to say that we operated a scheme on similar lines until December, 1942, and this operating members scheme was based to some extent upon that scheme, but when we were operating in our area we had no R.B.C.'s, so that there was in the background the fact that that position would have to be met in England. Probably it would break down as time went on. (Mr. *Sharp*.) I think we should make it quite clear that the scheme was not devised to do away with the R.B.C.'s, because our relationship with them today is quite good; but it was thought that in course of time they would become redundant.

Chairman.

1588. I perhaps put it too bluntly when I put it to Mr. Eaton. I meant that the main purpose of the operating members scheme, if you like gradually, is to work for a direct contact between wholesaler and retailer?—(Mr. *Sharp*.) Yes. It was envisaged that it would take six months to regularise. (Mr. *Garnham*.) At first it was going to take over the work of the W.M.S.A. depots. (Mr. *Eaton*.) It is the first step in the breakdown from the present regimented consolidated scheme to the individual trading that went on before the war. (Mr. *Garnham*.) Instead of the meat going through the pool, it would be distributed to the individual operating members, who would do the work that the W.M.S.A. is doing today. That is the beginning, the first step.

1589. What advantage is there in what you describe as the W.M.S.A. pool?—Well, we do not think that there is any advantage today; we think it has outgrown itself, and we think it is time we got back to some more trading and individual effort. The advantage of the W.M.S.A. to start with was that there was only one owner of meat and the thing would be done equitably between individual consumers.

1590. And the machinery as you envisage the scheme is there to determine allocations to individual firms?—(Mr. *Padbury*.) A number of retailers tied to each particular firm determined by their pre-war turnover; it would be determined also the other way by the retailers' buying permits which are given to them by the local Food Office.

1591. Is the position this, that at any rate as far as the wholesalers are concerned they could agree upon an allocation to individual firms if they are resurrected?—(Mr. *Spence*.) Yes, it would be based on the Ministry of Food documents, that is, on the returns that you have.

1592. To take another point, do you know what the views of the retailers are?—(Mr. *Padbury*.) I think it is fair to say this. It is now two or three years since we prepared this scheme. It was designed at a time when we were anticipating an increase in the ration rather than a decrease. At that time retailers were, I think, desirous of retaining their R.B.C. Since that date you will find, I think, that retailers have changed their opinion very considerably; in fact they came out with a statement of their policy only last week which was very much in favour of buying through the wholesale market. (Mr. *Spence*.) In Scotland retailers are absolutely in agreement with it; we have had that assurance from them. They have experienced it before.

1593. The operating members scheme would not differ so materially from the present operation as in the rest of the country?—No.

1594. Do you know what the Ministry of Food's view is about the operating members scheme?—(Mr. *Eaton*.) They said that they did not like it and they would not talk to us about it. Then they asked if we had any other ideas, and the only criticism that was ever made was that it would be too costly. We do not necessarily agree with that at all; it might cost a little more at the start, but we would effect economies, and many of those economies could be effected within the Ministry itself. They have a lot of officials. If the thing went right we could probably stop a certain amount of overlapping and give a better service and in that way save a little money. But, of course, you cannot be didactic about that. It is something that we feel we know about. We have tried on repeated occasions to get a chance of discussing the same sort of thing with the Ministry but they have just brushed us off so that we have given up making plans. We have said to them: "There is the Operating Members Plan. It is a rough guide and it can be adapted to any given set of circumstances; we will guarantee it will work and it need not necessarily be too costly."

1595. In what respect would it involve increased costs?—The Ministry thought it would require a lot more staff, more premises and so forth. They never discussed it, they just said: "It is too costly."

1596. To put a supplementary question, as you envisage the Operating Members Scheme could it operate within the overall fee that the Associations today receive?—I think the trade would probably be delighted to take a chance on it. (Mr. *Sharp*.) Eventually. (Mr. *Spence*.) Not at the moment.

1597. When you add that reservation is that because of the size of the present

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ration?—Exactly. (Mr. Eaton.) Yes. (Mr. Spence.) We visualised the ration increasing; instead of that, unfortunately, it has gone down. (Mr. Sharp.) We were working out the scheme on the basis that the ration might be going up to 1s. 4d. which was a very different set of circumstances and we even envisaged it going up to 1s. 8d., not back to a shilling.

1598. Do I gather that you would recommend beginning to put your scheme into operation if the ration went up to 1s. 8d.?—No, I think we want to put it into operation now, in readiness for that.

Mr. Corlett.

1599. When you talk about present costs, that is not just the 1½ per cent.; that is also the cost of the staff you are employing?—Yes.

Mr. Niall Macpherson.

1600. Is the Ministry's case this, as far as you know it, that they would then be having to bear certain expenses that at the present time the retailers are bearing themselves? Is that the case? Is that how they think it would be more expensive?—(Mr. Ashley.) I think that was the case.

1601. How does that affect Scotland?—(Mr. Spence.) It does not because we are receiving approximately about £40,000 a year in south Scotland from the retailers with the ration at a shilling, and we could quite well, as far as we know the retailers today, say they would be quite willing to continue to pay their contribution even under the Operating Members Scheme.

Chairman.

1602. How would the Operating Members Scheme affect M.I.N.D.A.L.?—I am only talking of our experience now. It did not affect M.I.N.D.A.L. at all. I dare say these gentlemen might be able to think of ways in which it might affect M.I.N.D.A.L., but it did not when we operated it. (Mr. Sharp.) I do not think it would affect M.I.N.D.A.L. substantially. We have got to get our meat from some organisation, and M.I.N.D.A.L. is that organisation.

1603. I was wondering if it would involve them in additional expense?—No. (Mr. Spence.) No.

Viscount Hinchbrooke.

1604. I take it from what you have said that it does not matter what the size of the meat ration is or what the price is; you still think that there is an advantage to the consumer and the state, in view of the money now going into meat, in decontrolling this war-time scheme and putting yourselves back in your normal businesses. Is that right?—(Mr. Sharp.) Most definitely a long-term advantage is envisaged.

1605. Would you like to get rid of the R.B.C. now and put yourselves into direct relationship with the retail butchers' shops, although the ration is so small?—I think with that in view my answer would be in the affirmative.

Mr. Barton.

1606. On a competitive basis?—There is no question of competition.

1607. There would be no competition?—You must have maximum prices for the small quantity involved. (Mr. Spence.) It cannot be compared with that whilst rationing exists.

Viscount Hinchbrooke.

1608. We take it that the price must be fixed because rationing is to continue while the supply is so small; but you still think it would save the taxpayer money—and that is what we are investigating in this sub-committee—if certain branches of the scheme such as R.B.C.'s were dispensed with now?—(Mr. Sharp.) I do not see much prospect of economy as long as we have to remain on the shilling ration; but taking the long view I think eventually the Operating Members Scheme is the forerunner of a complete return to the pre-war situation. The Operating Members Scheme would eventually prove economical to the State and economical to the scheme, but that does not mean disbanding the R.B.C.'s, because they are a paying proposition for the Ministry so that there would not be any economy to be gained there. We do not need to worry about the R.B.C.'s. We think they would automatically go. We do not think that we would show any fixed saving, but we do think it is the first step to unscrambling the egg and getting back into competitive business. Of course, we cannot do it in one week or two weeks, but we do think on the long view that it will save money for everybody.

Mr. Corlett.

1609. The R.E.C.'s cost the State nothing?—(Mr. Eaton.) Not directly, but in the costing of profit margins of retailers. It was an income to cover their expenses.

1610. But they find their own costs of running their own organisation?—Yes.

Viscount Hinchbrooke.

1611. I would like to have Mr. Eaton's view upon that as well as others, if I might, because he has been saying this afternoon, and I have personally a great deal of sympathy with it: "Give us back our businesses; it is difficult to render service to the public when we are losing our young men." Those are three of the points he has made and I would like to ask him whether he thinks in the present set of circumstances, given rationing and

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given a fixed price, it would still be an advantage to the economy of the country and save the State expenditure if we dismantled that part of this war-time scheme?—I cannot say very much more than Mr. Sharp has said, that in the long run it is the thing to do. If we are looking at it from the short term point of view of a shilling or a 10d. ration for a period of time, a year or so, then it would not; but if you are aiming at keeping the industry sound and competitive, and on a highly skilled basis, giving service to the consumer as well as to the retailer, then as soon as we get into a position to start that programme the better it will be. (Mr. Sharp.) I do not know whether the Sub-Committee realise this, while we are talking about this operating members scheme, because our original objective was the return of our businesses. The Ministry of Food asked us if we could return overnight and the reply was that in our view we could not; it would not be proper or effective. The operating members scheme was what I might call the conveyance to get us back into business. We do not want it but we have got to have it. However, we feel that we are entitled to have a scheme that will get us back into business. That just could not be done after so many years over the weekend which was all it took us to get out of Smithfield Market. (Mr. Spence.) It was originally based on the idea that derationing was in sight or at least that the ration was going up; but I do feel that one could not justifiably say that with the ration at a shilling it would effect economy. I do think one could say that. (Mr. Padbury.) I think it would be fair to say this, that when this was designed four years ago circumstances were very different, and as Mr. Eaton was saying just now we have tried to see the Ministry, but they will not see us, but we do not tie ourselves to this plan and if they will tell us what the future has in store for us or give us some indication we are quite prepared to go into the matter and evolve some plan whereby our industry can be kept alive. But unfortunately they will not see us. (Mr. Sharp.) They did agree to a committee being set up but unfortunately that committee has never met.

Mr. Corlett.

1612. The Ministry set up a committee?—Yes, between us and representatives of the Meat and Livestock Division to consider and possibly to make alternative proposals to the operating members scheme, but we have never been able to get them to meet.

1613. But there is such a committee apparently in being?—It has never met.

1614. The names are out?—Yes, on our side but not on the Ministry's side.

Chairman.

1615. When were your nominations submitted to the Ministry?—(Mr. Garrett.) Years ago—2½ to three years ago.

Mr. Corlett.

1616. Have you followed it up at all?—(Mr. Spence.) We have met them since then in a party but not as the committee which was agreed should be set up.

Viscount Hinchinbrooke.

1617. I take it you could dispense with a part of this elaborate structure even on the basis of the present ration and at the present price, but that a lot of rather violent things would happen such as bankruptcies, redundancies, amalgamations and so on?—(Mr. Padbury.) It would mean the transfer of some of these functions. We think those people would be required in other parts of the industry. There might be some small saving because a lot of the costs of the scheme arise from the elaborate accounting machinery which is demanded and the cross checking which has to be done. Before the war that did not have to take place. We had people in the home-killed trade buying livestock, but we did not have elaborate machinery with regard to every animal, and then the Enforcement Officer coming in. It is all that huge superstructure which has been built up which is so costly.

1618. While the scheme is going on, taking the situation as it is and assuming that your interest is on the basis of a pre-war turnover and that your profit element is fixed, what incentive operates amongst the 1,135 different W.M.S.A.'s members to cause them to render the maximum service to the consuming public at the least cost to the State? Are there any incentives? Are they doing it?—(Mr. Spence.) The whole object of it is that they want to see that job reasonably well done. I think it is fair to say that the primary object of this scheme was to see that the great British public got a fair share of the meat, and I think to that extent the scheme has operated; but I do not think anyone can deny that it was a complex scheme. It has functioned very well in that direction, but within the structure that was set up there are only certain economies that can be made unless you start to break down the structure itself.

Mr. Barton.

1619. Is there any reason why the Wholesale Meat Association should not take on the functions which are now operated by M.I.N.D.A.L.?—(Mr. Sharp.) We could

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take them on but we would have to take M.I.N.D.A.L.'s staff. It is a separate function entirely.

1620. Is it? Do you receive all your meat from M.I.N.D.A.L.'s organisation?—We receive the deficiency tonnage which is made up of imported meat to augment the supply of home-killed meat to enable us to fulfil the ration.

1621. That is about two-thirds of the ration?—In London the present deficiency tonnage of imported meat is approximately two-thirds or sometimes 75 per cent.; it varies, of course, with the season of the year.

1622. In your area there is no instance where a Wholesale Meat Association takes delivery of imported meat direct from the ship?—That has been known but it is as simply delivered to us from M.I.N.D.A.L. direct from the ship instead of from the cold store. We might not even know that it comes from the ship. It is not usual.

1623. You know that at each port importing meat there is a port Meat Officer?—Yes.

1624. Are you aware of his functions?—We know he exists but I am not in a position to tell you what his functions are precisely.

1625. Is it not possible for the Ministry's operatives at the port to decide whether or not a certain cargo of meat in proportion should go direct to the Wholesale Meat Associations and the other portion should go into cold store?—That is rather a delicate machine to fit in with the requirements of the respective W.M.S.A.'s, having regard to their supplies of local or home-killed meat. The port meat agent would take care of his particular area, but it has got to be dove-tailed in to fit with the general scheme.

1626. You think it would upset the balance of the machinery to cut out the activities of the organisation that is known as M.I.N.D.A.L.?—I am sorry, I did not quite understand the question.

1627. Do you think it would upset what is a delicate machine if you eliminated the activities of M.I.N.D.A.L., the importing organisation?—Yes, very definitely. (Mr. Garnham.) I think your losses would be fabulous.

Chairman.

1628. Can you say whether there are any substantial numbers of members of the Association—that is your Association—who are also members of M.I.N.D.A.L.?—(Mr. Eaton.) Yes, the importer-wholesale firms would be members of both because they are always fulfilling the complete functions from the overseas producing areas to the markets here. My own firm are members of both because we perform the whole

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function; but the greater number of members of the W.M.S.A.'s are not in that category because they were not importers; they were purely wholesalers.

1629. If I could just ask two questions following upon that, I will put them together because they relate to the same point. To go back to the operating members scheme, would it be an advantage in the sense that you are joint members of both these Associations, to be at any rate for wholesaling an individual firm again and, secondly, are there any difficulties at present within your own firm, that it is horizontally cut into two parts?—No, I do not think so. We always thought that with de-control we would see it would be complete with all the parts fitting into each other. Normally the importing function is entirely separate from the wholesaling function.

Mr. Barton.

1630. Was that so before the war?—Yes.

1631. An entirely separate organisation?—A separate department or function within the general scheme of things. You had your main depots and then you had your dock officers and others at the docks and then there was your head office. You also had your accountants. Each of the centralised accountants covered both, but you had your local accountants and the sales work was done at the local sales depot. The accounting at the dock was done at the dock office.

Mr. Barton.

1632. Was there an organisation existing before control which was equivalent to one of the retail buying committees now as far as home-killed meat was concerned?—(Mr. Spence.) No, Sir.

1633. There was a similar organisation in being before the war to the Wholesale Meat Associations, was there not?—(Mr. Garnham.) No. (Mr. Spence.) Of the individual firms?

1634. They were combined for that purpose into an association.—No. (Mr. Padbury.) There was no trade association as traders. (Mr. Ashley.) There was an organisation for interested members. (Mr. Garnham.) The retailer was separate from the wholesaler; they did not trade at all. It was an association with a membership fee, a trade association.

1635. Assuming the retail buying committee by virtue of a change in circumstances went out of being as you visualise under this scheme, would the individual retail butcher be tied to a certain wholesaler or would he be able to go to any wholesaler he liked?—(Mr. Garnham.) During the ration he would be tied.

1636. Surely in those circumstances you are not getting rid of control, nor are you

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getting rid of the present wartime organisation; you are only altering it?—(Mr. Sharp.) You are enabling him to get back into his premises and to get staff around him. (Mr. Garnham.) You would close the depots, use private members' premises, and the staffs of the W.M.S.A. depots would be automatically engaged by the individuals again where they belong.

1637. But there would be no selling; it would still be automatic distribution?—(Mr. Ashley.) The wholesaler then would take over the responsibility of allocation to the individual butcher.

1638. Is there any reason why that should not operate now with control, because the Wholesale Meat Associations could make allocations direct to the retail butcher?—(Mr. Sharp.) In practice we do. (Mr. Garnham.) Physically we do. (Mr. Spence.) We do that in Scotland.

1639. What is the purpose of the R.B.C.'s?—(Mr. Eaton.) I think there is another answer to that. I think it was a very shrewd move to put complaints of individual retailers about unfair allocations back into their own spheres, so that they meet them, they get together, and therefore if a retailer has a complaint about an unfair allocation he goes to the Chairman of his Retail Buying Group or to his allocator, and says: "Why did I get this?" In such a case the Ministry would have complaints of unfair allocation converging on their headquarters from every direction. Then there was another reason which had to do with route delivery order and transport; in other words, in a particular area a group was there, and as they all had to draw all their stuff from one depot transport could be route delivered. (Mr. Spence.) But in defence of our system—and we have had it now for over nine years—we are quite satisfied to take up complaints and deal with any that come along.

Chairman.

1640. I take it that that is because there is no cause for complaint?—Yes, that underlies it.

1641. And not because there is no machinery to put forward complaints?—Yes, there is machinery.

Mr. Barton.

1642. Do I understand that premises of individual firms are not being used in the present scheme?—(Mr. Sharp.) Some are not, some are. (Mr. Padbury.) There is a concentration always.

1643. So that actually there have been no new units set up as depots, surely, for the purpose of creating new depots; the depots are used at the same places where before the war meat distribution took place?—(Mr. Eaton.) In general, but not entirely.

(Mr. Sharp.) I would say that they use the pre-war depots as and where they are situated as regards the scheme, but if a W.M.S.A. or the Ministry wanted a depot where there was no pre-war wholesale depot, then they had to get suitable premises for that purpose.

1644. Have these new depots in the main been governed by the siting of cold storage depots?—Not that I know of. (Mr. Eaton.) Not at all. (Mr. Sharp.) I should think there are very few in use.

1645. Close to the new Government cold stores?—No. (Mr. Eaton.) They have only been established where there was no established wholesaler in the district within a reasonable distance, but they do create a central point for an area where there was no wholesale market. (Mr. Spence.) We have used a lot of slaughterhouses as depots, and we have also distributed both home-killed and imported meat from these places in the country districts.

1646. On the question of home-killed meat, what is the function of your Association? What is their contact with auctioneers' depots? What function do you perform there?—No functions. The cattle come from there to the slaughterhouses and after slaughter the carcasses, offals and inedible offals are handed over to us.

1647. So that you do not perform any functions as far as the grading of the cattle when it is slaughtered is concerned?—No; not before slaughter. If necessary we re-grade it after it is dead, in conjunction with the Ministry—that is, our representatives do.

1648. So that there is a distinct function there: the organisation of the primary organisation which is centred round the auctioneer's depot?—The collecting centre.

Mr. Niall Macpherson.

1649. At the time when the Wholesale Meat Supply Associations were formed—this question may have been asked—was there any undertaking given first of all that the scheme would be brought to an end, and that when it was brought to an end your businesses would be returned to you?—(Mr. Spence.) We have always understood that. We handed our businesses over in trust on the promise which we hoped would be implemented that they would be handed back.

1650. What was the nature of that promise and is it express or implied?—(Mr. Eaton.) I was present at the Ministry of Food with certain of my colleagues one day in the early days of the war when it was categorically stated that this scheme that was to meet the conditions of the emergency was going to be put into operation, and that this care and maintenance idea was going to come along to enable us

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to resume operations, and they were going to give us our businesses back after the emergency. That has been said repeatedly. (Mr. Garnham.) And to give us fair treatment in the meantime. (Mr. Eaton.) We did not ask for a written contract. It has never been denied. We did not go into the thing on that basis at all. We went into it to do our share of the job.

1651. Who was present at that meeting, and who gave the undertaking? Was it a member of the Government or of the Civil Service?—No; it would have been the officials of the Ministry of Food, Sir Francis Boys, Sir Henry Redpath, and Mr. Hood, who was a member of the Defence Plans Department of the Board of Trade.

1652. Supposing your businesses were not returned to you, supposing some other scheme was arranged, what about the present expenses? Supposing the present set-up is perpetuated in some form or another under Government control, what about salaries and expenses? Would the salaries be sufficient to retain the individuals in trade?—No. (Mr. Spence.) No, certainly not.

1653. Would you anticipate any grave dislocation in the trade in such circumstances?—Materially, if it were suggested that the same standards of payment should be continued.

1654. I was not quite clear about the salary set-up at the present time. I understood you to say that the salaries that are being paid to executives were insufficient to interest those executives in the job by themselves, and that therefore they were being supplemented from what is called, I think, the profit element, the W.M.S.A.'s. Is that correct?—Yes, that is correct.

1655. So that if some other alternative scheme were put into force those salaries would have to be substantially increased, and therefore there would be no visible saving in what is known as the profit element. That would, after all, absorb any increased salaries and expenses?—(Mr. Eaton.) To a substantial degree. (Mr. Padbury.) Not entirely.

1656. There would on paper be some saving to the Government if they simply took it over themselves?—(Mr. Eaton.) Perhaps I might say this, that if you cut off this profit element—though I prefer to call it remuneration—

1657. I am only quoting?—If that were to be cut off and if you were to say: "We are going to take the W.M.S.A.'s and run them on Government account as from to-morrow morning", you would have substantially to increase your wages and salaries bill of the W.M.S.A.'s as from to-morrow morning, because if you cut that off there would not be anything to

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encourage the better type of people, the higher class of people, to stay in the scheme; they could not afford to.

1658. Yes, I see that?—(Mr. Garnham.) Then you have also got the promise that not only were our businesses to be given back but we were to receive fair treatment during the interim period. You could not possibly cut across that without some other scheme. The great body of traders turned their businesses into the pool at the direct suggestion or request of the Ministry. We came into the idea and formed our businesses into a pool under the Ministry at their request, on the understanding that at the end of hostilities we should have our businesses back and that during the interim period we should have fair treatment. We had that and then we all went ahead with the best spirit in the world and worked within this scheme. This whole Ministry scheme was worked out very largely with us from the start, but I do not think we should have gone into a scheme of that sort and said: "All our businesses are worth nothing; you can have the lot", because that is just nonsense. The fish market did not do that; they are still in business. They tried the same scheme with them, but the fish market would not agree and they are still in business. We did agree voluntarily. We put our cards on the table and said: "Here it is for the duration of the war". During the war we were to have fair treatment and the understanding was that at the end of that period, at the end of hostilities, our businesses would be handed back. We helped them all we could; it was not written on a piece of paper, but to me it was just as good as if it were on a piece of paper. Speaking for myself, if I had given such an undertaking to anybody in my employ it would be better than on paper.

1659. I am sure the Sub-Committee appreciates that, but the purpose of my first question was to understand what exactly the financial position would be supposing the present set-up were changed, except for the position of the W.M.S.A.'s?—I think it would very seriously affect the personnel of the W.M.S.A.'s, and a lot of the personnel of the Ministry as well because there are plenty of people who are drawing remuneration in the Ministry.

1660. Are you of opinion that it would cost the taxpayer more on the whole?—No, I do not think so. I think they would eventually compound with some better executive to run the thing. (Mr. Padbury.) I think the answer is that there would be a saving to the Ministry, but the question is how long would the public be prepared to put up with that service which they have to-day, and immediately there became, not

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a glut of meat but a sufficiency of meat, this scheme would break down; it could not function.

1661. So that what it would virtually amount to would be that it would really prevent consumer choice in the future and the only condition on which the scheme could be reintroduced would be on the basis of the present method of distribution which would eliminate all possibility of a return of consumer choice?—Yes.

Mr. Barton.

1662. Is not the only chance of real consumer choice determined by an increase in the supply? That is the only way in which it can be brought about. No organisation can bring it about if the meat is not there?—(Mr. Garnham.) I think that is a fair statement.

1663. That is surely the crux of the whole problem. Consumer choice is determined by supply?—Yes, we agree.

1664. Not by the organisation?—No.

Mr. Niall Macpherson.

1665. I agree with that, but the point I was putting was simply that if we are going to return to consumer choice is it or it is not necessary to return first to the previous method of distribution, granted of course sufficient supplies?—Yes. (Mr. Padbury.) We consider that it is necessary for some time anyway before we give consumer choice and we get sufficient to afford them that service.

1666. Yes. Now when we were talking at the time of the scheme that you put forward, the operating members' scheme, the observation was then made that there would be no competition possible so long as there was rationing on price. Can you envisage any form of rationing other than price rationing which would enable a change to be made?—(Mr. Garnham.) I think you would loosen it by having a maximum price if you had a fair supply, that is when supplies were fairly adequate. The first step would be to have a maximum price. Then you could cut out rationing. (Mr. Padbury.) I do not think we could agree to that. (Mr. Garnham.) I mean when you have enough supplies.

Mr. Barton.

1667. It would necessitate a complex structure surely to have a maximum price in the case of meat?—You have got that now.

1668. You have got it because the individual is limited in the amount he can spend per week on meat?—Yes.

1669. Surely his choice is determined by the pound weight that the money he can spend brings him into the home in the way

of meat?—(Mr. Padbury.) Even today the consumer cannot be supplied with what he wants. In this cold weather I suppose the majority of people are looking out for stewing steak or lamb or something like that but there is only a limited supply of it. Other people have to take what is given them. I think a maximum price with a limited supply would not work.

Mr. Niall Macpherson.

1670. With regard to this operating members' scheme, was there unanimity among the members of the Wholesale Meat Supply Association regarding it?—(Mr. Eaton.) Yes.

1671. Complete unanimity?—I think the only exception was the Co-operative Wholesale Society who had plans of their own and so they withdrew after we started to develop it, but outside of that it is completely unanimous.

1672. They still carry on as members?—(Mr. Spence.) Yes. In Scotland they were part and parcel of the scheme originally; they were with us. (Mr. Padbury.) The operating members' scheme is not the baby of the W.M.S.A.; it is a joint advisory committee.

1675. I see. Now in the last point here in this paper, "Analysis of Operating Members' Scheme," it says "Operating members will," and then under subhead (i), "receive remuneration which they have received hitherto from W.M.S.A.'s". What remuneration were they receiving? What does that refer to?—(Mr. Eaton.) It means they would, in the price structure, get a margin to cover their expenses and their remuneration for services rendered.

1674. Does that mean which they individually have received hitherto?—Yes.

1675. I see. Now turning to another matter, how long would you envisage this intermediate stage comprised in the operating members' scheme would have to last before the return of complete freedom to you—assuming again that the supply situation permitted of that?—(Mr. Sharp.) I think we figured on six months to organise out of the W.M.S.A.'s. We have the operating members' scheme and it would perhaps take another six months before we achieved complete freedom.

1676. So that it would be purely a transitional stage?—Yes.

1677. It would not be intended to last permanently?—No.

1678. Now, Mr. Eaton, I think you said that it was a shrewd move to set up the retail buying committees. Who set them up and whose move was it?—(Mr. Eaton.) The Board of Trade.

1679. What was the reason why they were not set up in Scotland?—(Mr. Spence.)

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The reason as far as I know was because the retailers did not want them and the wholesalers did not want them, so that they never came into being.

Chairman.

1680. It was not just to be different from England and Wales?—Heaven forbid!—(Mr. Garnham.) They were part and parcel of the scheme.

Mr. Niall Macpherson.

1681. They came in straight away at the start?—Yes. (Mr. Ashley.) They had vigilance committees of butchers.

1682. I am not quite clear as to who takes delivery of meat and where they take delivery. Does the W.M.S.A. take delivery of home killed meat from the slaughter house direct?—(Mr. Spence.) In my area, yes. (Mr. Eaton.) That is if the slaughter house has a depot under the same roof, but in London, where we draw meat from export slaughter houses, we take delivery from the railway or the carrier at the tail-board of the van in the market. In the case of M.I.N.D.A.L. we take delivery from the tail-board of the van, ex-ship or ex-store.

1683. Are you responsible for advising the Ministry of a deficiency which has got to be made up?—(Mr. Sharp.) No. The Ministry give us the estimated supplies to areas of home killed meat and they thereby work out what we ought to require in the way of a deficiency tonnage of imported meat. In London particularly this seldom works out as the Ministry of Food plans it and therefore we have to be flexible enough in the event of a shortage developing of home killed meat to augment the supply of imported meat, but it happens seldom. It might be the reverse; we might get an influx of home killed meat unexpectedly, thereby making it necessary to curtail the arrivals of imported meat. That is all worked out in conjunction with MINDAL immediately.

1684. So that if there is a deficiency on the deficiency, so to speak, you indent again on the Ministry?—Yes, we must do, because we are obliged to fulfil the buying permits of the retail buying committees.

1685. Do the Wholesale Meat Supply Associations just now own the transport required for taking delivery?—No.

1686. Who owns it?—(Mr. Spence.) Nobody owns it, but MINDAL employs it; it is the Meat Transport Organisation Ltd. which has just come under the Ministry of Food now. They were under the Ministry of Transport. (Mr. Sharp.) That again is an Association comprised of pre-war operators.

Mr. Niall Macpherson.] That was entirely separate altogether?

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Mr. Corlett.

1687. Engaged by the Ministry?—Yes.

Mr. Niall Macpherson.

1688. Did the wholesalers never have their own transport before the war?—Very few of them. (Mr. Padbury.) Some did and they are members of it to-day.

Mr. Barton.

1689. The bulk of the Meat Transport organisation (I am talking about road transport now) before the war consisted of subsidiaries of meat trade firms?—(Mr. Sharp.) No, not entirely. (Mr. Eaton.) In one case, yes, but in the main, no—such cases as Hay's Wharf, Pickfords and so on were not. (Mr. Garnham.) The only one was the Union Cartage Storage Company; that is about the only one; that was a subsidiary of a meat firm. We do not even pay the carriers; the Ministry does that. (Mr. Spence.) We certify that on the transport account.

Mr. Niall Macpherson.

1690. Then that functions also for the retail buying committees, does it? When a retail buying committee takes over does the meat transport organisation deliver to the retailer or have they got their own organisation?—Yes.

1691. It delivers right down to the meat retailer?—The contract is to deliver to the shop; the price is the price delivered to the shop. (Mr. Sharp.) There is an exception to that to which Mr. Eaton referred, such as the London County Council and some of these other institutions who do their own transport. They collect the meat from the cold store and get a rebate to compensate them for the cost to themselves from the Ministry.

1692. Is the London County Council's handling of meat a post-war development?—(Mr. Eaton.) No, pre-war, but it is not nearly so big now. (Mr. Padbury.) It has diminished in the last few months owing to the hospitals going into the National Health scheme.

1693. Then would it be correct to say that the fact that you have a single delivery organisation does represent a certain saving over the previous system by combining rounds, so to speak?—(Mr. Spence.) The price was competitive before the war; it is not competitive now. (Mr. Eaton.) I see very little difference between the operation of road transport to-day and in 1938, because you have the long distance heavy tackle and you have the lightweight local delivery tackle. (Mr. Garnham.) Carriers say they do not go with half empty vans for their part of the personal effort, so that I would not say there is any saving at all on that.

1694. So that they are doing the rounds in just the same way?—Yes.

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Mr. Niall Macpherson.] There is very little difference.

Mr. Corlett.

1695. Would it be fair to say that you have managed, in setting up your organisation, to be quite fair to each section of the home killed meat wholesalers and also to the imported meat wholesalers? Have you been able to strike a fair balance between the two?—(Mr. Spence.) I should think so. (Mr. Padbury.) In the employment of staff?

1696. It has been put to me that this concentration of meat has meant almost the freezing out of some of the home killed meat wholesalers.—I would say the opposite. I am on home killed meat.

1697. They were not what we might call pencil pushers; they were more concerned with actual slaughter house operations and were not so easily adaptable to book-keeping transactions and therefore they disappeared.—I can only speak for London, but my experience in London would be the other way. (Mr. Ashley.) Generally speaking for the whole of the provinces of England, I would say the spirit of good will was never better within the industry than it is today. It is true that those outside probably think they see more than those within. Your statement is true in point of fact: there are certain firms, rather good businessmen in the home killed meat trade, and it was impossible for them, particularly at their age, to settle down to such a business and therefore they were almost unemployable. Those cases were very few and I think they have seen reason by now. I have had no complaints.

1698. Because they were not training many apprentices and it is rather an expensive business, going in for the wholesaling of meat. They might also be very short in the number of people who could deal with home killed meat.—We shall be short.

1699. There is something in the argument that they have been disappearing?—Yes.

1700. Your organisation has not found it easy to preserve them?—No, that is quite so.

1701. With respect to the men who are sitting back and receiving this payment and doing little for it, that is a payment that is made to certain individuals who are perhaps giving nothing in return, but still it is mainly that type of person?—I should say yes. (Mr. Padbury.) I was referring to some employees of firms.

1702. If we are having a higher target of production we might be in a rather precarious position if these people are disappearing?—Yes, I think that is probably true, but I think it is more the employees rather than pre-war employers.

1703. I should think it is the employers, because if you take these men who have taken the risk, built up a business and put a fair amount of capital in it, I would not like to think they are going to disappear.—(Mr. Ashley.) His interest must be retained. He will be the schoolmaster.

1704. You are supplementing home killed meat by imported meat, but there will be more and more home killed meat as the years go on, or we hope there will be, so that it will be very difficult if we have not got the people who can deal with it.—(Mr. Spence.) Again we are different, because in Scotland there was not a clear cut division and most of the firms in the wholesale meat trade dealt in both home and imported meat so that the staffs have just been treated as one.

1705. I can envisage, as you can, some very competent people finding this new set-up absolutely hopeless from their point of view and they will simply throw their hands in and get out.—(Mr. Ashley.) In the provinces the method there is to go out and buy livestock and bring it home and see it processed and then sell it on stalls. That was a comprehensive job. It is very different today. It means the break up of this organisation. The whole of the livestock which was purchased by the Ministry of Food through the grading centres then went to the slaughtering contractors who then did the processing. Then the distribution came under the whole of the W.M.S.A.'s. It broke their businesses into parts. There is not that continuity which is so essential to the home killed meat trade.

1706. I cannot see, and you can probably help me, how the imported wholesalers could help us at any time to establish home killed meat wholesalers, should we need them?—By and large, I must say that importers generally were also interested in the home killed meat, though I think perhaps to a smaller degree, because we were working in smaller units; but, as I say, importers were also interested in home killed meat.

1707. Could you tell me at what stage you come into the handling of meat?—(Mr. Spence.) At the slaughter house. We take over at the slaughter house, at the scales.

1708. Do you tell M.I.N.D.A.L. to which store this imported meat should go?—(Mr. Sharp.) No.

1709. From another source we rather gathered that you did.—That is entirely wrong.

1710. Who decides to which particular cold storage this meat shall go?—I think in the case of London it is the London Cold Storage Officer. (Mr. Eaton.) There is an Area Cold Storage Officer for the whole of the country.

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1711. Have you anything to do with the Port Meat Agent at all?—Nothing whatever.

1712. What relation have you to the Cold Storage Officer?—No relation at all.

1713. So that you have nothing whatever to do with the particular cold storage depot to which it goes?—All we are concerned with is getting the meat we require to fulfil the ration. (Mr. Padbury.) On the day we require it. (Mr. Sharp.) The responsibility there, that is where it comes from and how it is given to us, is on M.I.N.D.A.L. in conjunction with the transport organisation.

1714. Do none of your firms own any cold storage depots?—(Mr. Eaton.) Yes, member firms.

1715. Because I would like your view on this question: If we have built all these big Government cold storage depots, and we have in existence all these private ones, what is your opinion about the numbers we shall need afterwards? What would you consider a proper allocation? Shall we need all those?—No.

1716. How would you proceed to deal with it if we shall not need all these cold storage depots? You are experienced people.—(Mr. Sharp.) We did not build them.

1717. No, but I want to know what, in your opinion, should happen to them?—(Mr. Eaton.) I doubt if they will ever be used in normal circumstances because they were built for strategic purposes in out of the way places. They are not at the docks; they are not near any of the big markets or anywhere where they are in close touch and where the law of supply and demand operates.

1718. Some are in big consumer areas, for instance, Leeds.—Yes, I know, but I do not know of one right on top of markets. (Mr. Sharp.) There are quite a number that were located having regard to the danger from bombing and invasion, too.

1719. Yes. If we are talking about re-organising the whole industry, what part are those particular factories going to play?—(Mr. Eaton.) I do not think they will carry much weight at all. (Mr. Garnham.) They are in rural areas. They can be used for dry storage or for fruit or vegetable storage.

1720. But they have been built for other purposes?—It is either that or pulling them down, because they were built for one purpose alone, against bombing, to keep the meat in a safe area—a very wise precaution. (Mr. Sharp.) I would suggest there is a tendency to less and less cold storage places; for instance, chilled beef does not require a cold store.

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1721. We have a terrific amount of cold storage in this country and we are rebuilding other ones. You people are interested in this?—(Mr. Garnham.) I think the Government had better keep them for the next war; that is about their best use.

Mr. Barton.

1722. There is no chilled beef now?—(Mr. Eaton.) With regard to the point that was raised just now, the one in Leeds is not near the market, is it?

Mr. Corlett.

1723. No?—That is the trouble. The Trader wants it near the market area, which is the natural line of transport for carrying from ship to market, because he does not want, as he has to in the case of some of these Government stores, to go from the port out into the bush and then bring back the empty tackle; and when he wants the product, to send out empty vehicles, fill them up and bring them back. The meat business to be efficient works on a straight line as near as it can from the port. I do not see any use at all for these Government stores in the meat business when you get back to chilled beef, even if you have a lot more meat, because even before the war with the large quantity of meat available there was never any critical position and it did not pay people who produce the stuff overseas to have their own freezers at their works empty, shipping frozen meat here to be held here. In the first place, exposure on loading into the ship and out of the ship affects the condition of meat, and then if you do store it there are added difficulties. Assuming it all comes out in good condition there are still vast differences in the appearance of various types of meat.

1724. One other question. Do you like this present concentration? Is it economical, this small number of depots that we have?—Do you mean now?

1725. Yes, the present concentration. Would you prefer that to continue?—Certainly not. We want to get back to doing our own business in our own way. We do not think it gives the right kind of service.

1726. Do not you think it is more economical than the old way?—I do not think there is very much in it. Certainly the present system does not give the service that free trade gave.

1727. I am only going on the Table which was supplied to us, which did suggest on the face of it that we were handling more meat and at less expense?—I know the meat is thrown around, and when you go to your butcher you get a bit of boned flank or you have to take what you can get. In Leeds, for instance, you do not go down to the market and say, "I want some nice Argentine chilled hindquarters."

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1728. You do not attach a lot of importance to this concentration?—No. (Mr. Padbury.) Surely when there is a sufficiency of meat in the various districts and depots the trade will require the meat that suits it best; in other words, restaurants will require chops and steaks again, will they not, which the wholesaler went out of his way to provide, and the suburbs will want shoulders, legs and that sort of thing.

1729. I am not raising that point because it was merely a question of concentration, but I thought there must be some advantage in it because of the figures that are given to us?—(Mr. Ashley.) I think that has served its purpose well in the conditions under which we have had to operate. (Mr. Spence.) Concentration at the 1s. ration is entirely different from concentration when there is 2s. 2d. worth of meat available for everyone in the country.

1730. But that is looking away ahead. I am trying to envisage the change with a small amount of meat. If we are going to have this small amount of meat, what is your view about the very big number of distributors? I am thinking of one town with 120 small butchers, and we think we could do with 20?—Retail butchers?

1731. Yes. I have now got to the end of it. I have gone through from the cold storage stage, concentration, and now distribution?—(Mr. Garnham.) It is very difficult. If you could put the other 80 butchers in the slaughterhouse and cut their throats it might be easy, but then you have got to deal with trade unions and guilds and it is not quite so simple.

1732. But we are raising this question merely on the amount of meat and trying to get it as cheaply as we can to the consumer?—Yes.

1733. And you are right in the middle of the whole picture?—Yes.

1734. You have dealt with M.I.N.D.A.L., with cold storage, and we have come to you in the middle. Now we come to you in the last link, which seems to be an expensive link?—I should think it would be a good idea to get the retailers' view about that. In the circumstances, my own view is that they will not be very pleased to commit suicide.

1735. I am sure they will not?—(Mr. Ashley.) I was a bit more optimistic. (Mr. Garnham.) I think we are all too pessimistic. I have just come back from America; I have been there for two months, so that I have been able to compare their outlook with ours. It is so entirely different that I cannot imagine it can go on, because over there everybody has got more of everything than he needs or can possibly use. They waste, I suppose,

per week as much as would help to make our ration up to about 2s. I do not think that sort of thing can go on. They are surfeited with everything there.

1736. Whether that goes on or not, I cannot see this present method of distribution going on, because we shall then have a great number of shops doing this very small amount of trade?—Yes, they cannot go on for ever. (Mr. Spence.) But you have taken away from the public their selectivity of meat; surely you are not going to take away the selectivity of the butcher at the same time?

1737. No. I am thinking of how we can provide a cheaper service?—I see.

Mr. Barton.

1738. May I ask a question arising out of the question of cold storage? Does your Association carry a float of meat at all?—No.

1739. What happens if you indent for more than is required?—(Mr. Sharp.) By Wednesday of each week we know how our home-killed supply is going to be developed, and based upon that we then contact M.I.N.D.A.L. and arrange in the various interests what the deficiency tonnage is that may be necessary to enable us to comply with the ration.

1740. But assuming that there is a surplus from any R.B.C. depot, what then?—We see to it that there is no surplus. We issue returns each Friday night to retailers. If a retailer, for argument's sake, has £3 worth of meat in excess of what he is entitled to, that £3 worth is debited against his next week's permit. (Mr. Spence.) We start every Friday morning allocating for the following week.

1741. There is no surplus till that comes back to the people who supply you?—No.

Mr. Yates.

1742. I was interested in the answer which you gave about America. Did I understand you rightly to say that meat was wasted in such quantities as would provide a 2s. ration here?—(Mr. Garnham.) Yes.

1743. Is it not a fact that in America meat is really rationed by price? My impression was that very few people were eating much meat, and I just wondered what you meant by waste, because that is a system which I take it you would like to go back to?—Over there there is no restriction at all on people. When I say waste, I mean people take a joint of 10 lbs. in weight when one of 5 lbs. would do equally well. They use it until they are sick of it, and then it goes to the dogs.

Mr. Niall Macpherson.

1744. The *per capita* consumption of meat in the United States of America could

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quite easily be ascertained?—Yes; but with the amount that is there it will give you a figure of about 1½ lbs. I say that 6 ozs. at a time is enough for anybody. I call that waste, to go and eat half a lb. more meat than is necessary.

Mr. Yates.

1745. You would not like to go back to unrestricted operations?—No, not as far as I am concerned, because I would not buy 1½ lbs. of steak if I only wanted ½ lb.

1746. I do not accept your conclusions, from a very wide experience, but I would like to ask about this storage. What happens, say, in a very big city like Birmingham, and the Midlands generally? Where is all the meat stored for an area like that, and is the storage capacity used to the full? What views have you on storage generally at the present time?—(Mr. Ashley.) I do not know much about storage generally, but local storage has not been utilised for meat always; it has been used for all sorts of things, under, I suppose, the direction of the refrigeration officer, who has thought it wise to store there. Much of the meat has been stored in Government refrigerators outside. (Mr. Spence.) Surely the storage position depends on the flow of imported meat into the country and to what ports it arrives. What happens is that the cold storage officer in conjunction with M.I.N.D.A.L. divides it up for ready access to the meat ration. There are times when stores are full and times when they are empty. As I say, it is dependent on the flow of boats into the ports of Glasgow, and elsewhere.

Mr. Barton.

1747. Is there a quicker general turnover of meat to-day than there was before the war?—(Mr. Sharp.) Do you mean getting more animals into consumption?

1748. Yes?—By reason of shortage of supplies?

1749. Yes. What about the position as regards shipments from the Argentine?—(Mr. Padbury.) Normally no Argentine meat went into store; it was practically all chilled meat, and it had to be consumed. (Mr. Spence.) It is a much quicker turnover because it is not properly conditioned now. We used to try to do it before the war.

Mr. Yates.

1750. May I ask about this point? I understand that you have nothing whatever to do with the decision to allocate meat; you just receive it?—(Mr. Sharp.) Not from ship to store.

1751. Do I take it generally that you are quite satisfied with the allocation that is made throughout the whole of the country, and with how it is made?—We have no reason to be dissatisfied with the service that we get from M.I.N.D.A.L.

1752. Generally speaking, we can take it that you think the present system of allocation is working satisfactorily as far as the wholesale meat merchants are concerned?—(Mr. Eaton.) Yes. (Mr. Ashley.) I think each W.M.S.A. can only speak for its own area.

1753. I was looking at it as a collective body and asking for your views upon that. I take it you are concerned only with imported meat and home-killed meat. What about rabbits and tripe and all that sort of thing? Why is it that you cannot deal with all that? Why must it all be a separate organisation?—(Mr. Spence.) Tripe we do deal with in Scotland, but that is because there is no Tripe Dressers' Association there. (Mr. Padbury.) In London we deal with some of it. The tripe actually goes from the slaughterhouse to the Association of Tripe Dressers. They hand half of it back to the W.M.S.A.'s for distribution, and the other half they distribute through their own organisation. In regard to rabbits, we have nothing to do with them.

1754. The importing people will deal with rabbits?—Yes.

1755. I did not quite understand why you say that for importers you must have a separate organisation—that is, for imported rabbits?—(Mr. Eaton.) It is because the W.M.S.A. deals only with large butchers, but the imported rabbits traditionally—and to-day still are—were always sold by poulterers, fishmongers, greengrocers, butchers and provision and bacon dealers, and they are generally sold in conjunction with poultry. As long as the poultry business and rabbits go together there is no good purpose to be served by mixing rabbits in with meat. But my own personal view with regard to rabbits is this: I do not know why they do not decontrol them. If they are going to keep imported rabbits under control, it amounts to less than half an ounce per person per week, and yet it is apparently worth fiddling around with controlled distribution when they could free both imported and domestic rabbits and get rid of the black market.

Chairman.

1756. I have only a few questions to put to conclude. We have had some mention of slaughterhouses. It appears to us that there has been a considerable concentration of slaughterhouses in this country. In your view, is that a good and desirable thing?—(Mr. Spence.) In my view, again speaking for my own area, yes. We started off with 74 operating originally. We have closed 27, and we have now got 47 operating. My view is that that is ample. Naturally, we closed some of them, in other words, those which were the worst run and of the lowest standard. We tried

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to keep open the best. There were some cases where that was impossible, because we only had a bad one in a particular district. We certainly are not in need of any more; in fact, there is an odd one that we have our eye on, but which we have some difficulty in getting the other parties to agree to close.

1757. Is that the general position regarding the Association?—(Mr. Ashley.) No. The standard of slaughterhouses in Scotland cannot be compared with those in England generally. (Mr. Spence.) He means that the standard in Scotland is much higher. (Mr. Ashley.) Yes. They are owned by the public authorities. Here we have many owned by people who are very good and who in normal times made good with these places. But there are very few that are large enough or capable of dealing with peak periods. Here in England we have a considerable number of small private slaughterhouses which have been selected to deal with a community which they were never meant to deal with. Consequently, they are not suitable, particularly in the peak periods, and in my opinion many of them are not suitable for slaughtering at all. They were all right when the man had to deal with two or three beasts, but today, in view of the larger quantities with which they have to deal, they are not carrying out the work efficiently, in my opinion.

1758. There has been some reference to by-products. Is there any difference in practice now as compared with the practice pre-war regarding purchase from slaughterhouses?—No. Animal gut was always sold to the processing firms; sometimes they sent their men in to take it out, sometimes the slaughterhouses instructed an employee themselves to do it. With regard to fat, that would go to specified raw fat melters. That applies today, and is being deconcentrated now. Those persons are now being enabled to open and to carry on with their businesses, the same as they used to do, with horns, bones and so on. (Mr. Spence.) There was a certain percentage of fat taken by the retail trade before the war which they do not get now.

1759. As far as wholesalers are concerned, you are not prejudiced now as compared with the pre-war practice?—No.

1760. We have had a very full and interesting discussion about the operating members scheme. Are these two conclusions fair: in the first place, that this is a transitional scheme; and, secondly, that the main objective of the scheme is to provide individual responsibilities to the individual firms who together comprise the membership of the various Associations?—(Mr. Sharp.) Yes. (Mr. Garnham.) I should think that is quite fair.

1761. Finally, a point arising from your experience within these Associations. I think we have got the impression that before the war this was a competitive industry. Is there any danger that, arising from the close association in which you have been compelled to work during the past ten years, in fact we might not be able to return to such a competitive state of affairs if you should succeed in getting the industry de-controlled?—(Mr. Sharp.) None whatever. (Mr. Spence.) Speaking from that point of view, I cannot see any reason for thinking that. (Mr. Padbury.) I think we all agree amongst ourselves that the only way of conducting the meat trade efficiently is on a competitive basis.

1762. I wondered whether this idea of allocating retailers to wholesalers would tend to eliminate competition?—(Mr. Spence.) I do not think you would find the retailers would allow themselves to be allocated. (Mr. Garnham.) It all depends on the staff position.

Chairman.] May I say, and this is not merely formal, that we are very much obliged to you for the way in which you have given your evidence. I have been told that Mr. Eaton is suffering from a disability. That has not displayed itself as far as his evidence is concerned. Finally, may I also say this, that whatever our political opinions may be, however much we may differ in that regard, we do endorse what Mr. Spence said, that you have done the country a very real service in ensuring that the public should have fair shares of a commodity which must be extremely difficult to deal with, a highly perishable commodity, and I am sure we are all very much obliged to you for what you have given.

The Witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 10TH MARCH, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.

Mr. Niall Macpherson.
Mr. Yates.

Mr. W. H. FISHER and Mr. A. W. FRANCE, Assistant Secretaries, Treasury, called in and examined.

Chairman.

1763. Mr. Fisher and Mr. France, we understand that you are both Assistant Secretaries at the Treasury. We are a Sub-Committee of the Estimates Committee at present considering the Ministry of Food Estimates, and some points arise regarding insurance. We thought it better to take evidence direct from the Treasury. We understand that the Ministry of Food insure against loss and hold a combined policy with the Ministry of Supply and that they are bound by general Government policy not to insure buildings and equipment. I wonder whether you could first explain to the Sub-Committee the reason for the exception of buildings and equipment?—(Mr. France.) Before the war it was not the policy of the Government to insure anything; the Government carried its own risk, and normally as the activities of the Government extended they would continue to carry their own risk. When during the war the Government became the largest importers, not only of food but of raw materials as well, representations were made that if they did not continue to insure those commodities as they had been insured when they were dealt with privately it would have a very serious effect on our insurance business. We get a very substantial income from overseas on insurance, and if the Government did not insure these very large amounts the overheads of the companies would go up, and we were advised that they would be unable to compete in the competitive markets abroad. Therefore the Government decided that food, raw materials and the other things they took on during the war and are continuing to deal in now would be insured so as to support the insurance market.

1764. Who made representations?—Representations had been made by the underwriters from time to time. We took the view of the insurance experts in the Board of Trade on that question, and our advisers, and it seemed quite clear that that was the case, that they would not be able to compete abroad if the Government did not insure the goods.

Mr. Barton.

1765. Compete abroad in what way—with the insurers abroad or with the commodity sellers abroad?—No, with the insurers abroad, with foreign insurance companies.

Mr. Niall Macpherson.

1766. Because on overheads they were losing?—Yes.

Mr. Corlett.

1767. You mean we should lose invisible exports: that is the main crux, is it?—Not on this Government insurance business, but if the Government did not insure with the insurance companies their rates in respect of their total business would become so high that their terms would no longer be competitive, and therefore they would lose this business, that is to say, this business overseas, which brings us in a very substantial overseas income.

1768. Was a statement put in by the insurance companies to you on that? Did they give evidence, or was it just a mere statement without corroborative figures?—There certainly have been representations by the insurance companies from time to time during and since the war.

1769. I am conceding that is a special argument, but I am wondering what is the basis of it. Were facts put before you?—We did have at some time during the war some indication of the proportion of their total business that the insurance companies would lose if the Government ceased insuring these commodities, and while I am afraid I have not got figures by me at the moment, I know it is a fairly substantial proportion. It seemed clear, particularly in view of our own advisers' advice, that it was bound to affect their rates.

Chairman.

1770. What steps do you take to ensure that the costs of all this insurance are kept within reasonable and proper limits?—We review annually, before the policies are renewed, the amount of premiums paid and the losses; we examine the loss ratio. In the case of fire over the whole field, that is for both food and supply, because we do look at the two together, the ratio is pretty good. In the case of marine insurance, at an earlier stage it began to get rather poor because of what we are told is quite an unprecedented run of good luck, and the Government just did not lose any cargoes.

Mr. Niall Macpherson.

1771. You mean by poor that it is expensive in relation to losses?—Yes, it was in fact expensive in relation to losses. We

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[Continued.]

have twice recently secured better terms from the insurance companies.

Chairman.

1772. It would be helpful if you would particularise a little more by giving us the dates when these revisions were made?—In 1946 we secured an improved arrangement which was made retrospective from the 1st January, 1944, and under that arrangement any excess of premiums over losses above 15 per cent. was to be shared between the Government and the underwriters, the Government taking 50 per cent. of any profit between 15 per cent. and 40 per cent., and 75 per cent. of any profit over 40 per cent. That was the arrangement we made in 1946 with retrospective effect from 1944.

1773. What benefit did the Government obtain from that arrangement?—They obtained 50 per cent. of any profit—

1774. I mean in pounds, shillings and pence.—I am afraid I have not got that figure.

Mr. Niall Macpherson.

1775. Would it be possible for us to have a list of the actual losses incurred? I suppose that could be done without in any way reflecting the total purchases?—Yes, I can give you the figure of total losses.

1776. When the sliding scale came into force and what the effect was on the total premiums: I think that would be the easiest way of doing it?—Yes.

Mr. Corlett.

1777. What about from 1939 to 1944?—From 1939 to 1944—the Government insurance began in 1940—in the first year (I am still speaking of marine insurance) there was a very heavy loss to underwriters. Every year since there has been a profit to underwriters, and the profit has gradually risen; but up till 1944, owing to the incidence of E.P.T., we did not have to concern ourselves particularly with excess profits, because it came back to the Government in any case.

Chairman.

1778. There is a point upon that, though, is there not, that I think interests this Sub-Committee? It is true that it may come back to the Government in any case, but it may—it is true it may not be substantial—serve to inflate the subsidy figures and act as a set-off against food as a commodity?—I suppose that is true; it may have done it during those two years.

1779. I take it we could assume it would not be a substantial proportion of any such overall figure?—No.

1780. But in point of fact it would mean it was a figure appearing in the overall subsidy figure which in fact should be deducted,

as it was being returned to the Government?—(Mr. Fisher.) Yes. But there is a possible point upon that. If the Ministry of Food had not insured a good deal of their commodities at various stages with outside companies, they might have done what I believe some other Departments do, and that is had a notional insurance scheme of their own, so that the subsidy figure might well have been roughly the same.

1781. Yes?—(Mr. France.) I think we almost certainly would have insisted upon that.

Mr. Corlett.

1782. Was there no revision till 1946?—The revision was negotiated in 1946 with retrospective effect from the 1st January, 1944.

1783. Yes, I follow that, but there was no revision before 1946?—Not in the general arrangements; there was a revision of individual premiums.

1784. Was there not any annual review to see if this was working satisfactorily at all?—Yes, there was an annual review, and in 1945 the figure looked high. You understand that when we have an annual review we are working upon estimated figures, because we do not know at the date the amount of claims that are going to come in. We are possibly a matter of two years out of date on figures, and then there are claims still to come in. The estimates we had at the time indicated that in the year 1945 the position was going to change very considerably and that the insurance companies would in fact have had a bad year.

1785. Could I ask why you only went back to 1944?—Because before 1944 any excess profit was collected under E.P.T.

Mr. Niall Macpherson.

1786. Was it the case that you were considering, in any case in 1944, that they were recouping their losses in the first year, or were there heavy losses in the first year?—To some extent that was the case. We had our eye upon it because the subsequent percentage of loss on premiums was getting rather high. As soon as E.P.T. came off we tackled it, that is, as soon as we got fairly firm figures on which to work.

Mr. Corlett.

1787. Did it take four years to recoup their losses?—No, they had more than recouped their losses by the end of 1943.

Mr. Barton.

1788. Was there a notional scheme before 1939 in any Government Department or were losses simply written off?—Before 1939 we were not dealing in a large way with food and raw materials; but you are talking of Government buildings and equipment?

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[Continued.]

1789. Yes, general insurance, employers' liability, and things like that?—I am afraid I do not know the answer to that. I can find out.

1790. You can tell me, surely, if the losses under these heads were written off, because obviously if there is no funding a loss that occurs must be written off and charged somewhere in the accounts?—Yes. Whether there was a notional insurance scheme for it, I am afraid I have not that information.

1791. I am thinking of municipal insurance. With regard to the type of insurance some years ago we formed the Municipal Mutual. Instead of each individual local authority undertaking their own insurances they combined to form an insurance company, the Municipal Mutual. That was done much in the same way as the railway companies did it, to some extent to cover their own losses by an insurance fund?—Yes.

Mr. Niall Macpherson.] Is not this a little outside our inquiry?

Mr. Barton.

1792. No. I am just coming to this point, that it appears to me that if the Government took the policies out with underwriters in order to maintain invisible exports, surely we were subsidising private insurance concerns?—No, I do not think that is so.

1793. We were protecting them, were we not, at the expense of the taxpayer?—We were protecting the insurance business, but it was insurance of commodities which had been dealt with privately and always insured by private traders, and at the outbreak of war the Government took them over.

Chairman.

1794. You were doing this: you were saying to the insurance interests that certain work they had previously dealt with would be taken out of their hands and unless you insured with them that would involve them in carrying overheads which would reflect themselves in other insurance which they conducted?—Yes.

Mr. Niall Macpherson.] The question of subsidy would only arise if they were actually working at a loss; you did not subsidise them at all.

Mr. Barton.] But the inference is that if the Government had done this they would have been working at a loss.

Mr. Corlett.

1795. It was they who made representations to you to avoid that loss, to avoid losses on invisible exports?—They made representations to us that if the Government, having taken over so much of the country's trade, ceased to insure it would damage British insurance interests.

1796. It would damage their interests?—Yes.

Mr. Niall Macpherson.

1797. Let us be quite clear upon this, because there is surely another point in it. Would it not be true to say that it was necessary for the insurance people to carry on in order that they might be in the same position as the other interests involved? For instance, we have seen I.M.T.A.; they might be in a position to reopen their business at the end of the war?—Yes.

1798. Is not that one of the factors?—Yes.

Mr. Corlett.] I see your point. On the other hand, you are citing the case of these other organisations which were brought in to do this job, but the insurance companies continued in their own corporate capacities.

Mr. Niall Macpherson.

1799. Did not they form a pool for this purpose of dealing with the Ministry of Food, and did you continue to insure with separate companies, or were you insuring on Lloyds, with a group on Lloyds, or what?—It is done with a group on Lloyds.

1800. In which the whole of Lloyds have a share, or is it some of the groups on Lloyds?—I am afraid I cannot answer that. We deal with policy in the Treasury, but the Ministry deal with details.

Mr. Niall Macpherson.] I think we have had evidence upon that.

Mr. Corlett.] I am not quite sure, because in all other cases, as Mr. Macpherson has said, we have had these organisations who were put out of business given a guarantee that they would return to their ordinary business, having helped the Government by setting up machinery to carry on, but that was not done in this case, apparently.

Mr. Niall Macpherson.] I think we have had evidence upon that.

Mr. Corlett.

1801. All that we have had put to us today is that to save invisible exports they pressed you not to put them out of business. Is that a fair statement?—I think that is a fair statement, yes.

Mr. Niall Macpherson.

1802. Dealing with the question of those invisible exports, surely as soon as the exporter ceased to insure on his side the invisible export was lost in any case because there was no corresponding foreign currency coming back to this country in respect of the insurance placed?—The invisible export earnings of insurance relate, of course, to any earnings from abroad that we get on insurance; it may not relate to the trade of this country at all.

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[Continued.]

1803. Quite?—And the point at issue was that we wanted to keep the insurance companies in a competitive position so that they could continue to do insurance business overseas, but the actual insurance of exports from this country by an exporter would not—

1804. You mean the insurance of imports into this country?—Yes—would not necessarily be an invisible earning at all; it might be a payment made in this country.

1805. That was not normally the case in what we have been investigating so far?—I see.

Mr. Barton.

1806. It depends, surely, on the basis on which the commodity is bought?—When I have been talking of invisible earnings, what I have had in mind has been actual insurance overseas, not necessarily only the trade of this country at all. It is a very large part of the total insurance business transacted in London.

1807. It still amounts to this, that you could in all the circumstances have carried on in exactly the same way as before the war and met your own losses?—There is another side to that question, because we do get services in return for this insurance. Quite apart from the general question of maintaining our overseas earnings, we get services from insurance companies which would be extremely difficult for Government Departments to render to themselves—services in connection with claims.

1808. Assessors?—Yes.

1809. Do you employ independent assessors or do you employ the insurance companies' assessors?—We take the insurance companies' assessors. They do all that work for us in return for the premiums paid.

Mr. Corlett.

1810. In return for the premiums paid and the risks run?—Yes.

1811. I am still coming back to those other bodies that we have come across who have set up an organisation, or set up an association, to work a Government scheme and gave up their individual business. Those various companies retained their identity, I gather; they did not set up any special organisation to carry on insurance for the Government?—Not on the Marine and Fire Insurance side. I am not quite clear what the other bodies are.

1812. I am thinking of meat, for instance. There are the Wholesale Meat Traders Associations. And then for poultry and rabbits they set up a separate organisation, but the insurance companies, apparently, did not set up an organisation or go out of business?—(Mr. Fisher.) The answer might be that in the case of meat the Government really took over the whole business of importing, whereas in the case of insur-

ance there is still quite a lot of private insurance in this country and of overseas insurance as well as insurance on Government ventures.

Mr. Corlett.] I am only trying to get it clear in my mind, that you are dealing with individual firms.

Chairman.

1813. Is that correct or is it not rather the case that you are working through committees? I do not know whether working through committees means that this is in fact pooled?—(Mr. France.) My belief is that it is pooled through Lloyds.

Mr. Barton.

1814. Do you get competitive quotations from them based on tariffs?—They are based on tariffs or the market rate less 25 per cent. in the case of Government insurance where there is no tariff.

1815. At 25 per cent. for what—for volume?—Yes, volume. That was part of our negotiations for getting the best terms that we could. That is on Fire.

Mr. Niall Macpherson.

1816. Can I just refer to this point to clear it up? I think the answer to Mr. Corlett's question is given at Question 698?—I gave you just now the revision in 1946, but there has been a subsequent revision.

Chairman.

1817. Yes, I am sorry that we interrupted you before you had concluded your reply. I was going to come back to it.—In 1948—and again I am speaking of marine insurance—the arrangements were again revised with effect from the 1st July, 1948. They now are that underwriters retain any profit not exceeding 15 per cent. of the premium income; they retain half any profits between 15 per cent. and 25 per cent. and surrender in full any profit exceeding 25 per cent. The effect of that arrangement is that underwriters cannot under this arrangement retain more than 20 per cent. of the profit. That is to cover possible future losses, administrative expenses and overheads in addition to earning their profit. We feel that that is as tight an arrangement as we can get.

Mr. Niall Macpherson.

1818. What happens if they make losses?—They carry them.

Chairman.

1819. So far they have not carried a loss, apart from the first year?—The losses I mentioned in the first year were in fact on Marine business.

Mr. Niall Macpherson.

1820. To the best of your knowledge and belief it is the same agency that does both

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[Continued.]

Fire and Marine?—I am afraid again I cannot answer that question because it is not a question of policy; but I think it is likely.

Mr. Barton.

1821. You will agree that there is nothing novel in that, is there—an insurance company that is insuring a very large undertaking and has its premiums renewed from time to time according to the risk it has met?—Yes.

1822. It was simply an extension of the practice?—Yes, but I think that these terms we now have are probably finer than any other undertaking could get. We drove a pretty hard bargain.

Mr. Corlett.

1823. I am puzzled as to why you lost so heavily in the first year and not after they made a change in the tariffs?—I imagine that the heavy loss of the first year, 1940, was simply due to the state of the war.

1824. I cannot think of any particular reason why that should be a very bad year compared with the other years if there were no changes in tariff?—I cannot answer that. No insurance man can tell us why we have not had heavy losses since; every time they argue with us they tell us it is quite incredible, such a run of luck.

Mr. Barton.

1825. Have you any idea what losses we have carried due to deterioration of foodstuffs—what percentage of loss?—I do not think deterioration is covered in the insurance; this is Fire and Marine risk that I have been speaking of.

1826. Do you mean to say that if we buy 10 million bushels of grain from the Argentine we do not insure against weevil infestation?—I do not think so.

Mr. Barton.] That is a terrible risk to take without insurance.

Chairman.

1827. I assume that that is carried as a commercial operation by the undertaking, in this case the Ministry of Food?—Yes, as far as I know.

Mr. Niall Macpherson.

1828. With regard to this policy, is it identical for all the Ministries concerned, and which Ministries are concerned?—The Ministries concerned are the Ministry of Food, the Board of Trade, the Ministry of Supply and the Ministry of Agriculture and Fisheries.

1829. Does it cover both exports and imports from this country and into this country, or does it cover imports only?—As far as I know, imports only. I have never had any question of exports being covered; I cannot think of any at the moment.

1830. Supposing the Ministry of Food were shipping machinery to East Africa through the Ministry of Supply or direct, what would happen then?—I am not sure that they would in fact be doing that as a Ministry, would they? (Mr. Fisher.) The Overseas Food Corporation would be doing that.

1831. I see. In the case of fire, is fire covered on stocks abroad or on stocks in this country only? Is there any fire commitment abroad, let us put it that way?—We usually buy f.o.b.

1832. Yes, I know you usually do, but I was wondering if there was any fire commitment abroad?—I should doubt it. There may be cases; but we do usually buy f.o.b.

1833. Do the cold storage plants that actually belong to the Government come under the fire scheme?—(Mr. France.) I do not think so. Do you mean contents or plant?

1834. The contents presumably do?—Yes, but not the plant.

Chairman.

1835. They would come under the exception?—Yes, they would be treated as Government property.

Mr. Niall Macpherson.

1836. They are not excepted from that rule?—No.

1837. Does the scheme cover goods in transit in this country at all, or is it only just marine and fire?—We only insure for marine and fire, but whether the fire policy covers goods in transit in this country against fire risks I do not know.

1838. Or only static?—I could not say without examining the terms of the policy.

1839. But there is no insurance of goods in transit in this country?—I know of none.

1840. It is common carrier's risk?—Yes.

Mr. Corlett.

1841. You said there was a concession from the insurance companies because of the volume of trade?—I imagine it is because of the volume of business they have been able to quote a special rate.

1842. You would get that normally if there were no war—any big firm coming along with a big volume of trade would get a concession?—Yes.

1843. Did they give you any other concession in addition for keeping them alive?—I think the rate that we have got is very much finer than probably anybody else could get. There were two reasons for this: the volume of business partly and partly the fact that we were not prepared to pay excessively for keeping them going.

1844. It was never put forward in a statement as to what proportion was represented

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[Continued.]

by the volume of their trade or as to what proportion they got to keep them alive?—No, Sir.

Mr. Niall Macpherson.

1845. Or what proportion for services?—No, we have simply driven the tightest bargain; each time we ask for better terms.

Mr. Corlett.

1846. There is no suggestion of a management fee or compensation?—No.

1847. It is just an ordinary business transaction, as though there were no war?—We have considered whether we could get services in return for a management fee in respect of the marine insurance side, and the conclusion we came to was that we probably could not.

1848. But apart from the concession that you would have made normally for the volume of trade there was another concession, the fact that you were keeping them alive?—I do not know that we have looked at the two things independently. We have not gone to the companies at one stage and said: "We want better terms because of the size of business", and then at another stage: "Now we want better terms because we are keeping you alive", though we take both those factors into account.

1849. Nothing was done until 1946 and then it only goes back to 1944?—Nothing before 1944.

1850. It seems to suggest that the terms that were fixed in 1939, whatever they were, were quite satisfactory, although in the first year they struck a loss, and afterwards from that time they were doing rather well, I presume, but nothing was done from your side till 1946?—They were doing, in the years 1941, 1942 and 1943 better than we had expected. We made arrangements in 1939 to keep them alive. When E.P.T. ceased we decided that we had got to get the best terms that we could.

Mr. Corlett.] But even allowing for E.P.T. would not there be an annual review during those years 1939 to 1944?

Mr. Niall Macpherson.

1851. What would you consider a reasonable lapse before you reviewed it?—It would be the third year before you had any reliable figures; then there are always claims outstanding for at least two years back, and figures when collected may differ widely over a couple of years. Therefore, starting in 1940, it would be the end of 1943 and running into 1944 before you could get any sort of review. When we reviewed it in 1943 with a view possibly of improving the terms in 1944, we would have the 1940 figures available and we would see a heavy loss. Reviewing in 1944 we would have the 1941 figures available when the position was improved; and reviewing in

1945 we had got the previous years available but we still had not got the immediately preceding years, and our advice in 1945 was that the terms were likely to turn against insurance companies on the best estimate we could put forward, so that in 1946 we did press them to improve the terms and we asked for that to be made retrospective to January, 1944, on account of this time lag in the figures.

1852. How were you able to assess in those years between 1939 and 1944 whether the terms were favourable or unfavourable to them?—You can only work on the basis of an estimate; you could not assess them exactly because the figures still were not known.

1853. I am probably quite wrong, but it seems to me as though you have said to yourselves, "Well, we cannot bother with this until E.P.T. is gone; it is so complicated."—I do not think so. I think the whole point was that until about 1944 there was nothing, except a rough estimate, to cause any alarm. By 1945 we were beginning to ask if these terms were not too favourable and the estimates were that there was going to be a turn in the figures in the later years which would adjust itself, but when that did not come about by 1946 we pressed them for an adjustment and we secured it.

Mr. Corlett.

1854. But surely when these firms were saying that they had reviewed their 1939 losses they would have soon asked for a revision of the terms?—But not definitely because the size of some claims, particularly overseas claims, cannot be determined at all by the time of review.

1855. They make allowances for that?—Yes, and we made an allowance in our estimates, but they were estimates.

1856. I can see that. What I cannot see is why you continued these terms until some time about 1944 when you found out they were really rather favourable to the insurance companies and had been for all those years?—I do not think I can say more than that we had not got any firm figures to work on until 1943-44.

Mr. Niall Macpherson.

1857. Was there an element in it of 'Now that the war is over we must enter into a more permanent arrangement'?—We certainly reviewed it after the war was over to decide whether in fact we should continue the insurance, and once the Government had decided to continue to import raw materials and foodstuffs in peacetime we had to consider whether the reasons for carrying on insurance during the war still continued in peace, and we decided they did. By saying that we did not examine

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[Continued.]

the terms again I may have been somewhat misleading; I did not mean to imply that there were no small modifications in those years 1940 to 1944, but there was no major change made during those years.

Mr. Barton.

1858. Do you know from personal experience whether the underwriters have been able to maintain their overseas insurance business on a basis comparable with what it was before the war?—Not from personal experience, but I am told they are increasing it and that we hope for further expansion still.

1859. That will reflect itself in the premiums they offer you, I suppose?—Yes; as their overall business improves they should be able to improve their rates.

1860. May I go to the question of claims? I suppose the underwriters undertake not only assessing but salvaging as well?—Yes.

1861. Was there any serious conflict during the period the business operated between the Treasury and the insurance companies on the basis of the claims settled?—I am not aware of any.

1862. The insurance companies were managing it both from the assessors' point of view and from the salvaging point of view?—Yes, but I am not aware of any serious conflict, certainly none between the Treasury and the companies. All these questions are dealt with between the companies and the Department concerned.

1863. In that case we would have to go to the Department for an answer to that question?—Yes, you would. I am not aware of any.

Mr. Yates.

1864. I am sorry, I am rather at a disadvantage because I was not present at the beginning. I am not quite sure what figures were given. Does this figure which we have in this Schedule, the figure for freight and marine insurance, include the insurance figures that have been given here this afternoon? Have any figures been given?—No, I have not given any figures this afternoon.

Chairman.] What I was going to ask for—I do not know whether this will assist Mr. Yates—was whether you could let the Sub-Committee have a short note on the point I raised earlier; in other words, translate the percentage figure you have given into pounds, shillings and pence, so that we can see how much we have paid to the additional services to which you referred earlier and of which we have undoubtedly had the benefit.

Mr. Yates.

1865. I was looking at the amount of expenditure on freight, marine insurance, port dues and duties on canned goods other than canned meat, which seemed to me to be a very high figure. I did not know how much insurance was included in that?—I am afraid you would have to ask the Ministry that.

Mr. Niall Macpherson.] It includes freight and port dues, does it not?

Mr. Yates.] Yes.

Mr. Niall Macpherson.] Which would be very much the major part.

Mr. Yates.] Port dues and freight?

Mr. Niall Macpherson.] Yes.

Chairman.] I do not think we can pursue that very much further with our present witnesses.

Mr. Yates.] No. I was at a disadvantage in not knowing what figures had been given.

Chairman.

1866. Perhaps I could, in conclusion, ask for another note; I do not think it is necessary to take the matter further at the moment; but perhaps you could kindly let us have a note on the Treasury views regarding the calculation of expenditure on food subsidies; I need not elaborate that point. It is a matter upon which the Treasury did give evidence before the Committee of Public Accounts, and the Committee of Public Accounts came to the conclusion that it was better by and large to continue the present arrangements, because they provided a basis for comparison. We should like, I think, a short note briefly to indicate the present Treasury views about the matter?—(Mr. Fisher.) All I can say is that they are exactly the same as when the Public Accounts Committee asked the question.

1867. In that case I do not think I need trouble you, because you have set out your arguments about the matter?—We have not changed our views since then.

1868. There has been no change of circumstances to induce any change of view?—Not so far.

Mr. Yates.] That is in the Public Accounts Committee's Report?

Chairman.] Yes. In that case I thank you very much for the assistance you have given us.

The witnesses withdrew.

Mr. J. I. PARTINGTON, National President, Mr. E. J. BALDWIN, President Elect, Mr. COOKE, of Messrs. Slater, Chapman & Cooke, Consulting Accountants, Mr. H. T. WATKINS, M.Sc., Member of Executive Council, Mr. A. E. LOUGHER, Chairman of Pork Section, Mr. G. H. SWINDELL, Executive Councillor and Chairman of Trade Planning Committee, Mr. L. J. SEWARD, Executive Councillor and Vice-Chairman of Trade Planning Committee, and Mr. A. J. JACKSON, Secretary, National Federation of Meat Traders' Associations; Mr. T. C. BRECHIN, M.Inst.M., President, Mr. DOBSON, Mr. ALEX MATHIESON, Vice-President, and Mr. JAMES WELSH, M.A., LL.B., Solicitor and Secretary, Scottish Federation of Meat Traders' Associations, called in and examined.

The following Memorandum was handed in :

“THE NATIONAL FEDERATION OF MEAT TRADERS' ASSOCIATIONS (INCORPORATED).

ORGANISATION AND CONSTITUTION OF NATIONAL FEDERATION.

The National Federation was founded in 1888.

The governing body which is directly responsible to the Federation in General Meeting is the central Executive which consists of six ex officio and 29 other members (Area Representatives) covering the whole area in England, Wales, Northern Ireland, the Channel Islands (Guernsey) and the Isle of Man.

Within the Federation there are 441 local Associations comprising 26,500 members, which form the Federation and which Associations are directly affiliated to the National Organisation.

There are also 28 Area Councils covering England and Wales which are also directly affiliated to the National Federation as Councils.

There is a separate Pork Section covering the same area which has a Committee of three ex officio and ten other members. It has a membership of 1,700 representing approximately 3,000 shops and which includes 200 small registered bacon curers.

The National Federation represents approximately 80 per cent. of the Master Butchers in the United Kingdom excluding Scotland. Out of approximately 45,000 butchers' shops about 35,000 are owned by members of the National Federation, i.e., about 78 per cent.

We are represented on the Consultative Committee for the Retail Meat Trade and its Sub-Committee which was set up by the Ministry of Food at the commencement of control and deals with technical and general matters affecting the trade. We are also represented on the Joint Industrial Council for the Retail Meat Trade which deals with wages and conditions of employment in the trade. The Pork Section is represented on the Retail Food Trades Wages Council for England and Wales which deals with the wages and conditions of employment in the retail food trades.”

Chairman.

1869. Gentleman, as you will have been informed, we are a Sub-Committee of the Select Committee on Estimates at present

investigating the Ministry of Food Estimates. We understand that Mr. Partington, Mr. Baldwin, Mr. Watkins, Mr. Lougher, Mr. Swindell, Mr. Seward, Mr. Jackson and Mr. Cooke are all representing the National Federation of Meat Traders' Associations, and that Mr. Brechin, Mr. Dobson, Mr. Mathieson and Mr. Welsh represent the Scottish Federation of Meat Traders' Associations?—(Mr. Partington.) That is so.

1870. And that the distinction is purely one of area and that you both represent similar Associations?—(Mr. Brechin.) Yes, but we are separate Associations as well, Sir.

1871. We are obliged to you for the note we have got on the National Federation of Meat Traders' Association, from which we gather that you have a central Executive; 441 local Associations 26,500 members; that there are 28 Area Councils; and that you have a separate section, a Pork Section, which has a membership of 1,700, which in turn represents approximately 3,000 shops?—Yes.

Mr. Barton.

1872. Are those 1,700 solely engaged in the pork trade?—(Mr. Lougher.) Yes, solely engaged in pork.

Chairman.

1873. And that you represent about 80 per cent. of the meat traders in the country?—(Mr. Partington.) Yes.

Mr. Barton.

1874. What volume of trade is it? Have you any idea of the volume of trade as distinct from the number of traders?—(Mr. Jackson.) 75 per cent.

1875. That is of the volume?—Yes.

Chairman.

1876. As far as the remaining 20 per cent. of the traders, or 25 per cent. of the trade, goes, is that largely accounted for by multiple traders?—(Mr. Partington.) Yes, and the Co-operative Societies.

1877. So that with those two exceptions we can regard you as a comprehensive Federation of the meat traders in this country?—That is so, yes.

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Mr. COOKE, Mr. H. T. WATKINS, M.Sc., Mr. A. E. LOUGHER, Mr. G. H. SWINDELL,
Mr. L. J. SEWARD, Mr. A. J. JACKSON, Mr. T. C. BRECHIN, M.Inst.M., Mr. DOBSON,
Mr. ALEX MATHIESON, and Mr. JAMES WELSH, M.A., LL.B.

1878. Perhaps I might just ask Mr. Brechin whether a similar position obtains in Scotland?—(Mr. Brechin.) Yes, I would say approximately it does so, Mr. Chairman. The Secretary will give you those figures. (Mr. Welsh.) In the case of Scotland, we are a Federation of Retail Butchers' Associations, large and small; there are 52 in number spread out over the whole country. There is such a Retail Association in every centre where there are a sufficient number of butchers to justify an organisation. Some organisations have as many as 400 or 420 members, but others are small organisations with 3 or 5 members. That happens very largely in rural areas where there is no opportunity of association together, and in those cases we offer associate membership, and we have quite a considerable number of associate members. Our membership through these Associations is somewhere in the region of 2,250 traders. Considering the fact that there are roughly 4,000 butchers' shops in Scotland and the fact that, of course, many of those traders own more than one shop (we have members owning a dozen or more), we represent over 75 per cent. of the trade; in fact we represent all the worthwhile trade with the exception of the Co-operative and the multiple butchers. We operate in much the same way as the National Federation, except that we have a much larger Executive on which all the Associations are represented.

1879. I am much obliged. We gather—and I assume that this applies to both Federations—that you are represented on the Consultative Committee for the Retail Meat Trade?—(Mr. Brechin.) That is so.

Mr. Corlett.

1880. Do you represent a similar proportion of the pork trade—78 per cent.?—In Scotland we have a Pork Association, but it is a very small one; we do not speak for the Pork Association.

1881. What is the position in England? Do you represent about 78 per cent. of the pork traders?—(Mr. Lougher.) I should say it is somewhere about 70 per cent.; that is, England and Wales.

1882. The Pork Section is not autonomous?—No.

Chairman.

1883. Can you say generally whether this consultative machinery has worked well?—(Mr. Partington.) I should say that on the whole it has worked fairly well. The only point that does arise sometimes is that in attendance on the Consultative Committee decisions are communicated to us, whereas we have many times felt that we should have been in right from the first before decisions were actually taken. Neverthe-

less, many decisions are taken after consultations have taken place; but on the whole the Consultative Committee does work well.

1884. I wonder if you could give us an illustration of the sort of matter upon which you have felt it would have been better if you had had prior consultation before the decision was communicated?—Yes. For example, some time ago the Ministry of Food imposed a surcharge on the accounts coming from the W.M.S.A.'s, that is, the Wholesale Meat Supply Associations, of 2½ per cent. The trade were not taken into consultation on that matter prior to that becoming operative, and the trade felt that they were, shall I say, under a disadvantage in not having first of all been consulted. That has now been removed, since there has been a fall in the ration, but at the time it was a matter that gave very great concern to the trade as a whole.

1885. In relation to what was the surcharge made?—The surcharge was made on the ground that the ratio of profit at that time was greater than the Ministry actually intended the retailer to receive. They levelled the matter out by the imposition of the surcharge.

1886. Perhaps it would help the Sub-Committee if you told us how the R.B.C.'s operate, and then, when you have told us how they operate in England and Wales, perhaps the Scottish Federation could explain the position in Scotland?—The R.B.C.'s in the main consist of a committee set up entirely of retailers. They take supplies over from the Wholesale Meat Supply Associations who act as agents for the Ministry at the depots. It is usually the duty of the R.B.C.'s in the first place to have the whole of their members in a common pool and the R.B.C.'s therefore become responsible for taking meat over from the W.M.S.A.'s and making the necessary allocations to their members on the basis of the permit value of the member applicable to each particular week. It is also the duty of the R.B.C.'s to send out accounts for that meat to the individual trader in his respective group, to collect moneys and to make the consequent bulk payment over to the W.M.S.A. for the whole of the amount involved. The methods vary slightly in some parts of the country, but the position is that the R.B.C. is responsible for the whole cost involved in the carrying out of the necessary accounting as between the W.M.S.A. on the one hand and the retailer on the other hand. Therefore, they have to have the necessary machinery set up to deal with that particular side.

1887. What provision is made for the remuneration of the officials and the staff of the R.B.C.'s?—Usually the R.B.C.'s

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find it necessary to impose a levy on their members. That is entirely a matter for each R.B.C. to decide for itself. There may be some slight variations throughout the country.

1888. That is purely a matter for the retailers to decide for themselves?—Yes, that is an internal arrangement on the part of the R.B.C.'s.

1889. Am I right in the impression that I have got, that on the whole the allocation of meat to the individual retailer is done by the Retail Buying Committees or groups?—Usually that is the system followed. There may be some slight variations in some districts as far as England and Wales are concerned.

1890. But the usual pattern is that a bulk allocation is made to the Committee or group?—Yes.

1891. Then it is divided up amongst retailers?—Yes, in accordance with the money value of each retailer's permit.

1892. Two questions upon that. Is that a skilled job and has it caused any complaints amongst the members of the Committees or groups?—I should say that on the whole the allocation system has worked fairly well. Naturally there are some differences arising, as, for example, if you get an unsatisfactory class of meat. Say you have an allocation of meat made up in the main of so much from heavy meat and so much from lighter meat, possibly of a much worse quality. That sort of thing puts the R.B.C. in a rather invidious position having to allocate either one kind or the other according to the size of a man's permit. If it is a big permit, naturally it is easy to see that he gets his apportionment of meat. If it is small, it is not always quite so easy to give him, shall I say, an absolutely fair allocation on that one particular week; but the process which is usually followed out is, if an allocation is not as good as it might be this week, to level it out in the following and succeeding weeks.

1893. Perhaps the Scottish Federation could tell us the position in Scotland?—(Mr. Brechin.) In Scotland we have never operated R.B.C.'s. As regards the Wholesale Meat Supply Associations, there are two Wholesale Meat Supply Associations in Scotland, one for southern Scotland and one for northern Scotland. Those two Associations undertake the duties of the R.B.C.'s for the retail trade in Scotland.

Mr. Barton.

1894. The Wholesale Meat Associations? Yes, they undertake the duties which are done by the R.B.C.'s in England. They are done by the W.M.S.A.'s in Scotland, and

for that service the trade in Scotland pay to the W.M.S.A.'s a levy of 1d. per £ sterling on the value of their buying permits. Originally the trade did pay 1½d., but it was felt by the trade that that was just a little too much, and that the cost of operating the scheme did not justify that levy being made. An investigation was held into it by certain members of the Scottish Federation and the Wholesale Meat Supply Associations, and as a result of that the levy was reduced to 1d. From memory I could not give you exactly the date when that occurred. I would say it was roughly four years ago. Since then the scheme has worked quite satisfactorily as far as we are concerned. May I add the W.M.S.A.'s are composed for the main part of members of what was the wholesale section of our trade in ordinary trading times, and as far as we retailers are concerned we did feel that the scheme had certain advantages. It took from the retail side any onus as to finance; each butcher in Scotland has lodged with the W.M.S.A. a guarantee which covers one week's supply. We did feel that if we operated R.B.C.'s there would perhaps be created among retailers an element of suspicion that those who were operating the R.B.C.'s might be receiving favoured treatment. We did quite frankly feel that in the wholesaler's hands we were perhaps going to receive a fairer crack of the whip. After all, they were wholesalers and they were accustomed to dealing in wholesale quantities; but in effect we do find that the scheme has worked very well indeed in Scotland.

Chairman.

1895. Could I put a series of questions to both the National Federation and the Scottish Federation? It would probably be better if I put the questions together. In the first place, are you satisfied with the present arrangement; in the second place, have the retailers put forward any alternative scheme to the Ministry of Food; in the third place, is there anything in the proposals that were made to get a more effective form of distribution direct from M.I.N.D.A.L. in the case of imported meat and perhaps direct from the slaughter houses or depots in the case of home produced meat; and fourthly, what are your views upon the proposal that the W.M.S.A.'s themselves might deal directly—and this would apply particularly to England and Wales—with the individual retailer and so avoid the necessity for the Retail Buying Committee or group? I have put the questions together because I think it is fairer that you should have the various points before you at the same time?—(Mr. Partington.) Speaking for the National Federation, I would say that we are satisfied on the whole with the present set-up. We feel that the

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R.B.C.'s have certainly carried out an excellent job. I would also point out at this juncture that in many parts of the country, particularly in the parts of the country which had a fairly large home production of meat, the wholesalers did not exist, and it is only as a result of the present set-up that they have come into those districts as agents for the Ministry of Food. I know, speaking for England and Wales, that there would be very strong opposition to any scheme which deprived retailers at this juncture of the duties that they have carried out, because I do feel, as I said earlier, that we can claim that the present scheme has been operated most efficiently by them, and naturally, having worked that scheme for so long and having full autonomy and power of appointing their own officers to work, it does give them some control over their officers; for instance, if an officer is not efficient in any way they can obviously dispense with his services, if they feel it is necessary. We have not put up alternative schemes at the present time, and I would say this, that we certainly would not feel disposed to accept a position whereby there were any alteration in the present set-up until such time as decontrol ultimately came. (Mr. Brechin.) Of course I have no experience of R.B.C.'s, but I can say from our angle that our set-up has worked well. I should perhaps have added this when I was answering an earlier question that we arrived at this stage by one step. When control was imposed the distribution was in the hands of wholesalers in the market, in the Glasgow area in any case. I believe that is known as the operative members scheme. We had no complaint to make about that scheme. It was, I believe, abolished on the score of economy. If a reversion was made to that scheme I do not think we retailers would object to it. (Mr. Watkins.) Perhaps I might add this, Mr. Partington has expressed the view that there would be considerable opposition to all meat being allocated directly from M.I.N.D.A.L. and also from any wholesale organisation in the case of fresh or home-killed meat, because we have had recent evidence of the dissatisfaction that has existed in Northern Ireland and has existed right throughout the period of control where this direct allocation is operating. If you are now, at this late stage, to get a scheme such as we are operating in England—and they have been suffering from some terrifically unfair things, or so they say; whether it is so we do not know; it is only known that they are not satisfied—I think they would object strenuously. The R.B.C. is doing the job cheaply, and also there is an opportunity given to the R.B.C.'s for every individual butcher to know what is being allocated throughout the group, and

by that means to satisfy himself that he gets a fair allocation of the supplies available. It would be very difficult to eradicate from the mind of the individual retailer that he would be getting the same sort of fair allocation if that were altered. We have on different occasions, I think, attempted to get some form of record of allocations where a W.M.S.A. is working through a district. It has not been easy to obtain that information, but how much more difficult would it be to obtain information respecting the allocation to each individual butcher—and that is the important thing, particularly where the man feels that he is losing customers because he feels that somebody else is getting a better supply of meat. That assurance is open to him now because he can inspect the allocation sheets; he can see what each man is getting; so that from the personal, psychological point of view I think you will get a considerable amount of opposition, and I think it will be considerably more expensive to allocate meat direct from M.I.N.D.A.L., direct from the depots. When it comes to allocation to shops as you said earlier was it a skilled job. I do not think that question was really answered. It is a skilled job, but I doubt whether there are sufficient people now employed by M.I.N.D.A.L. to do this job as fairly and as equitably as it would be necessary to do it.

1896. You mean that the allocation to the different groups or committees has to be watched?—Yes if they did it to individual traders.

1897. I should like to make it quite clear that the point we had in mind was whether there was any good argument for the case that meat should go straight into the hands of the group or committees. In other words, that bulk allocations should be made directly by M.I.N.D.A.L. or directly from the slaughterhouses?—We know so little about the working of M.I.N.D.A.L.—it represents so very little in our own minds—that we cannot say. We do not know the extent of the organisation of M.I.N.D.A.L. We only deal with the W.M.S.A.; and from that point of view it would be quite unfair for us to pass an opinion upon the extent of the scope of the activities of that organisation. (Mr. Partington.) M.I.N.D.A.L. represents the importing side.

1898. Yes. This arises from the fact that we, of course, are interested in both arguments you have made, we want what is economical and what is to the advantage of the customer. But it might be none the less said that here we have retailers in fact carrying out part of the functions of the wholesalers—(Mr. Watkins.) We are not doing that. We are actually carrying out the functions of the trader when he did

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these particular jobs individually. The meat comes to us; instead of his coming and buying it we take it and distribute it. We are not performing any function of the wholesaler really except that we send it out to him. As far as we can see, if we did away with M.I.N.D.A.L. and if we were to do away with the W.M.S.A.'s there would still have to be something similar to the W.M.S.A.'s to handle the home-killed meat; it would be necessary to have some other organisation such as the new set-up to handle home-killed meat.

1899. From the practical point of view, when you have got a point from which meat is distributed, by and large, does that go to one group or committee or does it go to several?—(Mr. Partington.) That depends entirely on local conditions.

1900. What is the general picture?—In some areas you have the local depot, possibly, centred in a slaughterhouse, if there are facilities for that purpose. On the other hand, where those facilities are not available, separate allocating depots have of necessity been set up, and the meat goes to the individual depots attached to the respective groups.

1901. Is it often the case that the whole of the meat at a particular depot in fact is allocated to a single particular group or committee?—No. (Mr. Watkins.) There may be in a depot half a dozen groups or a dozen groups; it depends on the arrangements made locally when control started. In some cases there has been a condensation.

1902. The general picture is that the W.M.S.A.'s at the depots divide the meat in bulk allocations and then you take it over?—(Mr. Partington.) Yes, between the respective groups.

1903. It is not often the case that all the meat in fact is the meat of one particular group or committee?—May I just give you an illustration with regard to the place from which I come, Whitehaven in Cumberland. We have two groups operating through one depot, the Whitehaven and District Group and the Workington Group. The position there is this, that the W.M.S.A. Depot Manager, having received the gross value on the respective permits of either group, then apportions whatever bulk allocation comes into the depot to the respective groups in accordance with their actual permit value, and we get a fair representation of the respective types of meat that come, whether they be home-killed or imported, between the two groups, and I think in the main that is the system that is pretty well followed out wherever there is more than one group operating from one centre.

(Mr. Seward.) I think it is the practice that where more than one group operates in one depot they keep as far as possible separate days for those groups. In Exeter, for example, where I come from, we have rural areas which are formed into a group and we have the City area, which is in a group. The rural areas are dealt with in this way. The W.M.S.A. provides the meat for the rural areas on Monday and Wednesday, and the City Group takes it on the other days of the week for allocation to their members, so that as between one group and another it does not necessarily mean that each separate section is getting the same type of meat. It might be that the rural areas on Monday would receive a rather greater proportion of English meat, that is home-killed meat, than the City Group, but on the following days it might be different; it is according to how the meat markets are arranged and how the meat comes from the market into the slaughterhouses; but there is an allocation made on each separate day of the available supply on that day, so that each group is operating at that particular time. (Mr. Watkins.) It varies, of course, from district to district. It does not operate quite in that way in Cardiff. There are eleven groups under one depot there, and they get as far as possible supplies of all meat available on each day, so that every group gets a fair supply of what is available. That is worked out through agreement. It is a matter of experience, and since Control started it has got this group working in slightly different ways; but that is the general picture. Most of this allocating, or a big proportion of it, is done by the butcher members themselves. There are some groups that have a paid allocator, but that man has to be paid for by the members out of their profits, to save themselves all the trouble of going down to the actual place of distribution. The cost of distribution, I am sure, is much cheaper than the cost of the extra staff that would be necessary to allocate that meat to all the individual shops were the R.B.C.'s to discontinue. (Mr. Seward.) Mr. Brechin has just said that they are charged by the W.M.S.A.'s 1d. in the £ levy. Very few of our groups run by R.B.C.'s are costing as much as that. It is on a voluntary basis to a large extent in our area, and we have had nine months of the past twelve months during which there has been a levy-free period, and that has covered the cost of the distribution to our members. That, of course, has incurred no cost at all to the taxpayer or to the Ministry. It is done by the butcher. (Mr. Brechin.) You will, of course, appreciate that we, as Scotsmen, are not given to paying for anything unless we regard it as being good value. We in

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Scotland are paying this 1d. levy and we are quite satisfied that we are getting value for our money. It may be, shall we say, that perhaps the W.M.S.A. may be making a profit from us, but if so we are quite convinced it is a very small profit, and for the services which they give us we do think that we are receiving value for what we pay.

Mr. Corlett.

1904. How far does your Vigilance Committee help you?—The question has been asked: Could M.I.N.D.A.L. distribute direct? I do not think they could, because if they were to do so they would have to employ the same machinery as the W.M.S.A.'s are at present employing. In order to carry out this distribution in the City of Glasgow they use six different distributing depots all under one roof. The job of the Vigilance Committee is to see that there is equity of distribution. The Vigilance Committee functions on the whole quite efficiently, apart from, shall I say, sporadic instances of maldistribution, which are generally put right after they are investigated. On the whole, we find the set-up is quite satisfactory.

1905. Is not that an additional cost?—No, the Vigilance Committees cost nothing. They have a levy on the private trader, and in point of fact the Glasgow Vigilance Committee has made one levy—I cannot just remember what it was, but it was a very moderate levy, I think it was half-a-crown per £100 of their buying permit. From that levy, which took place, I believe, about four years ago, they have realised a certain sum of money which they have used merely for that purpose, and they still have cash in hand. Under the Ministry Regulations, this Committee must meet once a year and must keep accounts and render to their members an account of their intromissions for the year; so that the Vigilance Committee costs the taxpayer nothing.

Mr. Yates.

1906. I should like to be clear, because some of these things are quite hazy to me, some of these statements. Do I understand from the statements which have been made that you as a body of retail butchers and meat traders are perfectly satisfied with the way in which the meat has been allocated?—(Mr. Watkins.) We are satisfied that it would be very difficult to devise another scheme whilst the present shortage of meat continues.

1907. Do I understand that you as retail traders do not feel yourselves competent to take additional responsibility in the allocation of meat, which is at present with the wholesaler?—(Mr. Partington.) We feel competent enough to take additional re-

sponsibility, but we recognise that the wholesalers have a right, shall I say, to play their part in affairs, because you must recognise that in the pre-war years, particularly in the greater cities and so on, the wholesalers played a very important part in the supplying of meat direct to the retailers. In areas which are essentially home-producing, and where people bought their supplies alive, on the hoof, either privately or through auctions, the wholesalers did not enter into it at all.

1908. Yet in Scotland it is quite different; Scotland does not permit people to step in between the main responsible body, allocating themselves, and the wholesalers or retailers. That is as I understand it?—No, the wholesalers operate entirely in Scotland.

1909. That is where I am confused?—(Mr. Brechin.) I would say rather that the W.M.S.A. operates.

1910. I think you said that under your present system you are satisfied that you can get rid of an officer who is not efficient?—(Mr. Partington.) Yes.

1911. May I ask this question? For instance, I understand that there is skill in the way in which meat is cut: some can cut it to advantage and some can cut to waste. Who is responsible for being able to check that?—As far as the taking over of meat is concerned from the W.M.S.A.'s, the R.B.C.'s do not cut the meat. Let me take home killed meat as an example. When the cattle are killed they are divided into two sides; then cut into quarters, cut by the officer of the Ministry, and then are dealt with by the staff of the W.M.S.A. The stage at which the R.B.C.'s take over is the weighing stage; as the meat is passed over the weighbridge or scale it then becomes the property of the R.B.C.'s. The question of skill in cutting afterwards is essentially one which applies in the retail shops.

1912. Have you no responsibility in connection with retail shops?—No. We have allocated to the retail shops the responsibility of seeing that that is done; it is entirely the responsibility of the retailer because it is his job to apportion out the meat allocated to him in accordance with the number of customers who are registered with him.

1913. So that if a retail butcher does not cut the meat satisfactorily or wastes it, your Committees have no control over that at all?—No. It is not the business of the Committees to have control over that.

1914. Who deals with that?—(Mr. Watkins.) That is the enforcement branch of the Ministry of Food. That does not fall under our organisation at all.

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1915. I am asking these questions because I have heard that the people very often responsible for checking retail butchers are themselves competing wholesale butchers?—No, not in our experience.

1916. That is not so?—No. (Mr. Baldwin.) I have never heard of anything like that in London. (Mr. Welsh.) Is not the customer the real check? The customer will shift his registration elsewhere. (Mr. Swindell.) In answer to Mr. Yates, the point about an official being dismissed by the R.B.C. for inefficient distribution applies to wholesale distribution of bulk supplies received by the group. These officers are appointed each year and if anyone is of opinion that a group is employing somebody who is not a fair-minded allocator then he is left off the next year's committee. (Mr. Partington.) May I enlarge upon that by indicating to you that R.B.C.'s must each year hold an annual meeting and proceed to the appointment of their representatives, and that in the appointing of those representatives they must take account also of the fact that there has to be at least one member of a Co-operative Society on that Committee and at least one member of the multiples of that Committee, and the usual practice is that each of the other members of the respective Committees has absolute entry into all meetings and everything else, including inspection of accounts and so on.

Chairman.

1917. Has this machinery worked effectively and smoothly?—Yes, I should say on the whole very well. (Mr. Watkins.) There is one point which I think has been missed out and that is the value of the R.B.C. to the private trader, or the value that they have in checking the type of internal grading of meat and collecting the meat. The Chairman of the group goes out and he sees his bulk allocation. They tell us we have no right to object and that is true—we have no right to refuse—but we can immediately call in the district meat agent and ask him to inspect this meat and, if necessary, the area meat agent, and in that way get a considered opinion as to whether the meat so allocated is fit. There have been numerous occasions during the period of control when we have had to get things altered, and in that way, if you are going to distribute direct to the butcher without the R.B.C.'s, that means that complaints have to go individually, with perhaps the Chairman turning in 40 or 50 complaints objecting to the bulk allocation. By doing it there and then he in effect prevents the district meat agent having to receive 40 or 50 complaints; in other words, he is doing the job because he is a skilled man and he realises that that type of meat is not fit

for the trade. He is representing the group there and he is their agent, and as such he has been able to get many anomalies put right.

Mr. Yates.

1918. Would you still have this committee if you still exercised the functions of the wholesaler?—There would be a vigilance committee. We would have to have powers to act. You have many depots, for instance, that are far removed from the point of slaughter or of allocation, particularly in some of the rural areas where meat may travel 10, 15 or 20 miles. It means that such a committee cannot deal with that sort of thing, and it really means that they would still have to have all these objections from individual traders instead of from the Chairman.

Mr. Barton.

1919. Surely they meet that in Scotland with their system, do they not?—(Mr. Brechin.) Yes. In Scotland there is, under the set-up of the Ministry of Food regulations, machinery under which every individual butcher who has a grievance may have that grievance redressed. (Mr. Watkins.) Something of the same machinery exists in this country; that is, that each individual butcher still has a right to go to his meat agent if he thinks his meat allocation has been unfair. That applies in Scotland just the same in many cases, because by gauging the thing in bulk he can reduce the number of people that would be required to deal with all these numerous complaints. It is possible that Scotland may have been more fortunately placed than we are, but it should be remembered I think that this whole question of direct allocation, of having retail buying groups, was thoroughly gone into and all the pros and cons were considered very carefully before this scheme was brought into operation.

Mr. Niall Macpherson.

1920. In Scotland, is it possible for one retailer to know what another retailer is getting?—(Mr. Brechin.) In principle or in theory every retailer should get the same thing, the same sort of proportion of the various cuts of meat. In practice that may not be so, but if a man thinks that he is being unfavourably treated he reports that to the Chairman of his vigilance committee whose duty it is to then enquire into this complaint, and if the complaint is well-founded it will be rectified.

1921. But you do not feel that it is a disadvantage that it is not possible for you, as apparently it is in England, to see exactly what is allocated to each retailer?—The executive officers of our vigilance committees not only can do that but they actually do

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do that. They are at these depots on duty every day, they see the bulk allocation and they satisfy themselves that that bulk allocation has been equitably made.

1922. What is a vigilance officer? Is he an elected member of the Federation or is he a permanent officer?—A vigilance committee is a committee of retailers, and every retailer in a particular area is automatically a member of the vigilance committee. The committee meet annually and elect their executive officers. Those executive officers carry out the business of the vigilance committee, which is chiefly concerned with—in fact it is almost solely concerned with—equity of distribution.

1923. So that really it is an R.B.C. without any actual executive functions?—Without the responsibility.

1924. For distribution?—Yes. (Mr. *Watkins*.) With this difference that when the Chairman makes his objection he makes his objection before the meat is received, and in that way he can probably get things put right. When the Vigilance Committee sees it, it is after it has come into the butcher's shop. (Mr. *Welsh*.) No, that is not quite so. (Mr. *Brechin*.) The position is that the Vigilance Committee Chairman or his executive officers act together, and if at the wholesale market depot they see anything to which they take exception there is certain machinery available for the lodging of objection. The machinery is that they report that objection to the District Meat Agent, and the District Meat Agent reports the grievance to the slaughterhouse manager and the depot manager. The matter is then considered, and if the depot manager and the slaughterhouse manager are in agreement that the complaint is not well founded, then the District Meat Agent enters, if he is dissenting, a dissent, and that finds its way to the Area Meat Agent or to the Area Meat and Livestock Officer, who is the official whose status is higher than that of a depot manager. You will readily appreciate that if there were an undue number of complaints coming in to him where his Deputy Meat Agent is being overruled, then it would be obvious to him that there was something wrong with the judgment of those officials, and in such a case they would possibly deal with it at the level of the Area Meat and Livestock Officer. (Mr. *Watkins*.) May I ask one question of Mr. Brechin to clear my own mind. Would he say that on every allocation there is a member of the Vigilance Committee present? (Mr. *Brechin*.) I can only speak for my own City of Glasgow. There are six depots in that City, and it is unfortunate, but I am sorry to have to admit this, but in Scotland there ought to be, I think, somewhere around thirty Vigil-

ance Committees functioning, whereas there are only about ten. As you will appreciate, this sort of work cannot be carried out without co-operation. The truth of the matter is that if the trade are so apathetic as not to put a Vigilance Committee into operation, then anything that comes to them is their own fault. (Mr. *Watkins*.) Our method is far more democratic. The Chairman takes the responsibility on himself; he is bound to receive the meat and bound to see it before it goes into circulation.

Chairman.] I think we have got the position clear now about the differences between the United Kingdom excepting Scotland and Scotland, and I do not think we should pursue the relative merits further.

Mr. *Corlett*.

1925. Where you have these Retail Buyers' Groups working effectively, not like Birmingham, where apparently it does not effectively work—?—Quite true.

1926. —could you take over the work at present done by the W.M.S.A.'s?—(Mr. *Partington*.) Yes, I should say it could be done, but we do not consider it entirely desirable. We do not want, shall I say, to enter into the preserves of the wholesaler, because we recognise that they did have a part to play in the affairs of the trade prior to the war.

Mr. *Barton*.

1927. To what extent in the home-killed trade?—It varied from district to district, but in the greater cities, I should say, most of the meat was brought direct on a dead-weight basis from the wholesaler; in those parts of the country where men were able to go either to a particular farm and buy direct, or alternatively to buy from auction marts and kill in their own slaughterhouses, wholesalers did not operate at all.

1928. Would it be fair to say that 50 per cent. of individual butchers bought their meat on the hoof from the market?—Yes, possibly more than 50 per cent.

1929. Have you any idea what proportion of home-killed meat is in the ration today?—The proportion of home-killed meat in the ration today is approximately 5d. worth.

1930. That is nearly half?—Well, it is 5d. out of 1s.

Mr. *Niall Macpherson*.

1931. It varies in various districts, I suppose?—And according to the season of the year.

Mr. *Barton*.

1932. The difference is between 974,000 tons as against 719,000 tons of home-killed?—For imported meat and home-killed?

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1933. Yes. The point is this, that the wholesalers on those proportions before the war were actually handling, according to your evidence, three-quarters of the meat that ultimately went to the retailer?—(Mr. Watkins.) No, not fresh meat, not home-killed meat.

1934. I am referring to the whole of the meat?—(Mr. Partington.) As far as the imported meat was concerned, that was handled entirely by wholesalers.

1935. Do not you think it is possible for the Wholesale Meat Supply Associations to supply the imported meat, that is to say, the deficiency on home-killed meat according to the ration, direct to the butchers, and that the slaughterhouses should supply the home-killed meat direct to the butchers?—That is setting up a separate authority for one particular purpose.

1936. But those separate authorities exist now: M.I.N.D.A.L. handle all imported meat?—Yes, as agents for the Ministry.

1937. They allocate to the Wholesale Meat Associations?—Yes.

1938. The Wholesale Meat Associations in addition receive allocations through the Ministry's agents in the slaughterhouses?—Yes.

1939. So that it is coming from two sources there, is it not: it is coming from M.I.N.D.A.L. and from the slaughterhouses to the intervening party?—It comes through one bottleneck ultimately.

1940. Yes, it comes through one bottleneck and keeps in that pipe right the way down, surely, and there is no reason why it should not come into the bottleneck direct, is there?—(Mr. Watkins.) Yes; but we fail to see what you are going to save. You have got to consider this fact, that the peak work comes when you have to allocate the meat, and to argue from what the wholesaler did before the war to what he is able to do under a system of allocation would be quite false, because, as I said earlier, the buying of the meat was done by the butcher before the war; in other words, he allocated to himself from the wholesaler. When you think of all the calculations that have to be made by Chairmen of R.B.C.'s to decide exactly as to how much each butcher has to receive, so that he may receive exactly what he is entitled to under his permit, to keep records of anything he gets over the permit, and to make subsequent deductions, I would suggest that it would take a very large staff to do that all over the country, and you would have to reduplicate that staff to do the same thing in the home-killed meat section.

Mr. Corlett.

1941. Do you not think that there is now a big wastage of manpower at the depots and that the W.M.S.A.'s just hand it over in bulk to their people, because one sees checkweigh-men of the W.S.M.A.'s and checkweigh-men of the R.B.C.'s and so on?—You would have to have the same men to do the humping and the carrying of the meat that you have now. It is possible that there are some depots that are redundant, but we do not know sufficient about the costs of that side of it to know precisely what the position is. We do, however, know the amount of work that it takes to operate the group, particularly in view of the fact that the allocation fee is less than a penny.

Mr. Barton.

1942. You are suggesting that it is more expensive to deliver from one point to another and to have to deliver it at a point, drop the meat, pick it up again and deliver it again?—Yes, in view of the fact that you will have to give every butcher a fair allocation; the consumer ultimately has to be given a fair proportion of the meat available and he can never be given that without the butcher in the first place being given a fair proportion.

1943. They are doing that in Scotland?—I do not know. It may be that there conditions are different. (Mr. Swindell.) I think the same actual physical work operates there, as it does in England, the only difference being that in Scotland the W.M.S.A.'s actually do the allocating; it is sent to the depots for allocation, and the division is made in exactly the same way and the same set of circumstances would operate. It is true that the personnel are different. In England the personnel are representatives of the groups of butchers themselves and the W.M.S.A. man is there to receive the meat and officially to enter it in his ledger and to weigh it at the same time that the R.B.C. man checks the weight.

1944. In Scotland are the distributing depots substantially the premises that were used by the meat wholesalers before the war?—(Mr. Brechin.) In the big cities they are; in the smaller or rural areas I believe it is the slaughterhouses.

1945. It is substantially the same organisation under the same roof?—Yes.

1946. Does that apply in England?—(Mr. Partington.) The point is this that where it is possible for the same depots to be used as well they are used. You will recognise, as I indicated earlier, that the wholesalers did not enter into the picture in many towns or districts and therefore there

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had to be separate depots set up in those districts. Those depots handled both the home-killed and the imported meat usually. (Mr. Baldwin.) There is a difference in Scotland between the various qualities of meat. Whenever we get any meat from Scotland we get nothing but praise for it. (Mr. Brechin.) In Scotland nowadays we have to send quite a large proportion of our Scottish beef to England. During the war, when transport was difficult, we had to leave all of the produce of a district in that district, but as the Ministry of Food's policy is fair shares for all and equity of distribution, it follows that since the transport position has become easier we export from Scotland far more cattle now than we did during the years of war to England. I am afraid it is a fallacious idea that many of my English friends have that Scotland is a land of milk and honey as far as allocation is concerned.

1947. You think that the Londoners are getting all the Scotch beef?—No.

Chairman.

1948. A subject on which I believe there will not be any difference between the Federations is this question of profit margin. I wonder if you could tell us what the profit margin is, what is the machinery by which it is assessed, and whether, speaking for the Federation, you find it satisfactory?—(Mr. Watkins.) May I answer the last question first? Do you mean whether the profit margin is satisfactory?

1949. Yes?—The profit margin in the opinion of both Federations, I think, is that it is not satisfactory. It has not deviated since soon after control started. There has been a considerable decrease in turnover per shop as a result of the decreased ration.

1950. Perhaps you can help us by going into details about that?—There has been a considerable increase in the overhead charges of every depot in addition to the fact that they proportionally become higher overhead charges; that is to say, there has been an increase cost to each shop as the result of high wages, high rates and high prices for equipment. We consider that there has been since 1946 an increase of 15 per cent. overall in rates.

Mr. Barton.

1951. Do you mean wage rates?—No, rates.

1952. Local Government rates?—Yes. Then there has been a 20 per cent. increase in rents where those have been negotiated since the war. There has been an increase in maintenance costs for all electrical work

and mechanical work by over 10 per cent. In the two years 1947 and 1948 alone there was a 13 per cent. increase in wages; there was approximately a 20 per cent. increase in butchers' sundries equipment; and on that basis we argue that our profit margin must inevitably be too low. In the course of discussion with the Consultative Committee some weeks ago—as a matter of fact, in January—the figure given then showed that there was only a 29 per cent. increase (this was an estimated increase to which I will refer in a moment) in our net profit margin. We maintain that the value of the £ has depreciated by at least 80 per cent. Now the machinery of costing is something to which we have objected, though perhaps that is partially the fault of the Federation. They have agreed that system, which perhaps they should not have done, because it was one of those hurriedly done things. They asked us to agree to a list of names, and without appreciating what it really meant we agreed. We do object to the system of costing.

Mr. Niall Macpherson.

1953. What do you mean by "agree a list of names"?—A list of names was drawn up and presented for our approval.

1954. Do you mean headings?—No, names of butchers that should be costed.

Chairman.

1955. These were butchers selected as samples?—Yes, taken as samples, but not properly. That is our contention. It was taken as an average sample. As a result of those figures we find that the average is well above the average for the country. The average of those costed was, I think, £62 and the average for the trade is approximately £49, that is the permit value. The internal value was £68 as an average over the country.

Mr. Niall Macpherson.

1956. Do you mean wholesale cost?—No, the average turnover for the country. The average wholesale cost for the country is approximately £49 and the figure that came out in the sample made the average permit, the wholesale permit for the country, £58 and the average turnover £81. Now we consider that to base costings on average figures as high as that puts the whole picture of the costings machinery out of proportion. We have also asked that they should be costed in groups, showing the different groups of the permit values, taking them from £20 to £40, from £40 to £60 and from £60 to £80 and so on. That is to try to find out how that would have affected the ultimate average received. They tell us they have attempted to do so, but they

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have not got as many in each group or anything like as many in each group costed, with the result that in many cases the higher permit values are once again throwing the whole thing out of focus. We have objected strenuously to the fact that the samples are picked arbitrarily and are picked by selecting names, asking them to submit names. We submit that samples should be taken at random, and therefore, instead of as was done arbitrarily to reject over 40 per cent. of those butchers, they actually admitted none because they did not fit in with the general scheme. They might have been got rid of by taking an arbitrary sample and analysing their figures statistically. Those figures which we consider inadequate would have naturally dropped off. Those are the reasons why we object to the machinery. We say that that system of costing is not giving a true perspective of the trade. Finally I think the main question was the question of profit margin. I think I have answered that. We do not consider it anything like adequate.

Chairman.

1957. What in fact is it?—The figures from the costings give a weighted average. That is another reason why we object to this system. They costed us in three separate periods; the first period was when the ration was 1s. 2d. worth of carcase meat and 7 per cent. of manufactured meat; they took 13 weeks of that period. When the ration was 1s. 4d., 1s. carcase and 4d. worth of canned corned meat and no manufactured meat—you had a 1s. 4d. ration in the first period with 7 per cent. manufactured—and now you have a shilling ration of carcase meat, 4d. worth of canned corned meat and no manufactured meat; and a third period of a shilling ration consisting of 10d. worth of carcase meat and 2d. worth of canned corned meat. In addition to this, they estimate that we have received approximately 5 per cent. offal, though it is very doubtful whether we have ever done so. We have accepted that figure. The returns show that during the period they say that the private trader made 25 per cent. as against the non-profit trader 28.64 per cent.

Mr. Barton.

1958. What is the non-profit trader?—He would be a multiple firm or a co-operative society. Then the private trader in period B, 25.01 and 28.62, almost identical; period C the private trader, 27.57, the non-profit trader 31.11. It should be explained that there was a surcharge operating during the first two periods. The thing they have not been able to explain to our satisfaction is something that ordinary skill at a job will bring home to us. We have repeatedly asked them to have a cutting test to prove it.

1959. Were those figures gross or net?—They are gross. I will give you the net figures afterwards. Then we have a Schedule of prices drawn up by the Ministry purporting to give us 24 per cent. gross profit on turnover.

Chairman.

1960. Each individual trader's margin is determined by the extent of his present turnover?—Yes.

1961. The gross margin is determined by the selective costings?—Yes, they have covered us with these costings. Now the thing that puzzles us is this. We know from experience that the price list will give us 24 per cent. or probably 25 per cent., and with skill in cutting particularly under present conditions we can make the ration go round. They are saying that the same percentage of gross profit when the ration is 1s. 2d. of carcase meat should be taken, but we know that we are not making that.

1962. I think it is clear, but just to make absolutely certain, there is no question of any differential?—No.

1963. It is an absolute profit margin which operates regardless of the size of the ration?—Yes.

1964. There is no allowance?—No. (Mr. Baldwin.) Except the surcharge. (Mr. Watkins.) Yes. I explained that. They have brought them all down to big gross figures and they are saying that it is possible for us to make the same profit margin right the way through the three periods. Our argument is that we can make more profit out of carcase meat. How then can they get the same percentage of gross profit when at one time you have 4-16ths of the ration in canned corned meat and at another time only 2-16ths? They also show by their own figures that we can make far more than the 31 per cent. out of manufactured meat. If you take your canned corned meat as you receive it from the depot and sell it in bulk at the retail price, you cannot make more than 22½ per cent.

Mr. Barton.

1965. In bulk?—Yes. That is without opening it out of the tin, because every tin of canned corned beef loses a certain amount of money and weight obviously; but our argument is that you cannot make more than 22½ per cent. out of canned corned meat; therefore there should be a bigger differential when the canned corned meat is occupying a larger proportion of the ration. Yet they are able to prove that, however it operates, it does not alter the profit structure. We maintain that it is quite easy for them to go into any shop, and I would like to see them cut up a tin of canned corned meat and

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make 31 per cent. gross profit. If you could increase the amount that you have in the ration overall, the profit must decrease, because we know we can make 24 per cent. to 25 per cent. on carcass meat. Those are conditions that are operating at the time and are due to the shortage of meat. Those are the arguments that we use to show that on a cutting test these figures do not bear reasonable investigation. We say to them that as such they do not give actually a reasonable picture of the trade as it is at the moment. Their weighted average for group 3 gives us 28.1 per cent. gross profit, which we have maintained all along is higher than is actually obtained by the trade; but even if we forget that, that is our objection, the method of costing. Even accepting the Ministry's figure, we still maintain our profit margin is too low for the following reasons that I will mention. Whereas before the war it is estimated by the Ministry—and it is a pure estimate and I think it is only an estimate on the very few returns which they obtained in 1943 and 1944—we made a net profit of approximately £12 millions at the present period we are making a net profit of £15½ millions per annum; that is net, and that works out per depot at something under £5 per week.

1966. What does it represent in percentage?—I think that would be 8.61 per cent.

1967. Net?—That is on an average turnover of £60 a week.

Chairman.

1968. When you say that it is an average for each retail shop, £5 per week, what do you mean?—We are taking the average over the country.

1969. That would average the trade out per shop at £60?—Yes, without allowing anything for working proprietors' wages; that is a return which would be approximately £5 a week. As I have said, I think the trade was earning more than £12 millions before the war. We are accepting these figures for the time being. Then it is estimated that we are now making £15½ millions approximately net. That is approximately a 29 per cent. increase, but we maintain that our costs have gone up, as I mentioned before, far more than that. That is the main reason why we say that the profit margin is too low.

1970. Does the same position obtain in Scotland?—(Mr. Brechin.) Yes; Mr. Watkins has covered the ground very fully and we in Scotland are in complete sympathy with the National Federation and with the attitude which they are adopting towards the profit margin.

1971. Is the position then that the average net profit of the retailer is something rather more than £6 a week?—(Mr. Jackson.) £6 9s. 1d. (Mr. Watkins.) Yes, that is the average for the country without allowing anything for capital investment or anything for proprietors' working wages.

1972. I will put a point to you because it immediately comes to mind. Might not it be argued that there are too many butchers?—It could quite well be argued, but at the same time it can also be argued that every butcher who might now enjoy a large business started as a small business. A business has got to start small one way or the other; you cannot start unless you put up a high premium, which is unfortunately happening during the control in the purchase of a business, just because there are no other means of entering the trade.

1973. How good a picture does the average figure give? In other words, how many are well above this figure and how many perhaps well below?—I can only give you that figure for my own area, Cardiff; I do not know whether you would be interested; it is only for my own area, and it is an estimated figure.

Mr. Barton.

1974. Can I put this question to you? Could you tell me in your Federation what percentage of your members are solely butchers and nothing else?—It is very difficult to answer that with any degree of certainty, because so many butchers deal in small amounts of other things, but I should say that the smaller the permit generally the more extraneous things they deal with. A man who is a big permit holder as a general rule tends to concentrate more and more on meat and meat products. But that, again, deviates, because you tend to get large butchers who find it necessary to take on, say, poultry and rabbits, as the case may be. So that I should say, giving an estimate that at least between 75 and 80 per cent. of the income of butchers comes from meat and meat products.

Mr. Niall Macpherson.

1975. What happens supposing the Argentine supply of meat gives out altogether? Would there be a large scale closing down of butchers' shops?—Yes; that is the statement we have already made to the Minister for a rebate on wholesale prices. I cannot see anything else.

Chairman.

1976. Against the background which you have described to us, can you say whether many butchers have been compelled to go out of business and whether there have

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been many new entrants into the trade?—There has been a lot of selling of businesses?—A tremendous number of them, and all small permit people, and I think there has been a little optimistic purchasing of businesses. That is one of the reasons why they have not closed down. There is such a thing as buying out. I know that there are some of the multiple firms and Co-operative Societies who are only too happy to buy a little business, making out of the meat trade a closed shop. Many young men have come back from the Forces anxious to get into business, and I am afraid they have purchased businesses rather optimistically. I think the Co-operative Wholesale Societies have done it through a sheer desire to create a monopoly. The two things operate. I know of quite small permits that have been purchased by multiple firms at prices that I cannot understand; it may be that they have the means perhaps of developing the business. However, there it is; but it does tend gradually, I am sure, if the meat ration continued as it is at present, to this effect, that it must inevitably lead to a reduced number of people in the trade.

1977. Your opinion is that already there has been that tendency?—To sell, yes; the tendency is towards a reduction in the number of small people.

1978. So that the general position is that there may well be less individual traders?—Yes. I think it is true that there is a distinct difference in the amount of trade now done by multiple firms as compared with that done in 1938. I think the figure given is that there is an increase of about 3 to 4 per cent. Those figures were given to us by one of our members at an investigation.

1979. That includes opening up new premises on new housing estates?—It means the Co-operative Wholesale Societies are now doing between 3 and 4 per cent. greater turnover in the meat trade than in 1938. (Mr. Partington.) Because they have in many cases bought up small businesses.

Mr. Barton.

1980. There has been no general expansion?—There cannot be. (Mr. Watkins.) It is a case of taking over—transference.

Chairman.

1981. Has there been any expansion?—Not much expansion, except in the case of the few estates that have been built. That has meant very often that there may have been Co-operative Societies or multiples which have got in in the first year on the ground that it is quite easy to cover the consumer need when you have your own registered figures for groceries.

You can say, if you can prove need: "We will make application," and they often are able to get in on the ground floor through better organisation, so that it has meant they have increased their business to some extent in that way. (Mr. Partington.) The expansion may also be accountable for in some instances by increased population as well. During the war years you had some places very sadly depleted of population, but they have now rehabilitated themselves. (Mr. Watkins.) There are two points that I think were brought up, and I think the first question was: "What are we going to do if the meat ration falls?" We have already presented one case to the Ministry of Food asking for a rebate on our present ration, and we consider that the margin at the present moment is inadequate; but we have accepted the Ministry's figures, which, as I said, we think, are also placed too high, and we have asked for a rebate of 5 per cent.; so that our net profit over the trade will in some way approximate to the increased cost of living and to the increased cost of running the business. In the event of the ration going down to 10d. with the manufactured meat, to make up a portion of the ration, we intend to make other requests: with 2½ per cent. of manufactured meat and a 10d. ration, we have requested a 12½ per cent. rebate, which again would bring us not quite up to the figure we would have if we considered with the present 5 per cent. on our present basis; and then we have also requested that if it went to 10d., with 5 per cent. of manufactured meat, a 10 per cent. rebate, which would put us in approximately the same position that we will be in if they are prepared to grant us 5 per cent. on our present wholesale permits.

Mr. Niall Macpherson.

1982. Would that enable you to hold your total net profit at what it is at present?—Our calculation is that we want to put our net profit where it would be if we could obtain the amount of meat that the butcher would normally be able to sell.

1983. What would that be in terms per head?—Different figures have been given; figures have been given by the Ministry; it would be about 1s. 4d. to 1s. 5d. per head, and whilst we are accepting those figures we are not happy and we do not think that is actually the saturation point. We think it would probably be slightly higher.

1984. That is assuming the subsidy is maintained?—Yes.

Mr. Barton.

1985. That is on present day values?—Yes; but assuming we say we are taking 1s. 4d. and 10 per cent. manufactured meat,

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for the sake of argument we say we would obtain as our net profit considerably more than 15 per cent. We ought to be receiving a net profit of £15 millions, so that it should be £21 millions, which in any case would compensate us for the reduction in turnover two years ago, when we were taking 1s. 4d.

Mr. Niall Macpherson.

1986. That would be only justifiable on the supposition that at a later date we are going to get bigger supplies of meat, and that we are running into a period just now when it is likely that consumption per head is going to remain at 1s., when some other arrangement will have to be made?—If the present ration remains, we still feel we should receive a 5 per cent. rebate.

1987. Which would add to the subsidy very considerably?—But, on the other hand, the same would apply if the ration went up; it would also add to it.

1958. But the consumer would get more?—Yes.

Chairman.

1989. Is it fair to say that the major difficulty with which you are faced at the moment is the fact that the ration is so small?—Yes. The ration is so small, and then there is the question of increased costs. We feel the question of increased costs is one that has not received reasonable attention from the Ministry of Food.

Mr. Niall Macpherson.

1990. Can I go into that question of cost in more detail? You gave us, Mr. Watkins, some increases in costs which included rents, maintenance and wages—the increase in wages only in the last two years?—Yes.

1991. There has been an increase in wages since the beginning of the war?—Considerably more than that.

1992. I mean in the total wages that you pay, not in the actual rates of wage, because presumably with a much smaller turnover you do not need the same staff?—That is a fallacy in the argument. It takes just as much time or rather more time to cut a 10d. ration than it does a 1s. 4d. ration. You must realise that if you have sirloin of beef you may take just as long to saw a bone through whether you are cutting a 6s. joint or a 3s. 6d. joint; it takes just as long if it is a 3s. 6d. joint to saw through the bone, but it takes a lot less to sell one leg of lamb whole than it does in four or five different pieces. It takes just as much paper to wrap up a small joint as a larger joint; it takes just as much time to enter a book-keeping entry by a girl clerk for a 10d. ration as for a 1s. 6d. ration. It takes equally as much petrol to deliver a 10d. ration as it would 10s. worth of meat.

Mr. Barton.

1993. I do not get my meat delivered.—You ought to change your butcher, Sir. (Mr. Baldwin.) You have to get it cut. (Mr. Watkins.) It is on that ground that we say that in fact it takes just as much staff to do the cutting up, apart from any question of delivery. I personally know of many hundreds of butchers who have maintained deliveries, and there is a tendency towards restoring delivery. Then quite frankly this question of decreasing wage costs because of a decrease in the ration is a complete fallacy.

Mr. Niall Macpherson.

1994. I gather that the increase in rates of pay would roughly coincide with an increase in the wages paid?—Yes.

1995. What has been the increase in rates of wages since the beginning of the war?—Over 50 per cent.

1996. What do you estimate the total increase in your outgoings per shop, in percentage of expenditure before the war, as compared with today?—There has been an increase in outgoings; it varies between different types of shops, but I should say it is anything between 60 and 80 per cent. increase in outgoings.

1997. In spite of the fact that rates are only 20 per cent. more and rents are only 20 per cent. more?—This covers two years only.

1998. I want to get those figures as compared with the time when prices were fixed?—It is very difficult to obtain that because the first costings started somewhere about 1942 or 1943, and even during that period there has been a reduction of over 20 per cent. in the net profit.

Chairman.

1999. What was the basis of the margin before costings?—You mean how did they arrive at it?

2000. Yes?—They simply arrived at it on a cutting test schedule. There was an agreed price list drawn up. That was estimated at 24 per cent. in 1940. The first one was 22½ per cent. plus 7½ per cent. cutting allowance. There was an increase of 7 per cent. in the wholesale prices in 1941 which really served to cut out the cutting allowance or at least to reduce it considerably. I think the estimate that we have of 2½ per cent. for cutting allowance is somewhat nebulous and we sometimes wonder where it is; but it was on a cutting test that schedule of prices was drawn up. We maintain that in days like these a cutting test would prove that some of the costing figures were not true reflections of the general tendency of the trade. That is how they were arrived at as an agreed price list. (Mr. Brechin.) I

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should like to say a few words in regard to the position of the small trader. By the small trader I mean the man who is below average trade. We in our Scottish Federation have very many earnest representations from these small traders as to their hard lot under the present set-up. These men in many instances are rural butchers; they are serving a scattered population, and in doing so they are, of course, saving these people from coming to the urban areas to shop. Before the war these men, shall I say, by permission of the customers, were awarded a higher rate of gross profit than was necessary to the ordinary urban trader. Under this present set-up there is, of course, no allowance made for special cases such as theirs. They have to accept the same margin of profit as the large trader or as the average trader. Their plea to us in our Scottish Federation is that they are rapidly coming to the position when they can no longer exist as traders. I must admit that it is rather difficult to suggest a remedy. It would be a very difficult matter to make a distinction in their case, but I do feel it would not be in the public interest that these men should be eliminated as an inevitable result of this present set-up.

2001. Has the Federation made any proposals to the Ministry of Food about it?—No, Sir, although I personally saw Sir Henry Turner at the Ministry of Food, and he more or less agreed with what I said. He regretted that under present conditions there seemed to him to be no remedy to help these men.

Mr. Niall Macpherson.

2002. What was the price differential before the war? Was it about 1d. a lb. as between the small rural butcher and the town butcher?—(Mr. Watkins.) More than that. (Mr. Brechin.) It is very difficult to put a figure to it, but as you will appreciate the country butcher with his expenses, his delivery van and his smaller turnover, with possibly a slightly more selective class of meat, did require a slightly higher gross margin of profit. My plea for him is on the score that he was serving a useful purpose by serving people in the outlying areas.

2003. Do you think if it were possible to arrange a price differential that would mean that the customers of those traders would then go to the towns where they could get cheaper meat?—Actually, of course, the reply I make to that is that those people are receiving from that butcher a service for which they are prepared to pay. If they are not prepared to pay for that service, then naturally they will gravitate to the urban districts.

2004. It might mean less meat for them unless they were given a larger meat ration in the country districts?—(Mr. Watkins.) Or got a rebate on their wholesale price.

Chairman.

2005. Supposing the ball went back to the Federation and it was said: "Well, why not devise a scheme within the global profit?" would there be difficulties?—There would be difficulties in these days in the urban areas and it might not be a good thing, because the small butcher in the urban areas who has his counterpart in the rural areas would naturally benefit from the scheme unless there was something suggested on an area basis. (Mr. Watkins.) The same thing would apply in exactly the same way in the case of small permit holders, which is based on the number of registered customers they have. Before the war very often those men had a considerably bigger turnover because they were situated in districts where people had the money to buy meat and it meant that they were able to extend their services. They gave service to those people—people who wanted meat deliveries and wanted more attention and were prepared to pay for it. Those smaller butchers existed quite well because of that. Now of course it has all come down to the one overall level of the meat ration, and these people are now being affected very seriously.

2006. Would this be a fair summary of the evidence you have given upon this point: It goes back to the point I myself made earlier. The scale of the trade at present is really too small to support the machinery of distribution. If that machinery is to be maintained in anticipation of better days, then it is the question of its cost that has got to be faced?—(Mr. Brechin.) Yes, I would say that is a very accurate summary of the position. (Mr. Watkins.) You did ask me about the number of small butchers.

2007. Yes?—I can only give information from my own area. I did some time ago go into the area outside Cardiff, which includes two seaside towns, four colliery districts and one rural area, as well as the city of Cardiff. There were 347 shops with a permit of £17,675, an average permit per shop of £51. The average number of shops of £40 and under represented 47 per cent.; the average number of shops with permits of £30 and under represented 28 per cent.; and the average number of shops with permits under £20 was 12½ per cent. If you take catering up to the centre of Cardiff, big butchers who hold a catering licence, that brings the average permit down to about £47. Now in the case of the particular group which I have just mentioned,

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the average permit for the group is approximately £60, and yet out of 38 shops there are 15 in that one group with a permit of under £20.

Mr. Niall Macpherson.

2008. They must be dealing with other products?—Yes, they are trying to get more and more now, but it must be quite as bad as this in many other cities. In Nottingham, they told me last week when I was there—and I think their population is very slightly larger than Cardiff's—there are for more or less the same population over 400 shops, which means that there must be a tremendous number of small permit shops, and I think it would be found throughout the city. It is not their fault; it is force of circumstances. (Mr. Baldwin.) The smaller traders doing the other types of business have been referred to. Obviously some of them are just under the average permit. There is one particular trader with about 1,100 registered customers who is earning for himself just over £6 a week. He has not got sufficient time to deal with other matters. It is only the abnormally small ones who are; so that I really feel it would make no material difference to the true picture as related to the trade as a whole. If you take the average man he is getting, with about 1,100 customers, just over £6 a week. We do not contend that that is fair remuneration and that is the Ministry's figure. We do not agree with the Ministry's figures.

Chairman.

2009. You have no reason to believe that they are on the optimistic side?—No, I do not think they are, but we feel that £6 or just over is not a fair return for a man having all that responsibility, taking into account all the skill that he has got to exercise in the trade and the capital he has got locked up in his business. (Mr. Watkins.) May I make one correction of detail which I gave? I gave the average turnover for the country. The figure that was calculated first has been since corrected and is £75 and not £68 12s. That is as against £81 costed.

Mr. Niall Macpherson.

2010. That makes the margin smaller?—Yes.

Chairman.

2011. Thank you very much. Now could we turn shortly to another question, and that is the question of slaughter houses. We have been informed there has been a good deal of rationalisation of slaughter houses during the past few years. I wonder if you could tell us whether, in your opinion, that has been advantageous or not, first of all for the United Kingdom excluding

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Scotland and then for Scotland?—(Mr. Seward.) I think on the question of slaughter houses probably Scotland and England are pretty similar. Do you mean by rationalisation the present method of slaughtering and the present system of concentration?

2012. Yes?—We are definitely opposed to the pre-war system of rationalisation, which was a form of factory abattoirs, very few factory abattoirs dealing with very large areas. We do agree that a certain amount of rationalisation of slaughtering is desirable. By that I mean to say that I think in towns of a certain size—and we will take a specific size of, say, 10,000 inhabitants—there should be some public abattoir at which private butchers can kill.

2013. You mean to say there is a desirable radius for which a slaughter house should cater?—Yes. Those public slaughter houses should be owned either by the municipal authorities or by companies of butchers properly controlled and established and that individual traders could kill in those abattoirs.

2014. They would be co-operatively run?—Yes. The present form of rationalisation makes one abattoir kill for very large areas. Then we do feel that transport of meat from one abattoir to the surrounding area deteriorates the value of that meat; it tends to deteriorate the quality of the meat very considerably, so that we are opposed to, shall I say, general rationalisation on a big scale, whereas we would support a certain form of rationalisation which would not entirely leave the rural areas to the mercy of a rationalised system.

2015. In short, you believe there is still room for improvement and that the general development should be along the lines of municipally owned slaughter houses or co-operatively owned slaughter houses in a convenient area?—Yes. We would say that the convenient area would normally be the towns or cities themselves of certain populations. There are groups of cities very near or within such a centre, and it might be possible to take groups of towns together and in that way reduce the extra cost of transportation and deterioration of the product by doing that.

2016. That is the common view of both Federations?—(Mr. Brechin.) As far as we in Scotland are concerned, we do take the view that there is, looking at the pre-war set-up, no doubt room and justification for a degree of rationalisation. We do think that under the present set-up that degree of rationalisation has been exceeded at the moment, but, as you will appreciate there are more sparsely populated areas in Scotland than there are in England and some butchers in those areas are, I think, just

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now suffering hardship through the meat having to be hauled unduly long distances from slaughter houses. As you may know, Sir, it is a maxim in the trade that the less handling that cattle and beef get the better the meat. It definitely suffers through long haulage. There is also another angle, and that is that in a centralised slaughterhouse the standard of tradesmanship is never so good as in the country slaughterhouses. The meat is never so well handled as it is in country slaughterhouses, and that impairs its keeping quality and its appearance as well.

2017. So that you would make a qualification to what was previously said, that there are areas in Scotland where there should be a revision to provide more adequate facilities?—Yes. (Mr. Watkins.) I think it would be quite wrong to say that we are satisfied with the present system. We do not believe in this centralised system at all; we are very much opposed to it. (Mr. Partington.) Many of the abattoirs which are being used now are totally unsuited and unfitted for this purpose, and if we are to make suitable arrangements to meet the difficulties arising from the war years something will have to be done on those lines. Those arrangements are still nothing like adequate to meet the present situation at the time of year when we reach the peak of the kill. They may be adequate when supplies are lower, but they are totally inadequate at the back end of the year when there is an almost 100 per cent. throughput of meat.

Mr. Niall Macpherson.

2018. What happened before the war? Would you say that that situation did not arise at all?—It did not arise before the war, because you had a fairly large number of private slaughterhouses; in fact, there were 16,000 slaughterhouses, and they were very widespread. In addition to that, you had the private interests concerned, whether they were the interests of individuals or Co-operative Societies, as the case may be, which killed day by day. There was no, shall I say, general rush on one particular day or on one or two days in the week. A man killed in accordance with his own requirements and regulated it in such a way that they never got into difficulties. (Mr. Baldwin.) In addition to that, there is a lack of youngsters coming into the trade; they will not go into these large slaughterhouses to learn the trade. You have a boy working for a butcher who does a little bit of killing, and such boys are quite anxious to go down and help, and unless something is done to encourage that sort of training in the future, we shall find ourselves with practically no slaughterman in a few years'

time. (Mr. Seward.) That would be one of those arguments against over-rationalisation, because they would not do the slaughtering entirely from the rural areas, and if you cut out those rural areas where the best slaughterman used to be and where they learned their trade in the smaller units, coming into the cities to learn the retail side as well, and in that way combining the two sections of the industry, the very finest type of man we have got at the present time, our slaughtering staff will become depleted and entirely separated from the trade itself. It is becoming a closed shop almost in relation to slaughtermen. You have no longer got these men who are eventually going to be trained, especially now under the new Education Act, where lads do not leave school until fifteen. It is not an attractive trade to them when they come away from school at that age, and the only way in which we think it is going to be made attractive at all is by combining the retail and slaughtering sides together.

Chairman.

2019. To return to the retail side, you have mentioned the closed shop. Supposing Mr. Barton, after hearing the evidence this afternoon, was so ill-advised as to wish to become a butcher, what opportunities would he have to do so?—(Mr. Brechin.) He would have two opportunities, the opportunity of buying an established business or the opportunity of finding a district where he could prove to the satisfaction of the Ministry of Food that there was a consumer need for a butcher.

2020. Are you fully consulted by the Ministry when it takes such a decision?—(Mr. Seward.) We have had consultations with the Ministry from time to time on day to day problems that have arisen, shall I say, and on the whole we have got on reasonably well with them when we have met them. I might say that an Institute of Meat has now been set up, and eventually we hope that will take over the training of people for our industry, and they are the people who will have to devise the methods, I think, by which trainees shall be assisted to enter. But, as I have said, we are finding great difficulty in getting lads to come into our industry.

2021. Who are the Institute of Meat?—It is an approved body which is jointly constituted amongst all those interests attached to the meat trade.

2022. All the various Associations?—(Mr. Partington.) Not just those primarily engaged in the meat trade, but the meat trade and its allied industries.

Mr. Niall Macpherson.

2023. Is it financed by levies?—No, it is

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supported by individual subscriptions from its members.

2024. Is it subsidised at all?—No.

Chairman.

2025. It is run entirely by the members themselves?—Yes.

2026. Is the position again the same in Scotland?—(Mr. *Brechin.*) Yes. I am myself a member. (Mr. *Welsh.*) We also have a diploma, and we run our own training classes in Scotland. After a three years course, boys submit themselves for an academic examination, and the examiners in the trade subjects are furnished entirely from our Federation. May I explain two of the main difficulties with which we are faced? It is my responsibility to help run probably the biggest meat trade educational centre in Scotland, and also to supervise the examinations. The first point is that it is extremely difficult to persuade these young entrants to undertake what we consider to be the necessary academic educational training in English, arithmetic and book-keeping. They are most averse to studying further when they leave school. In the second place, we normally can attract these boys by giving them an opportunity, as part of their commodity training, to cut meat; first of all to receive instruction; in the second year to have demonstrations and a little practice; and in the third year to carry out cutting under supervision. Unfortunately, you will appreciate, we have very little meat available. We are dependent on the good offices of one or two of the larger traders who let us use such meat as they have available, but we cannot give these boys as much encouragement as we should like; we have just tried to do the best with what we have. Had we more meat and perhaps a little more encouragement we could do much better.

2027. Do you receive any assistance from the Ministry of Education or from the Secretary of State for Scotland or the local education authorities?—Classes are promoted by the local education authorities, and we co-operate with them in assisting in the selection of traders and examiners so far as commodity cutting tests are concerned, and in providing meat and the shops in which students are trained. (Mr. *Partington.*) What is applicable in Scotland is likewise also applicable in England, with the exception that in due course the Institute of Meat will become the examining body, whereas at the present time it is the function of the people who are appointed by our National Federation to act as examiners.

2028. Now, a final question on another subject. Is there any evidence to your knowledge of any substantial black market in meat?—(Mr. *Watkins.*) It is easy to give

an opinion, but it is not easy to find and prove facts. We are of opinion that there may be a black market, but for us to make a definite statement and not to prove it does not help. All we know is the complaints that butchers make. I would say that in the large cities here is not such an amount of black marketeering going on that certainly there was, and personally I think it is only in certain types of product. I am quite sure that in most of the large cities the amount of blackmarketeeing is negligible. On the other hand, we do have complaints, but nobody seems prepared to put anything into writing.

Mr. Barton.

2029. What have the pork butchers got to say about that?—(Mr. *Lougher.*) There is very little black marketeering in the towns. In certain rural areas we do hear of these things, but it is a very difficult thing to get evidence. Some time ago the enforcement people were concentrating upon this black marketeering in pigs and bacon, and it did have a great effect, and undoubtedly it has had a great effect upon bringing more pigs in under licence. I understand that in certain areas there has been a little laxity, and there is, I believe, a certain amount of black marketing going on now.

2030. Do you think it right for the pig keeper to kill for his own domestic use? I do not know what the unit is, but do you think it is open to or is subject to abuse?—A man is entitled to his two pigs a year provided he registers his pigs four months before he makes his application for a licence, but I do not think that opens the door to more black marketing; as a matter of fact, it should make the situation for the man who wants to feed his pigs easier for him.

2031. Do you think it is reasonable and is not subject to abuse?—(Mr. *Watkins.*) We have no proof that it is subject to abuse, but it can be open to abuse. I think it is true to say that the reorganisation of the methods of killing has reduced the number of abuses that were formerly going on. (Mr. *Partington.*) I think it would be correct to say that before the introduction of the Pig Sales Order in 1948, which arose out of a recommendation of the Bodinnar Commission, there was a great deal of black marketeering in pigs. The very fact of that Order has certainly tightened up things in such a way that much more observance is now being given to the requirements of the law as affecting self-suppliers. (Mr. *Jackson.*) In regard to poultry and rabbits, we do handle a large proportion of those supplies, and for a number of years past there has been a very big black market in home-produced

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supplies of both those commodities. We have pressed the Ministry on many occasions to remove price control, because we do feel that would obliterate the black market in home-produced poultry and rabbits. We have succeeded, because the Ministry is going to remove price control on poultry, and as a result we feel that will remove the black market for that commodity; but the Minister has not the intention at the moment of removing price control on rabbits in spite of the fact that imported supplies have increased considerably in the last two years. We feel very strongly that the removal of price control on rabbits would help absolutely to abolish the black market in home-produced supplies of rabbits.

Mr. Barton.

2032. You are not suggesting that price control of rabbits should be removed, are you?—Yes, we are, in the same way as it would be removed in the case of poultry.

2033. What is the average amount per head of rabbits that is on sale in this country—it is about 2½ ozs. per head per month?—(Mr. Baldwin.) I think it is half a rabbit per person; but then people do not have a rabbit for each person; it is one rabbit for each family. Rabbits are 11½d. a lb. wholesale and 1s. retail, and I believe that probably three-quarters of the rabbits that are sold in this country are not being sold legally, either at somewhere about 1s. 8d. or 1s. 9d. a lb.; I believe that is the Ministry's own information.

Mr. Niall Macpherson.

2034. How does the Ministry justify so small a margin?—I cannot answer that, but I do feel that the Ministry are not entirely free from blame in fixing such a small margin as ½d. a lb. After all, the skin is worth about 1d.

Mr. Barton.

2035. The skin is worth more than the rabbit itself?—No, not quite that, but I do feel that there is something very wrong in the price of rabbits, and I think that if the price were put up it would have a very good effect in reducing black market sales, reducing the demand from the public, and if it did mean that the farmer got a bit more for his rabbits it would help to clean the farms up and encourage them to catch more rabbits. (Mr. Dobson.) I disagree. Rabbits are being well kept down just now, because they are getting such a good price, especially in Scotland. (Mr. Seward.) Does not that prove that the retailers are bound to try to get extra into their shops? There is one point with regard to the black market in beef that I should like to mention. I dare say you do know the set-up

of the markets and the grading centres whereby cattle are graded and the farmer is paid on the grade that his cattle realises at the market. There is a certain grade called super special, which is the very top he can get. It does not matter whether the cattle are taken to one market or to another market: if they are graded super special that is the highest price they are able to fetch. It has come to our notice in the West Country that after a bullock has been graded super special it has become the practice on some occasions for a dealer to come along and offer to that farmer more than the price that he would receive for that grade, and the bullocks are then withdrawn from the grading and taken away by the dealer. What happens to them then I do not know; he cannot take them and get a better price at any other market. The only suggestion that can be made is that he is selling it on the black market or in some other way disposing of it in order that he can get a better price for it. In some cases the Ministry order the withdrawal of animals from grading if they are satisfied, and they are taken back on the farm, in which case a bullock can improve its grade, but when it comes to the super special animals being withdrawn it is not possible for the animal to be improved, and therefore there is direct evidence there that it is going into other channels. (Mr. Watkins.) That is exactly the same thing as I mentioned earlier. It is a question of proof. I have had a number of people bring such cases to my notice, and I think we have had a lot making these accusations from one place in South Wales, and there have also been one or two from the Carmarthen area. There was a public statement made the other day that cows fit for grading were not being taken to the grading centre, but put up for auction, purchased, and taken out of the area altogether, and the price paid was considerably more than that cow would have obtained under its grade. There is no hope of taking that cow out and fattening it up, because most of these cows are fit for grading as they are, but, as I say, there is very little hope of getting them in any better condition. You have got this undercurrent of evidence given to you. I asked the same man who gave me that information: "Will you write me a letter, and I will report the matter to Colwyn Jay, to see if we can get something done about it"; but I have not had the letter, and it is difficult to pin it down to anything.

Chairman.

2036. The position may well be that the people who could give the evidence might be very embarrassed if they were to give it?—Yes, that is a point.

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2037. But the general position is that there is no proof?—I think some of them know where there is proof, but they cannot catch it. (Mr. Partington.) The lower the ration falls, the greater the potential black market.

Mr. Niall Macpherson.

2038. Are people in fact taking up their full ration these days?—Yes.

2039. There is nobody who is not?—No.

2040. May I clear up a point on the R.B.C.'s? First of all, do they include any branch of non-profit traders?—I did explain that point at one stage, that when the Committee is appointed it is essential, in fact it is an instruction of the Ministry, there there must be included amongst the membership of that Committee representatives of multiple concerns and Co-operative Wholesale Societies.

2041. They play their part on the Executive?—Yes.

2042. Are the Executive always appointed by the General Meeting?—They are appointed by meeting duly convened with the required notice.

2043. That is the way they were appointed in the first place?—Yes. In the first place they were appointed at a meeting presided over by what were known as the deputy meat agents; who are now known as district meat agents. That has been the procedure right down through the years. (Mr. Brechin.) Could I ask your indulgence for just a minute to say a few words on the unfair onus—I am speaking for Scotland—which the Ministry of Food are presently placing on the shoulders of the retail butcher in respect of the fact that they are giving to him an unduly fat proportion of meat. When I say "unduly fat," I cover

both Argentine and Scotch meat and both beef and mutton. The effect of that is that the butcher, to give out all the ration, has to ask his customers to take their ration of meat in a form to which they are not ordinarily accustomed and which is not ordinary trade practice, and we in Scotland feel very sore about that, so that we lose on the ration. Then if we are short on the ration we are forced into next week's ration, to use part of next week's ration; we are always into a percentage of our next week's forward allocation, and the trade do feel that they are being harshly treated by the Ministry in that they are not prepared to take any step to de-fat the meat and to bring it down to reasonable proportions before it is issued to the butcher.

Chairman.

2044. Is this recent?—For about the last ten weeks we have suffered from that disability. (Mr. Partington.) It is applicable to England as well. (Mr. Watkins.) The Argentine meat coming in now is overweighted and over-fat. (Mr. Brechin.) It is a case of far too aged cattle.

2045. Now we have brought both Federations together, I think we had better adjourn before you differ again. Before we do so, on behalf of the Sub-Committee I should like to thank you very much for the public spirit you have shown in coming before us, and I should like to thank your Associations also. We are much obliged to you for the very frank and free way in which you have given your evidence before us, and we apologise for keeping you so long. It is a penalty of holding the interest of the Sub-Committee?—(Mr. Partington.) Thank you for the way in which you have presided over our deliberations this evening.

The witnesses withdrew.

Adjourned till Thursday next.

THURSDAY 17TH MARCH, 1949.

Members present:

MR. FREDERICK WILLEY (Chairman).

Mr. Barton.
 Mr. Corlett.
 Viscount Hinchinbrooke.

Mr. Niall Macpherson.
 Mr. Yates.
 Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer; Mr. H. FITZGERALD, Finance Director, Cereals Group; Mr. C. P. ALMOND, M.M., Deputy Finance Director, and Mr. E. L. LAWRENCE, Deputy Finance Director, Ministry of Food, called in and examined.

Chairman.

2046. This afternoon the Sub-Committee enter upon their inquiry into cereals, including cereal feeding stuffs. Mr. Bailey

by now is well known to us, and we understand that Mr. Fitzgerald is the Finance Director of the Cereals Group and that Mr. Almond and Mr. Lawrence are Deputy Finance Directors?—(Mr. Bailey.) Yes.

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2047. I wonder if, in the first instance, we could deal with the supply of cereals from abroad. We have had an opportunity of reading the memorandum* for which we are very much obliged, and we gather from that that the responsibility for the purchases of supplies of imported cereals is that of the Imported Cereals Division?—That is so.

2048. And that, by and large, the contracts regarding cereals are on a Government to Government basis?—Yes.

2049. Can you tell us what exceptions there are to that general rule?—(Mr. Fitzgerald.) The exceptions are principally purchases in Europe, Hungary, Rumania, Poland, and countries of that sort, where useful quantities of coarse grains principally are obtainable from time to time.

2050. Those supplies are obtainable through normal commercial channels?—Yes.

Mr. Niall Macpherson.

2051. On licence?—No, there is no licence. It is direct purchase; we are the purchasers.

Mr. Corlett.

2052. Are they a big proportion?—No, quite small.

Mr. Barton.

2053. Are they entirely outside the purview of the Wheat Pool?—Yes, I should say they are.

2054. Entirely?—Yes.

Mr. York.

2055. Your agents purchase?—Not necessarily. They are offered to us by commercial firms who may or may not be agents of ours. We are the purchasers.

Chairman.

2056. In all cases the Imported Cereals Division is the purchaser?—Yes.

Mr. Niall Macpherson.

2057. But they may be British firms offering?—Yes.

Chairman.

2058. When the negotiations are carried out through the Governments, who is it in fact who represents the Ministry of Food?—(Mr. Bailey.) An officer of the Imported Cereals Division, either the Director of that Division or one or other of his assistants.

2059. Are we right in assuming that with out exception our representatives are people with previous experience in the purchase of cereals?—(Mr. Fitzgerald.) Yes. If a Ministry of Food representative

* See Annex 8.

is there for grains, he is a man with trade experience.

2060. With considerable trade experience?—Very wide trade experience.

Mr. Niall Macpherson.

2061. Are they all people who were transferred from the grain importers before the war?—Yes, grain importers, flour importers and people in that trade generally.

Mr. Corlett.

2062. They have been doing that kind of thing for some years?—Yes.

2063. And they are quite familiar with the problems?—Very familiar.

2064. As familiar as anybody else who could be brought in?—I am quite sure they are. It is their business. It is the business they have been doing all their lives.

Mr. York.

2065. These are the men who were on loan from the companies at the beginning of the war?—Yes.

2066. And they stayed on in the Ministry as officials of the Ministry?—That is so.

Mr. Niall Macpherson.

2067. Having relinquished all connection with their previous companies?—I do not think that is so. Many of them must still be directors or partners or otherwise interested in their own businesses if they are continuing. Some no doubt have given up their businesses, but one could not say yes as a general answer to that.

Mr. Corlett.

2068. Does a dual loyalty arise out of that at all?—Well, I should say not. We are monopolist importers of all this stuff. They cannot be in competition with us.

Chairman.

2069. Whilst in fact this present system operates there can in fact be no dual loyalty?—No.

2070. Because there is no alternative source of supply?—Yes.

Mr. Corlett.

2071. But is not their firm still in operation?—They may still be in business.

2072. Can there be a loyalty as regards allocations?—Allocations in this country?

2073. Yes?—Not at all. I should not think that. Allocations are a matter of policy of the Division as a whole.

2074. But somebody will advise on the allocations?—Allocations have to follow very largely natural requirements. If it is a question of allocating wheat, for example,

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we know the output of the mills, and therefore there is no question of diverting it in one special direction.

Mr. *Niall Macpherson*.] In any case are not allocations to the millers, so that that question would not arise. There are no allocations to previous importers.

Chairman.

2075. At the moment we are dealing only with imports of cereals. We will deal later with the question of distribution. Now, you mentioned wheat. As far as wheat and flour are concerned, is the position that for practical purposes our sole sources of supply are Australia and Canada?—Practically speaking, that is the case at the moment.

2076. How do prices compare with other wheat prices?—We have bought very little wheat with which we could make a comparison from our own experience. The price in the Canadian Agreement compares favourably with, shall I say, the American price. The price in Australia is at present being negotiated. The price has not yet been agreed.

Mr. *Niall Macpherson*.

2077. With regard to the Estimates, you have calculated them only on the previous year's prices?—No, we have anticipated some falls.

2078. You have anticipated a fall in the price that you expect to negotiate?—That is so.

Mr. *Corlett*.

2079. If the Americans under Marshall Aid were to declare this an off-shore purchase, how would you be placed then in regard to buying from Canada?—(Mr. *Bailey*.) I scarcely think that is a state of affairs which would cause us difficulty. The difficulty might be that if the United States were to declare wheat in surplus in the United States, Marshall Aid, E.C.A. funds, might not any longer be available for the financing of purchases of Canadian wheat or flour.

2080. That is what I had in my mind. I am wondering what would happen if the Americans were to declare it a surplus, because if they did, then you would be bound to buy from them or take it under Marshall Aid, and it would affect your contracts with Canada and elsewhere?—It would restrict our availabilities of dollars for the purpose of purchases from Canada.

2081. You would not be allowed to use dollars for that purpose?—Not E.C.A. dollars. We might, therefore, in order to honour our contract with Canada, have to fall back on our own free dollars or dollar reserves; but it has been said by the Prime Minister of Canada that it does not matter essentially whether we take the dollars out of the one pocket or out of the other.

63786

2082. I am thinking of the effect on the United States and whether you would have to pay the price that was decided by them or in negotiation with them. I am thinking of your Estimates?—If we had to take a substantial quantity of United States grains, it might well be that the price would not be the same as the price under our Canadian contract.

Mr. *Corlett*.] That is the point.

Mr. *Niall Macpherson*.

2083. In what sense do you accept that statement of the Prime Minister of Canada? There are plainly limitations to it, are there not, to its validity?—There are indeed. The limitation is the extent of our free dollars and our dollar reserves.

2084. Yes, the contents of each pocket?—Yes; but I cannot speak with authority upon that subject, since it is essentially a Treasury matter.

Chairman.

2085. Have the deliveries of grains been up to expectation?—(Mr. *Fitzgerald*.) So far as we have been concerned, deliveries from Canada have been maintained as far as this season's purchase goes. In the case of Australia, they were rather behind with their deliveries on last year's Agreement.

Mr. *York*.

2086. Is there a delivery date in the contract?—Yes.

2087. Both for Australia and Canada?—Yes.

2088. Are they up to those dates?—Australia, I think, was seriously behind at the end of the year, and I think has not yet quite made up.

Mr. *Niall Macpherson*.

2089. Could you say when the Agreements terminate in each case?—(Mr. *Almond*.) I think in the case of Australia it was the 31st December; the Canadian Agreement is a four-year Agreement, for 1946, 1947, 1948 and 1949.

2090. With fixed quantities or optional quantities?—Fixed quantities.

2091. And a sliding price?—(Mr. *Fitzgerald*.) The price is negotiated yearly.

Mr. *York*.

2092. On a minimum?—There are limits, but it is free negotiation within limits.

Mr. *Corlett*.

2093. With an annual review?—Yes.

Mr. *York*.

2094. Australia?—In the case of Australia it was for one year.

2095. Year to year?—Yes; we are now negotiating the second year.

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[Continued.]

Mr. Niall Macpherson.

2096. With shipments starting in May?—Yes, about then.

Chairman.

2097. You refer in your memorandum to the procuring of cereals for Commonwealth and other territories. Is that a diminishing responsibility?—Yes, I should say it is.

2098. Have you any substantial commitments at present?—We still have considerable commitments, although some fairly big buyers, like Ceylon, are likely to drop out. I think at one time we procured for India—that is out. What we are left with are mostly places like Malaya and some small responsibilities in the Middle East. I am wrong in saying that they are very substantial now. They are much reduced.

Mr. Barton.

2099. Is that to a great extent governed by the amount of rice grain available?—That has entered into it, yes.

2100. And the position now is eased?—I am not much of an authority on rice. I believe it is still rather difficult, but I think it has eased.

Mr. York.] Are we dealing only with wheat, or are we ranging over the whole subject?

Chairman.] At the moment we are dealing with the import of cereals.

Mr. York.] All cereals?

Chairman.] Yes, paragraph I and paragraph II.

Mr. York.] I was wondering whether we should confine our questions to wheat?

Chairman.] No.

Mr. Niall Macpherson.

2101. What is the purpose of our purchasing from Australia for Eire Australian wheat and Argentine maize?—I know we are providing some maize for Eire, but we are not the procurement agents for Eire in the proper sense of the word. We have had from time to time exchange arrangements with them.

2102. But that means, presumably, that they are purchasing from Australia at our contract price. Does not it mean that?—Not that I am aware of. I think they are free to purchase as they choose.

2103. We buy on the free Australian market for somebody else?—If we supplied any commodity to Eire it would be out of our own contract, and what we would require there from them would be repayment in kind. As a matter of book-keeping, we should perhaps make an entry for it, but it is intended to be an exchange transaction. We get it back.

Chairman.

2104. These services, I gather, are rendered on a cost basis?—That is so.

2105. At any time are we holding substantial stocks which may in fact render our accounts misleading in the sense that we have sold but have not yet received payment?—I should say that is exceptional.

2106. When the grain arrives at the port we gather from Appendix G to the memorandum that it is dealt with by the Port Area Grain Committees, of which there are seven?—Yes.

2107. Does this method hold in the case of all the grain in fact that goes through the seven ports?—Yes, that is so.

2108. There are no exceptions?—No, not that I know of.

2109. What has happened at ports which previously dealt with grain and which are now not handling grain?—(Mr. Almond.) These Port Areas include other ports within that area; for example, Bristol. There are several ports, but there is one Port Area Grain Committee, and that applies throughout the United Kingdom.

2110. In other words, the ports named are in effect district headquarters for groups of ports?—(Mr. Fitzgerald.) Yes.

2111. And in each case the port named will substantially deal with the grain trade?—Yes, that is so.

2112. Who comprises the members?—They are, shall we say, both management and staffs of these Port Area Grain Committees, all people drawn from the grain trade.

2113. Are they absolutely comprehensive, or were there merchants who were excluded?—Some did not, I think, come in; some quite substantial international firms are not represented on these; but they are very largely representative of the British grain trade before the war.

2114. You refer in your memorandum to the fact that they follow very closely the pre-war customs of the grain trade, and I wonder whether you could expand that a little, because I should have thought the position obtaining today—you have explained your activities as a vast monopoly—is very different from that obtaining pre-war?—One way in which they maintain the pre-war customs of the grain trade is that purchases are made on the London Corn Trade Association standard form of contract, which has provisions for arbitration and so on, just as they had in pre-war days. Agreements would be negotiated substantially following pre-war practice.

2115. In the final paragraph you refer to the remuneration received by the Committees. It is plain that this is in two parts: the first comprises the actual operating expenses, in which case we assume

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that you have cost investigations?—Yes, that is supervised.

2116. To satisfy yourselves that these activities are being carried on as economically as possible?—Yes.

2117. And, secondly, you refer to a fixed annual global sum for remuneration. I wonder whether you could tell us how that fixed annual global sum is determined?—There are two global sums in question. There are two Agreements. One is with the grain trade, that is, the people who were pre-war importers and dealers in grain as distinct from flour, and the other is with the Flour Importers' Association, who deal in flour, as the name suggests. The grain trade is the larger body of the two, and it is necessary to go back a little to explain that. In the beginning of the arrangement with the grain trade their remuneration was calculated as a rate per ton of the quantity that they handled, and that was consolidated into a fixed global sum. That is really the origin of it.

2118. I am not sure that I understand it. It was a rate per ton, and you say it was reduced to a fixed annual global sum. Does that mean it was averaged?—No. The basis of the arrangement was changed. Originally we paid them a sum which was gross, out of which they paid their own expenses. We came to the conclusion that that was not the most economical way of working, from our point of view, and therefore we put it on another footing, which was that we would pay expenses, and then there was a sum determined which had its origin in the original gross Agreement, and that sum has remained constant for some years now.

2119. What is the basis of that sum?—Very roughly, the sum was arrived at by taking the gross payment on the old footing, ascertaining how much of that was expenses which we would pay in the future, and the fixed sum represented, roughly speaking, the balance; it was rather less than the balance, in fact, but the balance was the sum on which we negotiated this round sum.

2120. Was the basis the average pre-war profit?—No, it is considerably less than the average pre-war profit, a little more than half the figure.

Mr. Niall Macpherson.

2121. Is it the same sum each year or does it vary with the imports?—No, the fixed sum remains; the expenses vary a little.

Mr. York.

2122. While we are discussing the Port Grain Committees, I am not quite clear about this margin business. With regard to the margins which the Port Grain Committees get, does that include an allowance

for the use of their offices and personnel for the purpose of running the Grain Committee, or is that a separate payment?—It is a separate payment. We pay for those offices and personnel as expenses.

2123. On a cost basis?—Yes.

2124. May I go back a bit now, because I just want to get clear about the people who are buying grain, whom we were talking about earlier on? I understand that the people who are actually buying grains now are pre-war importers of grains. Are they the same men, roughly, as were brought into the Ministry in the early days of the war, or has there been a big change-over?—No, they are very much the same people who came in at the beginning.

2125. Have many of them left?—No, not many, certainly of the principal ones—very few indeed.

2126. Is it the case, then, that these importers have no other job that they could do, except the Ministry's job, owing to the fact that the Ministry has now the monopoly of the trade?—Certainly their activities are very much restricted by that, but I would not say they were stopped altogether. It would be open to them to deal, if they chose, overseas; they might get a request from some countries for which we have no responsibility which they could supply, and in that way they could deal; but their activities are limited.

2127. May I move on to another question? In the first paragraph under sub-paragraph I, dealing with purchases which are resold to overseas purchasers, could you explain how the Ministry recoups itself for the expenses of purchase and reassignment?—We simply render a bill to whichever country is concerned, and collect.

2128. Yes; but does that include overhead costs?—We add a very small percentage to cover that. It is the cost of the goods, plus this very small percentage, plus any expenses on freight that we may have incurred.

2129. Where is that shown in the Estimates?—Is it shown in the receipts? I am trying to find it in E (i). If you look at Appendix F, which is the cash Estimate, you will see under 5: "Gross Estimated Receipts", which are commodities shipped direct overseas. That is what we anticipate collecting in that respect.

2130. That is £33 millions?—Yes.

2131. Does that £33 millions include all the buying expenses?—Yes.

2132. That is the gross figure?—Yes.

Mr. Corlett.

2133. On that point that Mr. York has been dealing with, purchases that are re-

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sold, do you deliberately set out to purchase in addition to your own requirements?—Yes; we find out what their requirements will be, and include them in our programme.

2134. It is not just a matter of diverting some that you have received to another country who may be short?—No. I do not say that never happens: it would happen in an emergency; but the normal practice is that they tell us what they require and we procure it for them.

2135. I see. Now, on that point that Mr. Macpherson was raising this question arises. I did not know you bought for Eire; I thought that you merely allowed Eire to have some you had bought for yourselves, to be repaid later?—Yes; we are not procuring agents for Eire.

2136. You are merely allowing her to have some of what you are procuring for yourselves?—Yes, that is the present position.

2137. But you do procure for some countries?—Yes, we procure for Malaya. It is not a very big procurement.

Mr. Niall Macpherson.

2138. When did you cease to procure for Eire?—About a year or two years ago; it is as recent as that.

Mr. Corlett.

2139. On that question of Eire repaying you, does she repay you out of cereals that she receives from some other country, perhaps?—Yes.

2140. Is there any question of adjustment of values?—If there were any question it would be adjusted in cash.

2141. Could she possibly be receiving from you part of your supplies at a cheaper price than what she would buy herself when she repaid you?—It is very difficult to answer that. I do not know that that has happened.

2142. Seeing that you are merely advancing her some article which was short, I wondered how you equated it?—It would depend how the market went. All we are concerned with really is to get the stuff.

2143. It means to say that if you let her have so many tons you are satisfied if she gives you that number of tons in return?—Yes; they are small transactions.

2144. You said some of the grain trade had not come in. Has a big proportion not come in?—No, not a big proportion in numbers, but several firms which did not even have their head offices in this country before the war, a Dutch firm, for example, and several others, but who were nevertheless large traders in this country, did not come in. They have continued their independent careers.

2145. Is there a federation of such firms with a monopoly or a kind of quasi-monopoly?—Of those who have not come in?

2146. No, those who did come in?—There probably is a trade association of them.

2147. Were those who did not come in not members of that trade association?—I could not answer that, but I should think they probably were.

2148. I was wondering if that was largely the reason for their not coming in?—I think probably they did not come in because this was just one of their interests; I mean they were not wholly and solely concerned with that market, as the purely British firms were.

2149. They are not really in the main British firms?—No, although operating here.

Mr. Barton.

2150. There is only one thing I want to clear up, and that is the original relationship between the Cereals Control Board and the Port Area Grain Committees. The Cereals Control Board went out of operation in 1940, I understand?—Yes.

2151. Were the whole of the functions taken over by the Cereals Division?—The whole of the functions as regards imported grains were certainly taken over. I personally cannot say whether they had any function beyond that, but those functions were certainly taken over by the Imported Cereals Division.

2152. And the Port Area Grain Committees before 1940 were working parallel with the Cereals Control Board?—(Mr. Almond.) They were working under the Cereals Imports Committee of the Cereals Control Board; the Cereals Imports Committee subsequently became the Imported Cereals Division.

2153. What were the functions of the subdivisions of the Cereals Control Board, then, and who took over those functions?—The Cereals Control Board had functions other than the import of cereals, and it was imported cereals functions which rested with the Cereals Imports Committee, which became the Imported Cereals Divisions, one of the Cereals Divisions.

2154. So that it is correct to say that the whole of the functions of the Cereals Control Board, during the reorganisation of the Ministry, came under the Ministry's Divisions for Cereals?—Yes.

2155. And none went to the Port Area Grain Committees?—No. So far as I know, the Port Area Grain Committees retained the same functions under the Ministry of Food, that is to say, under the

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Cereals Division, as they had under the Cereals Control Board.

2156. So that the Cereals Divisions of the Ministry do not deal with transportation and warehousing at all, then?—It would come through our accounts.

2157. No; but the operational functions are vested in the Port Area Grain Committees?—The day to day trading activities in that way, transport and warehousing and so on, are carried out by the Port Area Grain Committees.

Mr. Niall Macpherson.

2158. I am afraid I am still not quite clear as to the relationship between the Port Area Grain Committees and the flour importing trade, and also the grain trade in Appendix G, where the observation is made: "At the Port Area Grain Committees the services of the Flour Importing Trade are utilised, but in addition the Flour Importers distribute home-milled flour." What is the relationship between the two? Are the flour importers still active under their separate identities?—(Mr. Fitzgerald.) The Ministry imports not only wheat but flour, and for that purpose the Port Area Grain Committees have a representative of the flour importing trade as a member of that Committee who is a specialist in flour. In so far as their other activities are concerned, the flour importers are still an essential link in the distribution of flour throughout the country, and they operate in that way.

2159. A question, then, on remuneration, paragraph No. 3. Remuneration is based on an Agreement with the grain trade and the flour importing trade. You have also told us that not all shippers were brought into the Agreement. Remuneration, then, only covers those who were brought into the Agreement, and it is only those who are operating the scheme: is that correct?—Yes.

2160. Now, is remuneration connected in any way with the item for commission? I am looking at Appendix A, the second table?—No.

2161. If not, where does it appear?—(Mr. Almond.) Remuneration is included in an item in the various Appendices under Headquarters establishment, interest, remuneration, commission, discount, etc. It is included in those figures, a proportion for the various grains.

2162. Does that also include commission payable to the commercial shippers that are referred to in paragraph 2, "Outline of Trading Operations", on page 3 of the principal memorandum? Or, perhaps, it would be more convenient if you explained what the activities of the commercial shippers in Canada were, and if you are buying at a fixed price where does their remuneration or profit come in?—(Mr. Fitzgerald.)

As far as the Canadian side is concerned, it is the Canadian Government or the Canadian Wheat Board who employ its own grain trade. We are not concerned financially with that. The commercial shippers we refer to here, or the commercial shippers we are concerned with, are people on this side, members of the grain trade, who are remunerated under this Agreement. Although it is a Government to Government bulk buying arrangement, it is still necessary to employ commercial firms actually to go out and find stuff. The Agreement is made for an overall quantity which we undertake to buy, but the physical process of assembling all that, of moving it, of storing it where necessary, shipping it, arranging freight, and everything else, remains a commercial operation as far as we employ people to do it, and they are those people in the grain trade or flour importers who are remunerated under this remuneration Agreement.

2163. The impression being that they can only find that stuff at a fixed price?—Yes.

2164. Do you find that that has made it more difficult to find the stuff?—I think in the case of the Canadian Agreement, no it has not.

2165. Do you think in 1946 and 1947 there was difficulty in getting the full amounts that were provided for by the Agreement?—I am afraid I do not know personally whether there was. There might be difficulty caused by weather conditions, for instance, if there were a prolonged freeze-up in Canada then freight arrangements which had been made weeks and months before may have to be changed; you may have to improvise; but I do not think there was any difficulty other than from natural causes. (Mr. Bailey.) The difficulty was the freezing of the St. Lawrence at that time.

2166. Was that the only factor?—With the necessity that arose of transporting the grain to the Pacific coast and bringing it all the way round. As far as I recall the facts, there was no other factor intervening there. The grain was there. (Mr. Almond.) I think the answer you want, probably, Sir, is that our grain trade merchant firms here have nothing to do with the movement of wheat in Canada.

2167. It was not quite what I had in mind. Then what is the procedure—perhaps you could indicate that? Mr. Fitzgerald has already said that it is still implicit in the present system that individual traders have to go and find the stuff?—Yes.

2168. Now, if it is not the traders in this country who find the stuff, who does go and find it?—These traders in the country are the agents of the overseas shippers. They act in that way. It is the overseas shippers,

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the shipping firms, who have to arrange for the goods to come down. That is recognised by the Canadian Government.

2169. How are the overseas shippers remunerated for their services?—That is a matter between them and the Canadian Government. It comes in as part of the price, part of the f.o.b. price.

2170. It is not, of course, entirely a matter of indifference to you how they are remunerated, because it is bound to affect procurement?—(Mr. Fitzgerald.) Yes. On the other hand, it is not a matter which we could dictate. They sell the stuff and make their own arrangements.

2171. Yes; but you have knowledge, I suppose, of the agreement between the Canadian Government and the shippers on the other side?—I have no knowledge personally, but I should think that within this country there may be some knowledge, that is to say, within trade circles. It is not made public, as far as I am aware.

2172. At any rate, so far as you are concerned it is satisfactory in the sense that you get the quantity contracted for?—Yes.

2173. Does the same apply to Australia?—We have just had one year's experience in this kind of commodity so far as Australia is concerned. There has been a considerable lag in their shipments, which began to develop towards the end of last year. I do not really know what the reasons for that are. (Mr. Almond.) Australia has not the same storage facilities that Canada has. The question is that of getting the grain to the seaboard.

Chairman.

2174. But surely those are factors that would be well known when the delivery dates were decided. They are not new?—(Mr. Fitzgerald.) The delivery dates were decided in the expectation that they were within the capacity of the Australian trade or whoever handles it to cope with it, but for one reason or another they failed to do so.

Mr. Niall Macpherson.

2175. Did you accept the advice of the Australian Government upon that, or what criterion was there—was it your own experience or that of the shippers in this country that decided it?—The shippers' experience. I do not think it would be in conflict with the evidence on the other side. They were doing this sort of trade before, and they know what shipment dates should be possible.

2176. Is there any explanation at all as to why it should have been less satisfactory under this system than it was under the previous one?—I think part of the reason was the fact that this was a new venture with a very large quantity, and that they had not got storage accommodation in the

way that the Canadians have. I believe there were some difficulties also at the Australian waterfront at the relevant times, which did not help matters.

2177. When you say it was a very large quantity, I suppose the figures are public, are they not? It would be possible for you to say how much more we were buying from Australia than we were before, or than we have been in the past? I think I have seen those figures in *The Economist*.—(Mr. Bailey.) It is well enough known that they are of the order of 60 million to 80 million bushels.

2178. But it represents what proportion of the increase in normal shipments?—I do not think we have been receiving grain from Australia in any great quantity for some years.

2179. Since before the war?—The reason for that being that the Australian crop is very variable; it depends on weather conditions.

2180. And also it was going to India?—Yes, to the Far East and to India.

2181. With regard to other products, do the same conditions apply? Are we importing them in exactly the same way?—(Mr. Fitzgerald.) We are importing them largely from different sources. In the case of maize, for example, the largest suppliers recently have been the Argentine, although that contract is finished now. Then in the case of other coarse grains, we had a big agreement with Russia, which is also finished for the moment. In the sense that they were Government to Government agreements, they were the same in principle as the wheat purchases.

2182. But what I was really getting at was the fact that to some extent at any rate your wheat contracts must be influenced, must they not, by the International Wheat Agreement?—The International Wheat Agreement has not yet become a fact; there is not one yet.

2183. At any rate, you are all meeting together on the subject. Are you also meeting together in regard to other products?—No.

2184. Would you say that the market in general had been influenced so far by the International Wheat Agreement or not?—I do not think it has yet come to the point of an Agreement; it is still just at the discussion stage. (Mr. Bailey.) There are and have been at each of the periods when the Agreement was under negotiation fluctuations on the Chicago market, but whether they are due to the negotiations or to other causes it is difficult to ascertain.

2185. But at any rate you have got minimum and maximum prices within which those fluctuations could easily have taken place?—That is the intention, but you will understand that there is no International

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Wheat Agreement as yet. The one which was negotiated last year fell through for lack of ratification, and at this moment delegations are negotiating a new one.

2186. The figures that are given in Appendix A are exhaustive; there are no other wheat or flour imports?—(Mr. Fitzgerald.) These are complete. (Mr. Bailey.) They are complete in the sense that they are estimates prepared before the opening of the financial year in question. They represent, therefore, a forecast of the Division's operations during that year. The actual operations may have diverged a little, or even materially, from the forecast.

2187. Is it true to say that in the case of wheat you have not been accepting parcels in the course of the present year from any seller other than Canada or Australia?—(Mr. Fitzgerald.) Only to a very limited extent. Some small quantities have been obtained in Europe, but insignificant in comparison with the total importation.

2188. When you framed the Estimate, you did intend at that time to continue limiting your purchases to those two countries?—Those were the suppliers from whom we expected to get it.

Mr. York.

2189. I wanted to ask something about overhead costs of this importation. It is a little difficult to differentiate between what happens after and what happens before. For example, first of all, in the eighth column, or the last but one column, of the second table in Appendix E (ii), H.Q. Establishment, Interest, Remuneration, Commissions, etc., does that include the cost of the whole of the H.Q. Cereals Division?—Yes, apportioned according to commodities.

2190. But it is within the total of the Cash Estimates page, Appendix E (ii), £4,800,000, the last but one column?—Yes.

2191. That would include the entire cost of the Cereals Division?—Yes.

2192. As to the overhead costs of importation, does that include the buying costs in the country of origin?—No, we are not directly concerned with that.

2193. You buy at the port?—Yes.

2194. And either the Government or the seller places it there?—Yes.

2195. There are no commission agents who go and get it?—No commission agents.

2196. You said previously that it was still necessary to get outside firms to go and get the stuff for you?—Yes.

2197. How do you reconcile that with the fact that it does not cost anything?—We do not employ outside firms to get the stuff.

2198. Then I misunderstood you. I thought you said that you had to employ

outside people to go and actually get stuff?—The overseas Government would have to employ people to go and get stuff.

2199. I misunderstood you. As to the total cost of overheads for importation, I make it that the import of wheat and flour requires an overhead cost of something like 23 per cent., imported food grains 25 per cent., and imports of other imported commodities 24 per cent. That does include some of the importation charges after the port has been reached, and the stuff then goes into storage?—Yes.

2200. The question I am trying to get at is this. That seems to be a very high percentage to add to the cost of cereals bought in a foreign country in order to get it into a silo in this country or into some other storage place. Have you got any idea whether it is a higher figure than before the war or whether it is about the same?—I am afraid I do not quite see the 23 per cent.

2201. I am sorry. You will have to go back to Appendices A and B to get the details.—Yes.

2202. On Appendix A the total f.o.b. cost of wheat and flour is £111 millions?—Yes.

2203. And the total of the overhead charges is £26 millions?—No, £3 millions.

2204. I am calling overhead charges all charges apart from the cost of the material.—I beg your pardon. That includes freight, for example?

2205. Yes, freight landing charges, storage, insurance and so on?—Yes. Freight we do not regard as an overhead cost; we regard that as part of the primary cost.

2206. What I had in mind was the additional cost from the f.o.b. point to the storage point.—Yes. I am afraid I have no figures before me to make a comparison. Freight have increased enormously; equally so has the cost of the goods.

2207. It need not affect the percentage cost?—No, that is so. I am afraid I cannot make a comparison.

Mr. York.] Would it be possible to get a comparison made, or is that outside the scope of our inquiry.

Chairman.

2208. I think it would be helpful if we could have information on the point that Mr. York has in mind, that is to say, the percentage of the overall price accounted for by the various items, beginning with freight and insurance.—Yes.

Mr. York.] Yes.

Chairman.] And if it is possible also to have comparable figures pre-war. It would be helpful.

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[Continued.]

Mr. Niall Macpherson.

2209. In regard to costs, I do notice that they seem to be extraordinarily variable. I notice, for example, the very heavy cost of freight and insurance on oats from Australia. I do not know whether that is because the oats were cheap or because the freight was dear?—It is both in that case.

2210. Dear even in relation to the length of haul?—I did not mean that. (Mr. Almond.) The freight on oats is higher than on wheat; the oats are lighter.

2211. Yes. Wheat offals from the Argentine is a very heavy item?—Yes.

Mr. York.] There does seem to be a relationship between the three main headings—they are all between 23 and 25 per cent.; that is obviously a very usual average for the present time. Now, one further question about Russian barley. I have heard criticisms of the quality of this barley, and I wanted to know whether in comparison with Argentine and Australian barley we are getting value for money; in other words, whether the quality and price for Russian barley are in the right proportion as compared to quality and price of other barleys.

Mr. Corlett.

2212. We have had evidence upon that before Mr York became a member of this Sub-Committee, and we were told in the main that it was very good indeed.—(Mr. Fitzgerald.) The condition is very satisfactory. (Mr. Almond.) The technical advice about that is that that barley was in good condition

Mr. York.

2213. I am not talking about condition; I am talking about quality?—Good quality and condition (Mr. Fitzgerald.) No complaints at all on that.

Mr. Corlett.

2214. There is one point arising out of Mr. Macpherson's questions. Under the Government to Government arrangement, is there any responsibility on either Government to see that there is payment on delivery?—(Mr. Bailey.) Whether there is responsibility or not in the legal sense, the selling Government in the case of Canada certainly does assume responsibility for seeing that deliveries are made under the Agreement, and exerts itself very strenuously in that direction.

2215. They must somehow secure that the private people produce what you want?—Yes; they have undertaken an obligation to us, and a firm obligation, and it is their bounden duty to see that that obligation is discharged. It does not always happen in the case of every contract that that obligation is recognised.

2216. I remember in the case of bacon where Canada was only able to produce 88,000 tons, although the Agreement was for 100,000 tons?—That may be due to a difference in the contract. The quantity may have been expressed as a target quantity, whereas in the case of the wheat contract it was a firm quantity.

2217. I am wondering how they manage to secure that the commodity is forthcoming?—In the case of wheat, they know the course of the crops and the capacity of the trade. In the case of more variable commodities, like pigmeat or bacon, there is not the same certainty. As I say, I think in the case of the bacon contract the quantity was expressed only as a target quantity.

2218. I am only wondering if by some strange chance—and we know it did apply in the case of meat—the local price were to be raised, does that mean that they would keep that commodity instead of exporting it to this country?—It certainly would have its effect, and at times we have had to represent to the selling Government—I have in mind the Canadian Government—that local conditions were such that we were not likely to get our deliveries, and we have asked them to correct those local conditions so that we should. If you take the case of cheese, there was a short fall there, and the Canadian Government at our request actually requisitioned home-produced cheese to satisfy the contract.

2219. I am wondering what steps you could take to secure delivery and that a contract is honoured, as the Government concerned have no direct control over production?—I think the proof of the pudding is in the eating, and in this particular case of wheat we have got the deliveries that were undertaken.

Mr. Niall Macpherson.

2220. What happens when you have taken as much as you have contracted for? Can you go on purchasing, and if so at what price?—There would be an adjustment in a subsequent period.

2221. It would be carried over into the next period?—Yes, and credited against the obligation in respect of that period.

2222. You could adjust it in respect of the next period as far as the quantity was concerned, but how about the price at which the independent shippers on the other side are shipping it? It could not very well be left in the air?—(Mr. Almond.) We are satisfied that we have had that quantity of wheat at the proper price so far.

2223. And you are not prepared to purchase any more, once you have finished it, even although it were offered?—Not against that crop year. You will appreciate, Sir, that you cannot possibly fix the quantity

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to an exact date in the case of a commodity like wheat; therefore you must have some small overlap between two years. We are satisfied on wheat that we have had proper quantities for each crop year at the proper price so far.

Mr. York.

2224. That applies to wheat, but what about maize? Did we get the quantity that we ordered?—Yes.

Chairman.

2225. You have been dealing with the question of the supply of cereals where they are being supplied on a Government to Government basis. Can you say whether you have any indication how long this trade is likely to remain on a Government basis as far as the selling country is concerned?—(Mr. Fitzgerald.) In the selling countries, the wheat selling countries, there are Wheat Boards which I believe are Government-sponsored, and presumably it would be a matter for decision of that country or that Government whether to continue these co-operative enterprises or not.

2226. Is there any intention in the case of Canada or of Australia to discontinue this method of trading?—No, in the case of Australia, there has been a new Wheat Board which has replaced the old one, which would rather suggest the contrary.

Viscount Hinchinbrooke.

2227. One or two questions about the Port Area Grain Committees. I see that there are seven of them, and that they are composed in each case of the principal grain importing firms. Could we take London as a port, for example, and ask how many grain importing firms there are who form the Port Area Grain Committee of London? They are under the aegis of the Ministry of Food and are remunerated by agreement on the 1939 basis: is that right?—They are remunerated by agreement, but not on the 1939 basis.

2228. With regard to the remuneration agreement that I am talking about, is that arrived at each year, and does it reflect the trading situation of the individual firms forming part of those Committees?—The agreement runs on at present from year to year; the only difference being in the figure of allowable expenses, which may vary from year to year; otherwise there is no change in them.

2229. Is there any incentive operating on any one of these constituent grain importing firms to enable them to render better service to the public at less charge to the taxpayer?—(Mr. Bailey.) What they are rendering, surely, is a service to the Ministry.

2230. Yes?—Certainly at cost to the taxpayer.

2231. But I have formed rather a picture of them as sort of frozen units which came together in 1939 for war purposes, which are more or less held down to their original functions by the annual remuneration agreement with the Ministry of Food, and that there is not much sign of any change or opportunity for expansion or progress in any one of these firms as against others. Is that right?—There was an adjustment of the agreement designed to introduce an incentive in respect of the retainable proportion of profits upon grains not imported into this country. I think I am right in stating it so. The proportion was moved up from 40 per cent. to 60 per cent. Without the agreement before one, one could not be very definite about the exact terms of the modification, but it did provide a small measure of incentive to firms which had adopted the agreement in respect of their outside activities.

2232. How do your financial officers satisfy themselves that there is no redundancy in those firms?—The question is not so much, surely, from our point of view, one so much of redundancy as whether or not the Ministry is getting value for the services contracted to be rendered.

2233. How can you ascertain that, as they are agents and servants of yours, unless you carry your financial investigations right into the individual firms and see who is being paid what, and for what services?—They are not strictly agents; they are contractors; they perform services under an agreement. They receive a fixed remuneration for those services; and it would appear to me, subject to correction, that the question really is whether the services are worth the money paid.

2234. May I ask that: Is it?—We think so.

2235. Are they happy? In the existing set-up do they come to you with proposals to be set free so that they can compete against each other to import grain more efficiently for the public of this country?—They have done so, and we have their proposals under consideration at the moment.

Mr. Yates.

2236. You have access to all their accounts, have you not?—We have access to all their costs.

2237. So that you could satisfy yourselves, if there was any serious situation which would be created of large-scale redundancy?—We should hear of it very quickly, I think, if there were a condition of affairs which was inimical either to their interests or to ours.

Chairman.

2238. What is the advantage of the continuance of the Port Area Grain Com-

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mittees?—It is this, perhaps, that it would be difficult to perform the operation by our own direct activities, or at least more difficult than it is to have it performed by experts in the trade. It is the same question, indeed, as one was asked in other contexts.

Mr. Niall Macpherson.

2239. That is not the only alternative, is it?—There are two alternatives, as I see it. One is to free the trade and the other is to take it over lock, stock and barrel.

Chairman.

2240. What would be the disadvantages of freeing the trade?—That is, as I say, a subject which we have under consideration upon the representations of the trade itself, but the most obvious difficulty is the currency difficulty. It would be, or might be, extremely difficult to plan out the balance of payments of the country if traders operated under conditions of freedom. I do not say it would be impossible, but it certainly would present difficulties.

Mr. Corlett.

2241. You said they acted as contractors. There is no alternative contractor and there is no competition?—There is no alternative contractor who could put in a lower tender.

2242. Are you not almost bound to take any reasonable offer?—No, I would not say that at all. The Ministry of Food sat down and very hard negotiations took place. If we, on the one hand, have no alternative tenderer of these services, they, on the other hand, have no alternative activity.

2243. I recognise it cuts both ways. They may be able to see, or they will be able to see, that they are getting fair remuneration, but what method have you got of securing that it is not an unfair remuneration?—The only test we can apply, and the Sub-Committee have heard of this before as being one of our practical tests, is their pre-war profit, and also, as the Sub-Committee has been told, the remuneration which is paid to them under the agreement is not much more than half the pre-war profit. One of our criteria in all these matters is pre-war profit.

Chairman.

2244. When you make a comparison, however, you would concede, would you not, that the services they are rendering today are not strictly comparable with the services rendered before the war?—In so far as there was a reduction in the services and the risk, we would seek a reduction in remuneration.

2245. Yes.—Because in a sense that remuneration is gilt-edged.

2246. I notice in the memorandum you say it covers all services. Is that comprehensive? Does it include services they render, for instance, regarding barley?—Yes, it does.

2247. I am not sure whether this was made clear, but the allocation will be allocated amongst all members by the members according to their own decision and discretion?—Yes.

2248. It is not a matter of interest for the Ministry?—No.

Chairman.] Perhaps we could turn now to the Home-grown Cereals Division?

Mr. Niall Macpherson.

2249. May I just ask a question before you do so which would lead very likely on to the Home-grown Cereals Division? I still have in my mind the point that there are two alternatives to the present set-up, one which, as you said, would take it completely under the control of the Ministry, and the other was to free it altogether. Considering that the method of handling wheat seems to be rather different from the method of handling meat, inasmuch as in this case you are dealing, so far as I can see, with independent shippers on the other side—in fact, wholly as far as I can see—whereas in the case of meat you were not doing so, certainly in the case of the Argentine, because you had big agencies there, and in Australia also in the case of meat, is the comparison exactly the same, and would it not be possible to give a limited freedom simply by abolishing the Area Port Committees altogether, inasmuch as you are still contracting for a specific price when the actual shipping is done by individuals?—I do not exclude that as a possible alternative. That would mean, as I understood you, that the Government to Government contract system should continue, but that within the framework of such a contract and under the ceiling price, with perhaps even a floor price, individual firms should have room to operate. Is that what you have in mind?

2250. That is what I meant. It seems to me that is more practicable, inasmuch as we are presumably nearing the point where you can remove control in the case of rationing, at any rate of bread. I know that bread is not rationed, but flour is; at least the allocations are frozen at what they were.—That, of course, is not the only consideration; there is the consideration of dollars and hard currency expenditure.

2251. Yes, I appreciate that also. However, as I said it leads us on to this next point.—Theoretically, of course, it is a possibility, and it is one of the subjects that we have under consideration in relation to these representations from the trade.

2252. It is a possibility inasmuch as the extra capacity for the consumption of wheat

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is obviously very much less than the extra capacity for the consumption of meat. That is to say, if you freed it, the increased imports of wheat would be proportionately very much less than the increased imports of meat, assuming that both were available?—The increases might nevertheless be insupportable if they were a dollar charge.

2253. Even though small?—Yes.

Chairman.

2254. We will now turn to the Home-grown Cereals Division. I suggest for the moment that we do not deal with millable wheat; we will deal with that separately. From the memorandum it is clear that home-grown cereals are sold by farmers at fixed prices to approved buyers. Who are the approved buyers?—(Mr. Fitzgerald.) The approved buyers are merchants who are licensed by the Ministry of Food to act in that capacity.

2255. Are the present licensed approved buyers comprehensive in the sense that they cover merchants who were engaged in the trade pre-war?—Yes.

2256. Were any exceptions made?—I should not think deliberately.

2257. In short, when this system was introduced the present buyers were approved?—Yes.

Mr. Niall Macpherson.

2258. Could I just ask if there have been any additional approvals since the original ones?—I think there have been quite a number.

2259. People have come into the trade?—Yes.

Mr. Corlett.

2260. Are farmers tied to a particular buyer?—No.

Chairman.

2261. What is the basis of remuneration?—(Mr. Almond.) It is a margin allowed to them in the respective statutory instruments, whether it is for wheat, barley or oats, and it would vary; I could quote one or two sums, Sir. The margin on oats at present is 6d. per cwt.

2262. Can you say generally how, if it be possible, the margins compare with the pre-war margins?—The margins are a little more than the pre-war margins, following on costings by the Ministry of Food. (Mr. Bailey.) The pre-war margins would be taken as the basis, as I have explained before to the Sub-Committee, and it would be adjusted, usually upwards, for increased costs.

2263. I am much obliged. You refer in the memorandum to distribution through other normal trade channels. I have got in mind paragraph 1 (II). Will you indicate what the other normal trade channels are?—(Mr. Fitzgerald.) It would be processers,

compounders or processers of barley meal; the various firms who operate in the home-grown and feeding stuff trade.

Mr. Niall Macpherson.

2264. Breakfast foods too?—Breakfast foods would cover both imported and home-grown.

Chairman.

2265. What you have in mind are not alternative means of distribution to approved buyers, but other means of distribution to other trades?—Yes.

2266. And it is clear from the memorandum, as we are aware, that the Ministry purchase home-grown cereals which do not otherwise find a market. Reference is made to barley. I wonder whether you could briefly indicate the extent to which, during the year, you have been obliged to make these purchases, and what the loss borne by the Ministry amounts to?—It varies from year to year according to the crop, according to the off-take, and according to what is allowed to be retained by the farmers. It has represented a low proportion of the total crop so far.

2267. Is that likely to be the position obtaining in the forthcoming year, or do you expect any exceptional losses?—We would incur losses on the difference between the minimum millable price which is guaranteed by the Government and the maximum feeding price which is the highest at which we can charge it, and we would, of course, incur storage and other expenses as referred to in the memorandum. But it is impossible at this stage to forecast what purchases would have to be made by the Ministry next year, because we do not know the crop. In estimating we make the best forecast possible.

Mr. Niall Macpherson.

2268. Which is a guess?—(Mr. Fitzgerald.) Yes, it is a guess. (Mr. Bailey.) From that you will see under what difficulties we conduct our estimating functions.

Chairman.

2269. You go on to refer to Algerian wine and rum. What have those commodities got to do with the Cereals Division?—(Mr. Almond.) The head of the Home-grown Cereals Division deals with those commodities, and so we have a financial responsibility, because we are the Home-grown Cereals Division. It is a matter of staff economy, Sir. (Mr. Fitzgerald.) He has an interest in it, not so much in relation to particular commodities, but in the field of alcohol in general, in that he is concerned with the raw materials of beer and whisky.

2270. You are the least inappropriate Division?—Yes.

Mr. Yates.] Where are the figures for the importation of wine?

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Chairman.

2271. I was going to ask that question, as I have seen some references to possible substantial losses on Algerian wine?—Yes.

2272. What is the position regarding Algerian wine, whether you are holding substantial stocks, and what are the prospects of disposing of those stocks at a reasonable price?—The Ministry was an importer of Algerian wines for several years up to, I think, 1948, when the last of it arrived. After that time they ceased buying any at all. It is a fact that at the moment they hold substantial stocks of Algerian wine for which I am afraid there is no very great demand just at the moment. The price does not seem to make it very attractive—not that our price is particularly high, but when one adds duty and all the other expenses it makes the price higher, of course. It is true to say that the demand for any kind of still table wine is very flat at present. We are suffering in common with the trade in that direction. What the prospects of disposing of it profitably may be I am afraid it is very difficult to say at the moment.

Mr. York.

2273. Will it deteriorate in store?—It is impossible to get sound advice on that, because before the war Algerian wine was not brought in in any very large quantity. I think the advice we have is that it is reasonably robust and well-keeping wine. We must hope that that advice is good.

Mr. Barton.] Far from depreciating, it will appreciate.

Chairman.] I hope such members of the public who read our Minutes will be suitably impressed.

Mr. York.

2274. May I just ask about liaison with the Home-grown Division? I gather from the memorandum that you consult with the Ministry of Agriculture in all matters dealing with marketing to approved buyers by farmers, and in addition to that you also have to implement the guaranteed price. Could you explain where the responsibility of one industry ends and the other starts in each of those cases?—I believe the Ministry of Agriculture is the Ministry actually responsible for fixing farm prices, although our Ministry is concerned in discussions on that subject; they have the final word upon it as far as these two Ministries at least are concerned. The question of marketing is rather more on the side of the Ministry of Food, as we are directing it or are responsible for its direction to its trade uses, home consumption, or whatever the case may be. I think one could say that the Ministry of Agriculture's absolute responsibility ceases with the price, but obviously they are interested

in the crop as a whole, as we are interested in the crop as a whole.

2275. I wanted to find out whether there was any overlap between the two Ministries at any stage of handling?—No, I should say there is not.

2276. May I give the example of the price review? Do your financial officers and do the Ministry of Agriculture's financial officers go through the same headaches and the general accounting and statistical work?—(*Mr. Bailey.*) Not through exactly the same headaches. This is how the matter is organised in the Ministry of Food. We have a committee which is called the Agricultural Supplies Committee, presided over by a Deputy Secretary in charge of the Supply Department. One of my officers, a senior officer, represents me on that Committee. That Committee develops the representations which the Ministry of Food wishes to make to the Agricultural Departments in respect of price, crop, and the whole field of the February price review. Thereafter consultations take place between the two Ministries, with the course of which I make it my business to be fully conversant, and as the outcome of those consultations the Agricultural Departments go into negotiation with the Farmers' Union.

2277. Is your responsibility, then, something like this, just to give an illustration: you say that you want more wheat from the farmers; you do not have to work out any statistical data to advise the Ministry of Agriculture as to what price they ought or they might be inclined to offer?—We have many comments to make upon price, and those comments are founded upon statistics, statistics of consumption and statistics of production. The balance between different crops and products is something that we consider. On the other hand, the Agricultural Departments are more closely concerned with the total income of the farmer and that side of the statistical operation.

2278. So that you would say that there was no overlap either statistically or financially from a working point of view between the different Departments?—I should say we have to cover to some extent part of the same field, but there is no essential overlap, although there is close interlocking.

2279. Then as to storage, when you have to buy any guaranteed commodity which is not sold to an approved buyer, is there any liaison there with the Ministry of Agriculture?—Storage is our responsibility.

2280. But in the buying process you give orders as to where it is to go without reference to the Ministry of Agriculture?—We buy only that part of the crop which does not find a market elsewhere, and for that part which we buy we, of course, are responsible for the storage. For that part

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which we do not buy, the crop follows its ordinary course and finds itself, for instance, in the storage of millers, and with that we do not, of course, interfere.

2281. Going on to Appendix D, your Trading Account, I notice that you do not have any Trading Account in wheat. Can you explain why?—(Mr. Fitzgerald.) All home-grown wheat goes to the millers. We are not directly concerned in its purchase or sale.

2282. Therefore, in the case of barley, £3 millions worth does not go to the buyer?—Yes.

2283. If you had thought there might be a surplus of wheat would you have made an Estimate in that same account for buying that wheat?—Yes.

2284. This year in that Estimate you have a fairly considerable amount of barley which you think you are going to have to buy?—Yes.

2285. The cost of storing that will appreciably increase the cost of the barley, will it?—Yes, it will.

2286. And therefore it is in your interest to get rid of it as quickly as you can to the trade?—Yes.

2287. It is your anxiety, apart from necessary stocks of imported stuff, to get rid of your home-grown stuff before the imported?—Yes, not to keep any of it longer in store than is necessary.

Mr. Niall Macpherson.] May I ask you what you mean by "before the imported"?

Mr. York.

2288. I meant you got rid of the home-grown barley before you got rid of imported barley, if you had a surplus of home-grown barley. This year we have had a surplus of home-grown barley, which we have not had before?—(Mr. Bailey.) Both home-grown and imported barley would fall into the same stock, the Animal Feeding Stuffs Pool, and it would be our anxiety not to hold more of that than we must, but to put it out for consumption. Equally, it would be our anxiety to meet a forward programme of consumption and, therefore, having regard to our forward procurement programme, to hold stocks sufficient to meet that forward programme of consumption, as I think I have explained before. In other words we would not lightly consume our stocks. We would have to have regard at all times to our likely supplies.

2289. The point I was getting at was really this, that you have to put your imported barley into a store; you cannot send it straight off to the miller as a rule. On the other hand, normally you do not have to store your home-grown barley?—We have to store that part of it which we buy.

2290. Normally you do not have any to store?—Yes, some part of the crop.

2291. This year you have not any?—(Mr. Almond.) Yes, a very large quantity. It must be remembered that this is millable barley which we buy, and it comes into the Feeding Stuffs Pool. We have got to have that Pool to meet the ration. This barley can only be supplied for feeding stuffs against ration documents.

2292. I will leave that. May I ask one other question? I want to ask about implementing the guaranteed price and, in particular, the payment to farmers of the various acreage payments. There is always considerable delay here, and I wondered why that delay took place?—(Mr. Bailey.) That is the Ministry of Agriculture's responsibility, I am happy to say. Acreage payments are not the responsibility of the Ministry of Food but of the Ministry of Agriculture.

2293. I beg your pardon; I thought it was paid by you. Is not the acreage payment part of the implementation of the guaranteed price?—Yes; the actual responsibility is the Ministry of Agriculture's, but we are their agents for payment; we pay it on their behalf.

2294. I see. They send the notes to you and you send out the cheques?—Yes.

Mr. Corlett.

2295. I want to follow the line that Mr. York has been on. Is the price offered for barley as compared with the price offered for pigs such that it does not pay farmers to feed barley to their pigs?—We would have that very much in mind at all times in relation to this February price review. In the Agriculture Supplies Committee which I mentioned, representatives of the Bacon and Ham Division would be present, together with representatives of the Home Grown Cereals Division, and a close balance would be kept between our need for barley, on the one hand, and our need for bacon on the other.

2296. It is constantly said that the National Farmers' Union (and I think Mr. York knows more about this than I do) takes the view that you will not get the pigs until the price is such that it pays the farmer—The price ratio?

2297. Yes?—As I was trying to say earlier, that is a matter of close concern to us.

2298. I am wondering—and I cannot get at it quite—if we cannot find some arrangement whereby that difficulty could be overcome, so that that statement could not be made, because there is obviously some justice in it, Mr. York, as a practical farmer, knows all about that?—That depends to some extent upon the percentage

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of barley which a farmer was entitled to retain. Barley for feeding to pigs might come to him out of the Feeding Stuffs Pool at what, until almost the present time, has been a very heavily subsidised price.

2299. He gets 25 per cent.—Yes.

Mr. York.] The point that Mr. Corlett is really making is this: Have you any idea, considering present prices, what the proper ratio ought to be between the price of barley and the price of fat pigs?

Mr. Corlett.

2300. That is the point.—I have not, but the Ministry certainly has; the Ministry certainly has firm ideas on that price ratio; and in order to correct the unbalance to which you were referring a moment ago, I believe that the minimum price for barley is being adjusted: in fact, it was thought that the price for barley was too high and that the farmer producing that barley would sell it rather than feed a proportion of it, which he was entitled to retain, to his pigs. Wherefore the price is being adjusted.

Mr. Corlett.] I dare not suggest the price is too high.

Mr. York.

2301. That is not the point. You must never regard barley as one single commodity. It is not. It is many commodities. There is malting barley which is quite separate from milling barley, which may be of a very much lower quality; then there is the third quality, unmillable.—And there is the potentially millable.

Mr. Corlett.

2302. I will leave barley alone.—However, I will say that all this is not absent from the minds of the experts in the field within the Ministry of Food.

2302a. May I put another question and that is, how far is the price offered for wheat responsible for the failure of farmers to reach targets, because I believe the target was about two million acres and only about 1½ million acres have been sown?—The statement has been made that the price is not sufficient to encourage farmers to plant more wheat?

Chairman.] I think that would be more a matter for the Ministry of Agriculture.

Mr. Corlett.

2303. We are dealing with home grown cereals. I thought it would come within your purview?—It would; and, of course, I have seen papers which deal with the subject. The exact answer to your question is not present to my mind, or whether indeed the price of wheat has been adjusted and the price of barley has not.

2304. If home grown cereals are not coming up to our requirements, that means

we have to spend heavily in dollars?—It is our aim and object to make the price such that, having regard to all other considerations, it will induce the farmer to plant according to the acreage targets set by the Ministry of Agriculture after consultation with the Ministry of Food.

2305. I saw the statement made recently, in *The Economist*, I think, by the Minister, that we would have to spend heavily in dollars to make up for this shortage of wheat owing to the failure to reach the target?—Not owing only to that: even if the target were reached, we would still have to buy dollar wheat.

Mr. Niall Macpherson.

2306. Not as much?—No, but we would still have to buy some.

Mr. Corlett.

2307. To the extent to which we were short of what we expected, it would mean more dollars?—Yes.

Mr. Corlett.] I have seen other reasons mentioned, such as drought, and I have seen statements to the effect that it is the price of wheat.

Chairman.] I would like to intervene at this stage, because I did endeavour to make it clear that we should not deal with millable wheat, because it is a wide question. I would rather leave millable wheat to be dealt with separately.

Mr. Niall Macpherson.

2308. Could I just ask one major question and one minor one? The major question is about food officers. I am asking what food officers are dispersed through the country dealing with or acting, if you like, in co-ordination with the Port Area Grain Committees, and in regard to the distribution of imported grain and imported feeding stuffs?—(Mr. Almond.) I can say something on this subject, Sir. The Grain Committees would be in touch with the warehousing officers and the transport officers acting under those Divisions of the Ministry of Food; but beyond that the Port Area Grain Committees work entirely under instructions from our head office.

2309. I have heard of the local feeding stuffs officer?—The local feeding stuffs officer is an officer working under our Animal Feeding Stuffs Division. He has no jurisdiction over the Port Area Grain Committees. He is concerned with ration documents and they would naturally be in touch with him on those documents, in the same way as they would with any food officer. That is the Animal Feeding Stuffs ration documents.

2310. That is the man who acts if somebody applies for extra feeding stuffs on the ground of unforeseen circumstances? In short, he is the man who gives the O.K.?—(Mr. Fitzgerald.) Yes, that is the position.

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2311. Is that their principal function and are they fully occupied?—Fully. They have many more functions than that. The feeding stuffs officers play their part in the whole of the coupon and permit-buying system for animal feeding stuffs, in conjunction with the Port Area Grain Committees.

2312. They have nothing at all to do with distribution; they have no responsibility for seeing that the processors, for example, get their quotas. Is that so?—Perhaps it might be. I would rather like to be given an opportunity of looking into them. It is not one of the divisions we are considering to-day. The Animal Feeding Stuffs Division is outside the Cereals Group, although it is closely related to it.

2313. It might be convenient if we could be furnished with a memorandum on the subject.—The Cereals Group lands the stuff, but the Animal Feeding Stuffs Division is responsible for the control of distribution.

2314. There is one small group of questions towards the bottom of page 4: "In a situation requiring the purchase of home grown oats which would not otherwise find a market, the minimum price only would be paid, subject to practical and technical considerations." What are those considerations?—(Mr. Almond.) In a season where there was a surplus of grain which was not very good quality, and the Ministry was called upon to buy that surplus, technical advice might be given, to the effect that we should take over some of the better quality grains rather than take the poorest. We should have to consider that technical advice.

2315. Yes; but I still do not follow whether you are under an obligation to take it all.—We would have an obligation to take the grain which would not otherwise find a market; but there is only a certain proportion of the grain which would not otherwise find a market, and the technical advice might be that the Ministry should pay a little more than the minimum and take over some of the grain, leaving the remainder going through normal channels: in other words, we would perhaps have to pay twopence a hundred-weight more in order to get the better quality oats which would be better from our point of view for storing, because if we buy a surplus we must store. If it went through normal channels we should not be buying it. (Mr. Fitzgerald.) Instead of waiting to the end, drawing it off higher up,

and then leaving the dregs to find their destination through normal trade channels.

2316. Would they still be disposed of at minimum prices?—If they were, we should still have responsibility for it.

2317. It would in fact go at the minimum price?—Yes.

2318. My last question is in regard to pigeon mixture. What is it, who makes it and why, how much is made, and what trouble does it involve?—(Mr. Almond.) The Cereals Division supply the ingredients for this pigeon mixture. It is just what it says: it is for supply to pigeons. There are various mixers throughout the country requiring very small supplies of grain. It is dealt with on a cost basis and there is practically no profit in it, nor is there any loss. On the distribution end of the national pigeon mixture I cannot give you any further information because it is, again, another Division; but the Cereals Division supply the ingredients, and we have no losses.

2319. So that from your point of view all you do is to supply the ingredients?—Yes.

2320. Are they mainly imported ingredients?—There are two mainly: there are coarse grains and mainly imported feeding pulses.

2321. What is the total value of it? What I am trying to get at is whether it justifies all the trouble or whether it is not one of the things you could deal with on a small basis.—(Mr. Bailey.) We have examined that subject in the Ministry and we rather reluctantly came to the conclusion that we had to continue this activity.

2322. What is the total value?—I am afraid that I have not got that figure in mind, but it is not very large. It is a troublesome activity and we shall be glad to be rid of it; but there are considerations that make it desirable that we should be the source of supply of this national pigeon mixture.

Mr. Niall Macpherson.] Would it be possible to let us know those considerations?

Chairman.] I am going to take that opportunity to adjourn this afternoon. We are obliged for the assistance you have given us to-day, and we will resume next Thursday, on which occasion I will invite Mr. Macpherson to complete his present inquiries about pigeon mixture.

The Witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 24TH MARCH, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Kirby.
Viscount Hinchingbrooke.

Mr. Niall Macpherson.
Mr. Yates.
Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, Mr. H. FITZGERALD, Finance Director, Cereals Group, Mr. C. P. P. ALMOND, M.M., and Mr. E. L. LAWRENCE, Deputy Finance Directors, Ministry of Food, recalled and further examined.

Chairman.

2323. I have two or three questions arising from the evidence we took last week. In the first place, when oats are purchased for reserve stock, who purchases the oats? Is it the Port Area Grain Committee?—(Mr. *Almond*.) Yes.

2324. Is it true of imported edible pulses?—Imported edible pulses are imported by the Imported Cereals Division. We explained that the buying organisation for imported cereals, which includes edible pulses, is the Imported Cereals Division, the grain and flour trade people.

2325. We asked several questions about the remuneration of the Port Area Grain Committees. I do not think we obtained the amount, or perhaps I should say the amounts, that is to say, both the global margin and the amount of the expenses. I wonder whether you have that available? If not, perhaps you could let us have a note on it?—(Mr. *Bailey*.) The amount of the global margin is £500,000 per annum. I have not got before me the figure of expenses; perhaps we could put in a note?

2326. Thank you very much. Now, to turn to another subject, Algerian wine, has the possibility been considered of endeavouring to lower the price by Customs rebate?—(Mr. *Almond*.) By Customs rebate, Sir?

2327. Yes.—(Mr. *Bailey*.) If it were to be considered, Mr. Chairman, it would be a Budget matter.

Chairman.] You will remember that I promised Mr. Macpherson last time that he should put some further questions with regard to pigeon mixture.

Mr. *Niall Macpherson*.

2328. I think I have indicated the broad lines of my inquiry about pigeon mixture.—(Mr. *Fitzgerald*.) The position on pigeon mixture is that the greater part of the ingredients is imported; the total amount involved is about 5,000 tons per annum, of which about 1,500 tons are maize and 3,500 tons are pulses, peas and beans of one sort and another. Small quantities of home-grown pulses go in, but the bulk is imported. That is imported by the Imported Cereals Division and made available to the Animal Feeding Stuffs Division.

The Animal Feeding Stuffs Division has this stuff directed to a number of licensed manufacturers, if one can so describe it, who specialise in the making of pigeon mixture, and the stuff is distributed from them to retailers and sold to people who keep racing pigeons. There is no ration scheme operated by the Ministry of Food in this connection, but there is a ration scheme operated by the Homing Association, I think it is called, which is a federation of the various national associations of pigeon owners. The ration at the moment is about 1½ cwts. of this mixture per pigeon per year. There is a Maximum Price Order controlling the price, which works out at about 5d. per lb. retail. That, very briefly, is the way this operates.

2329. Is that the normal intake per pigeon per year?—I think it is a little less, probably, than the pigeon owner fed to his pigeon before the war, but it is presumably sufficient to maintain the pigeon.

2330. How does that rationing work out at all?—The pigeon associations make available to their members a sort of voucher which entitles them to take a prescribed quantity of this mixture according to the number of pigeons that member owns.

2331. How are the requirements of the retailers assessed?—Retailers can purchase as the local demand requires from the manufacturers, subject to their being able to prove to the manufacturers that they have got that demand for it; that is another part of the rationing system.

Chairman.

2332. Perhaps we could now turn to millable wheat and deal, incidentally, with the activities of the Cereal Products Division. Home-produced wheat is purchased by approved buyers and sold to millers?—That is so.

2333. Imported wheat goes through the Port Area Grain Committees and again is sold to millers?—Yes.

2334. All these operations being carried on at controlled prices?—Yes.

2335. But the millers operate as principals, trading in their own names and distributing their products, according to your directions. Why have they not

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followed what we have come to recognise as the usual pattern of forming an association?—(Mr. Bailey.) They have formed an association, British Millers Mutual Pool, Ltd. The Pool Company is the contractor under the remuneration scheme, and there is also the Incorporated National Association of British and Irish Millers Limited.

2336. Are the negotiations and relations between yourselves and the millers conducted through these two associations?—They are.

2337. And again, so that we get back to the usual pattern, the association is responsible for allocations between their members?—Yes; but the interest of each individual miller is more closely controlled under the Flour Millers Remuneration Agreement than in some of the other cases which have been before the Sub-Committee.

Mr. Niall Macpherson.

2338. How did you describe the Remuneration Agreement?—The Flour Millers Remuneration Agreement.

Chairman.

2339. On the question of remuneration, I wonder whether you could explain a little more fully the amount of the remuneration? We have the memorandum, Appendix H, before us, but I am not quite sure whether I clearly follow the reference to some additional remuneration on excess production, and the final paragraph of the memorandum?—The final paragraph of the memorandum is very succinct.

2340. Yes?—It represents an attempt to compress what is contained in an Agreement that is 50 pages long in print. I do not know with what particular aspect of that Agreement you may be concerned, but I could attempt to describe in some detail how the Agreement is constructed.

2341. Yes, I think it would be helpful?—It is, of course, an important Agreement, and considerable sums of money are paid out under it. There are roughly 300 millers, and with some few and unimportant exceptions they have all adopted the Remuneration Agreement. Perhaps I should say in the first place the flour milling trade operates under a Control Order, and the Remuneration Agreement is superimposed upon that control. The Agreement provides that each miller who has adopted it shall during control carry on his flour milling activities in accordance with the directions of the Minister and as efficiently and as economically as the circumstances from time to time permit. The Minister agrees to provide by way of remuneration to a Pool Fund for distribution to the pool millers—

you will remember that I said that our contracting party was the British Millers Mutual Pool, Ltd., a company formed for the purpose—a yearly sum equivalent to the total standard average profits of all millers who have adopted the Agreement, this standard average profit being assessed in accordance with the terms of the Agreement. Briefly, the standard average profits of all Pool millers are the yearly average profits of any three consecutive years of the four years ended 31st December, 1938. The Agreement goes on to provide that in assessing the standard average profits the standard average production of each miller will be agreed for the same period, and when the standard average profits and the standard average production of all Pool millers have been agreed and aggregated, a standard margin is arrived at by dividing the one by the other. As a matter of mechanics, each Pool miller, as soon as possible after the end of each control year, submits his properly audited accounts drawn up in accordance with the Agreement, and the Minister then agrees with that miller the amount of his control profit or loss, as disclosed by his accounts. That is to say, the accounts are investigated and adjustments made to bring them into conformity with the Remuneration Agreement. That having been done, the balance of each profit and loss account is treated as follows—and this is the essence of the arrangement: Any profit, provided it does not exceed the standard average profit of the miller, is retained by the miller on account of his Pool share, but if his profit exceeds his standard average profit then the excess is paid over by the miller to the Pool Company for the credit of the Ministry. That is No. 1. Then No. 2: Any loss made by the miller is repaid by the Ministry to the miller. No. 3: Where the profit of the miller is less than his standard average profit, then the miller receives out of the Pool fund a sum necessary to bring his profit up to his standard average profit, and his standard average profit is synonymous with his Pool share. No. 4: If the miller has made a loss, then, in addition to receiving his loss, he receives out of the Pool fund his standard average profit. In the end, by the operation of all those factors, he comes out individually with his standard average profit. In 1945 there was negotiated a Supplementary Agreement which provided for remuneration on excess production, and unless one understands the Agreement as I have described it summarily one cannot understand what excess production is. It is production in any control year over and above the pre-war standard production. Each miller who has such excess production receives a rate of remuneration on that excess production which is considerably lower per unit, per sack of flour, than his standard margin. I hope I have made myself reasonably clear.

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2342. One or two supplementary questions. In the first case, why are a few small millers outside the Agreement—and perhaps I had better ask at the same time what is the basis of the relationship of the Ministry to those millers?—Perhaps I might ask Mr. Lawrence to answer those two questions. (Mr. Lawrence.) All millers were entitled, provided that they were milling before the war, and during certain dates mentioned in the Agreement, to adopt this Remuneration Agreement. Certain of them, for one reason or another, did not do so; they are usually very small millers where the flour section is such a small sideline that they did not bother. The way we treat them is as far as possible on the same basis as though they had adopted the Agreement, certainly in no better way and sometimes probably not so well.

2343. It means, at any rate, that the remuneration they receive is the same as they would have received if they had come within the scheme?—Yes; it certainly would not be any more. We cannot say it would be exactly the same, because in nearly every case they have no Accounts available, so that we cannot arrive at a standard profit. We try to assess a sum of remuneration based on the Agreement, making certain that they do not get any more than if they had adopted the Agreement.

Mr. Barton.

2344. Is he debarred from receiving any additional sums that may accrue in similar circumstances to the Pool millers from the Pool itself?—For excess production?

2345. No, in order to meet losses in his operations?—If he submits Accounts to show that he has made a loss, then we would pay him the loss.

2346. Where from—from the Ministry's funds?—Yes, from the Ministry's funds.

2347. So that he is getting the advantage of the Pool arrangement without necessarily contributing to it?—No. Any miller in the Pool recovers his loss, but not out of the Pool. There is no Pool unless the Ministry pays something into it, and the Ministry only puts millers losses in if there are losses; so that instead of our paying into the Pool and the Pool Company paying the miller, we pay him direct because he is not a party to the Agreement.

Mr. Barton.] I probably misunderstood Mr. Bailey's rather involved statement.

Chairman.

2348. This is probably a fair summary, is it not, that the question of losses is one for the Ministry, because the Ministry bears losses should they arise; but when it is a question of the spread of remuneration, then that is a question between the

miller and the Pool?—(Mr. Bailey.) Not so. The Agreement operates on the basis of the individual.

Mr. Barton.

2349. Then what is the purpose of the Pool?—There is an equalisation payment.

Chairman.

2350. I thought the Pool, and not the Ministry, gave an equalisation payment, and I should like to be corrected if I am wrong, because I may have misunderstood Mr. Bailey. I understood that apart from losses the Pool made up the margin to the standard margin if it should fall below it?—(Mr. Lawrence.) Not the standard margin. The basis of the Agreement is that we pay the industry a sum per annum; that sum is calculated on the results of the individual millers, so that it does not form an equalisation fund in any way really. The Pool Company collects that amount from the Ministry, and pays it to the millers. The Pool Company acts as an intermediary through which we work, the Pool Company representing the millers on policy and any other differences of opinion regarding the Remuneration Agreement that there may be, the Ministry thereby settling disputes with the millers through the Pool Company where necessary.

2351. That would not affect you; your direct interest ceases with the Pool?—No. We investigate the Accounts of the millers ourselves; the Pool Company does not. It is acting as a sort of intermediary. We make our payments through the Pool Company, and it deals with the millers after we have settled what remuneration they should receive. The Pool Company aggregate these amounts, whereby we get the standard production and the standard average profits, and we arrive at the standard margin. If in any year the production of the industry falls below the average production in pre-war years, then each miller would get proportionately less profit based on this standard margin. In that case we would not deal with individual millers but with the Pool Company, informing the Pool Company of the reduced total remuneration of the industry and that Company would pay a proportionately reduced amount to each miller. If that ever happened—it has never happened—that would be one of the occasions where the Company would come in, and the other one is on the excess production remuneration as we only pay on the excess production of the industry as a whole.

2352. That is what I was going to ask?—We pay the Pool Company a flat sum calculated on the total excess production, and then it would distribute it to the various millers who had excess production.

2353. Would it be possible for individual firms to have claims for excess production

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payments although the industry as a whole was not entitled to any?—There would not be any then. If, taking a simple case, the total production in any control year exactly equalled the standard production, there would be no excess production remuneration, although several millers might have excess production. We pay the Pool Company a flat sum calculated on the total excess production and then the Pool Company would distribute the sum to the various millers in accordance with the Remuneration Agreement, paying the proportion of the total allocated to excess production to the millers who had an excess production during the year over their standard production.

2354. But in the distribution by the Pool they might have to be making allowance for claims for excess production by individual firms?—They would do, but the only ones who would be entitled to it would be those with excess production.

2355. Does the fact of this provision for payment for excess production mean that in effect different millers receive different rates of payment?—The excess production is calculated as a total sum of excess production. Then an amount is agreed with the Pool Company as being the excess production remuneration, and millers who had excess production would get that amount split amongst themselves. They do not get varying rates on their excess production.

2356. It is a standard average figure then. That is why I raised the question on the last paragraph. It is not based on the yearly average profit of the individual firm that has enjoyed the excess production?—No. (Mr. Bailey.) It is on a sliding scale.

Mr. Niall Macpherson.

2357. Does that mean the more you produce, the smaller the profit becomes? How does the sliding scale operate?—(Mr. Lawrence.) It comes down to this: the greater the excess production, the lower the average rate per unit.

Mr. Barton.

2358. This is all carried on on the basis of an unsubsidised purchase price, is it?—On flour?

2359. We are talking about wheat now, are we not, wheat going to the millers, and I understand that they buy at unsubsidised prices?—Yes.

2360. That principle operates right through the arrangement, does it?—Yes.

2361. Then to whom is the subsidy paid?—What happens is that the millers have to buy their wheat at the full unsubsidised price, and then they are by Order compelled to sell flour at the subsidised price. They have got to mill wheat and

to produce flour. Because of this they could not carry on financially because the subsidised price of flour is very much lower than the actual cost, so that what happens is, we pay them an amount of money on account to put them in funds until such time as they render their Accounts to show whether they are entitled to any money or not. Whatever amounts we pay them they bring into credit in the Accounts which they submit. We just advance them the money for the time being.

Mr. Yates.

2362. Do you advance it to them all?—Yes, they all get the same rate. We assess the rate that we should allow off the cost of the wheat.

Chairman.

2363. Do the advances bear interest?—No; they are only made because we know that they are necessary. We do not make advances for any other purpose than that the millers need the money. We calculate the approximate price they would have to buy the wheat to be able to sell the flour at the subsidised price; so that we make this allowance by a payment on account based on their purchases of wheat to reduce the total costs to the price of the flour sold at the subsidised price.

Mr. Barton.

2364. Is it because there is a different subsidy on the flour as distinct from offals?—There is no real subsidy payment on flour; it is the difference between the cost of wheat plus the costs of production and distribution of flour, and the selling price of flour. That net figure becomes the flour subsidy. We do not pay any amount as flour subsidy.

2365. You call it a wheat rebate?—That payment to the miller is to put him in funds to be able to do that operation. If he had to wait until he submitted his Accounts he would be thousands of pounds out of pocket. He could not finance it. We know that he has got to have some money, and we give him what we think will just keep him in funds. The net cost is the flour subsidy.

Chairman.

2366. You also refer to licensed flour factors. What is their rate of commission?—It varies between England and Scotland; it is about 1s. 3d. a sack up to about 1s. 4½d. That is the rate they get, but they all have what is called a datum, which is their approximate pre-war trade figure. This 1s. 3d. per sack on their actual operations during control is limited to 1s. 3d. on that datum, so that if they had a datum of, say, 1,000 sacks and they sold 2,000 during control, they would still only get 1s. 3d. per sack on 1,000 during control.

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2367. So that there is no incentive to them to do more business than they did pre-war?—They are distributors more than anything else. (Mr. Bailey.) In effect, the arrangement saves the Ministry money.

2368. Because their business is larger than it was pre-war?—Yes.

2369. That may be an arrangement we would not seek to criticise, but is it satisfactory to the flour factors?—It appears to be satisfactory.

2370. On the second page of the memorandum you refer to buyers of flour being restricted to purchasing from various producers with whom they are registered. Does that mean that they are in effect tied?—(Mr. Lawrence.) Yes. They have tied than one supplier, and they may register with two millers. They can get supplies from either; but a baker, for instance, cannot just go wandering around the country getting it from anybody. That is more to limit distribution and the freight on getting the flour to him.

2371. Apart from saving on freight, I presume it will also simplify control?—(Mr. Bailey.) Yes; it is in effect also the basis of the present flour restriction scheme.

2372. The system of allocations?—Yes.

2373. You also refer to Area Flour Officers. I wonder whether you could tell us what these officers do, they being Ministry officials, and why they are honorary—not that we object to that?—(Mr. Lawrence.) In each area they have these Flour Officers, who deal with the problems in the area. If it is necessary to shift flour from one district to another, the Flour Officer knows what is available in that district and if it is necessary to send it to another district. These Flour Officers are usually, if not entirely, flour millers, which is why they act in an honorary capacity, because they are remunerated as flour millers. If there is some flour that has gone bad, the Area Officer investigates the circumstances and then decides what should happen to the flour.

2374. By virtue of their office they carry the authority of the Ministry?—They are under the control of the Ministry. They are not entirely free to do as they like.

2375. I meant, as far as the directions they give are concerned, they are in effect directions of the Ministry?—Yes.

Mr. Niall Macpherson.

2376. How are they appointed?—By arrangement with the millers; the Ministry appoints them.

2377. It is a miller?—Yes, it is a miller in the district who becomes the Flour Officer.

Chairman.

2378. In fact, is the situation this, that an Area Officer will be nominated by the

millers and usually accepted by the Ministry?—Yes.

2379. I was going to refer to the sixteen silos and drying plants that we have built for home-produced grain. Were they constructed during the war?—Yes.

2380. Who forms the Recommissioned Mills Ltd.?—(Mr. Fitzgerald.) Recommissioned Mills Ltd. is a company with a nominal capital of £100, of which only 2 shares are issued, both held by Ministry officials. The company was formed at about the end of 1940 or the beginning of 1941 to operate, I think, five or six abandoned flour mills at a time when it was all-important to have every possible mill producing. The company rented these mills; it did not acquire them but rented them and operated them. Then, as that very urgent necessity passed, the company abandoned flour milling, and continued to operate those sixteen silos. Its whole activities now are the drying of home-grown grains, very largely wheat; a very little barley is handled. The bulk of its business is wheat.

2381. Are they strategically placed?—Yes, they are scattered throughout the country. There is one in Scotland, one in the extreme South-West, and the bulk of them are, roughly speaking, in the Midlands over towards the east, the big wheat-growing part of the country.

2382. As far as the company is concerned, it is a non-profit making company receiving advances against costs?—Yes; in fact the company operates at a loss, for the reason that it has suffered loss of weight in drying, and for that reason it cannot operate at a profit.

Mr. York.

2383. May I go back for a moment to the remuneration of the millers? I did not follow from the discussion what control there is over the efficiency of the millers and the milling companies from the Remuneration Agreements which have been put in force. Is there any incentive to millers either one way or the other to be more extravagant or to be more economical in their operation?—(Mr. Bailey.) The answer to that in general is that the Agreement does not include an incentive as such. Despite every effort to devise incentive schemes, nobody has yet been able to suggest one that would meet the needs of the situation. This subject has been before the Committee of Public Accounts on several occasions. On the last occasion it was said that the conditions obtaining in the past three or four years have not greatly differed from those of the war years and that it is unlikely that a satisfactory incentive scheme can be devised unless and until the Ministry are satisfied that output of uneconomical millers can be dispensed with. In to-day's circumstances, as also

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during the war, allocation of grain continues to be made to individual flour millers on approximately the same basis as during the war period and in accordance with the requirements of the district served by the mills. In general we consider that flour millers are operating as economically and as efficiently as their various circumstances permit. They have their own interests to serve in doing so. They are well aware of the necessity for keeping their running costs down in order, at a later date, if they return to free operation, to be able to face competitive conditions. Superimposed upon the remuneration arrangement, however, is a close control and supervision of each individual miller's costs.

2384. I follow that; but the arrangement now is that, subject to total production, profits remain the same as they were in the pre-war period. I presume that is correct?—That is correct.

2385. It is exactly the same problem in regard to this fixed margin as in all other margins, where the Ministry of Food has some similar arrangement, not necessarily for cereals but anything else. It is the same problem and was discussed by another committee, by the Public Accounts Committee?—No, it is the reverse.

2386. I wanted to find out. Can I refer to that discussion and see what was said and what was discussed?—I think the discussion that you are referring to lies rather this way, that in fixing an overall margin on the basis of average cost—I am talking of manufacturer's margins at the moment—you must necessarily fix margins at such a level as will get you the production that you require. It means that those who are efficient get more than their due reward and those who are inefficient are sustained by the level of the margin, subject, of course, to the level at which you fix your average costs; but in this particular case the very reverse set of circumstances exists. You have each miller remunerated individually upon the basis of his individual costs; and the only alternative that could be devised which would provide an incentive is the alternative of the overall margin.

2387. Is that strictly so? I am sorry if I am being stupid, but is that the same thing as we said before? You said that the individual miller is remunerated strictly according to his costs. Surely that is not the case? He is remunerated according to his pre-war profits?—Yes, I must correct myself. He is remunerated on his pre-war profit. His costs, which give rise to his profits, do not remain static. That is perfectly true. But I was suggesting that the alternative to that arrangement is an overall margin arrived at on the basis of his average cost or on the basis of a standard cost. That standard cost, I suggest, would

have to be fixed at a high enough level to ensure that every miller whose production we required remained in operation. If that were so fixed it would certainly cost the Ministry more than the present individual basis of reward.

2388. I quite agree. That is rather a different argument, is it not? What it really boils down to is this, that while we have got to deal with the imports in the way we are dealing with them, you cannot find any other method of remunerating except the present one?—We cannot find any method as economical in our judgment as the present method. The essence of this problem is this, I think, that the millers are subject to the Ministry's direction in very great detail; they must take their wheat in where we direct them to take it in and they must distribute their flour where we direct them to distribute it, to satisfy the needs of the distribution of flour in the country. Those conditions of operation are extremely artificial. Their costs are affected by our directions, and unless we had either a generous overall margin or a guarantee of their costs, which is what this amounts to, within the limitations that I have described, we should not be able to expect the flour milling trade to be amenable to our directions to the degree to which they are amenable today to those directions.

Mr. York.] I want to ask a further question, Mr. Chairman. I notice this part of this Division deals with feeding stuffs. I think it would perhaps be better to leave that to a separate discussion.

Chairman.

2389. I think probably it would be better to deal with it now, because I was going to pass on to the Bakery Division?—The expert witnesses before you do not deal with animal feeding stuffs, except on marginal operations. (Mr. Almond.) We import cereal feeding stuffs and we distribute them through the Port Area Grain Committees, but the control of distribution is dealt with by another Division.

Mr. York.

2390. I see?—(Mr. Fitzgerald.) We procure it and they distribute it.

Mr. York.] Then I must leave that.

Mr. Barton.

2391. There is just one point I want to deal with that has not been dealt with and that is the question of flour mixtures for general manufacture and flour that is used other than for human consumption. Can I be told to what extent this Division deals with commodities in those respects? I am thinking of patent foods which have flour as an ingredient?—(Mr. Lawrence.) This Division produces the flour and it is

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distributed in accordance with the requirements of the Manufactured Food Division and in such quantities as are required. If that amount of flour can be diverted to them, they get the quantity for various manufactured foods like custard powders or sauces. Is that what you meant?

2392. Yes—and flour that is used in manufacturing processes, other than for food?—Do you mean industrial purposes?

2393. Yes?—That is also dealt with by this Division.

2394. And the control right through to production is not exercised by the Cereals Division?—The final result, do you mean?

2395. Yes?—If it goes to an industrial user, no. Industrial users are supplied with quantities of flour against licence from this Division, but we do not know what they do with it after that. We do not control their other activities. (Mr. Bailey.) When Mr. Lawrence was referring to this Division, he meant his Division. You may have thought it was the Manufactured Foods Division of which he was speaking. That Division controls the end use of industrial flour supplied by the Cereal Products Division.

2396. I will come to this point then: Are the financial arrangements for handling these commodities through your Division similar to those in connection with flour for human consumption?—(Mr. Lawrence.) Yes.

Viscount Hinchinbrooke.

2397. Although you require all flour millers to take their grain in one place and supply it in another, and although you exercise very detailed supervision over their costs, there must be room in many subtle ways for efficient or, alternatively, inefficient service, must there not?—(Mr. Bailey.) I should not like to say there was not. There must be some degree of inefficiency among flour millers particularly those who are operating mills which are out of date. The degree of efficient management of a mill must vary very considerably. That, I think, one must concede, but it is subject to the controls that I have mentioned. There are more factors, however, in the situation than the mere requirement that the miller must take his wheat from the point to which he is directed.

2398. But as you take all excess profits over the agreed margin and make up all losses under the agreed margin, I do not feel satisfied that there is any incentive operating within the particular flour milling organisation as an entity which will cause it to promote the utmost efficiency in its organisation, even though you have a detailed supervision?—I scarcely think it is right to say that we take all profits above the standard. It is true we do not pay more than the standard profit, but subject to that qualification I would be disposed to agree that there is a lack of incentive

here, and to say that we have considered that from year to year and have not been able to devise a scheme which would be both practicable and equitable and an improvement on the present arrangement. Perhaps I could, if the Sub-Committee were interested, give some of the other factors in the situation which make it so artificial. I have referred to the fact that millers must purchase their wheat at prices fixed by the Ministry. They dispose of their products at fixed prices which are heavily subsidised; the Ministry place restrictions on them as a result of rationing and their control schemes, registration of customers and limitation of districts which can be supplied. The Ministry dictate the rate of extraction of flour which can be altered at any time as the Ministry think necessary. The Ministry control the grist by stipulating the proportions of home-grown wheat and imported wheat to be used by millers. Those directions vary from time to time. Lastly, millers are hampered by the difficulty of carrying out necessary repairs and replacement of plant. They cannot re-equip because the re-equipment machinery is not available; and in total the whole field of their operations is very much circumscribed. The situation is a very artificial one, the necessity for which arises out of present conditions of supply of wheat and the very much increased off-take of flour.

2399. Let us be frank, Mr. Bailey. It arises out of high policy, does it not? You are not going so far as to say that there have not been shortages in the United Kingdom before and they have not been dealt with by completely unimpeded private enterprise?—I see little comparison between pre-war conditions of shortage and the present conditions.

2400. In addition to lack of incentive, which you admit, there is, or there must be, a very elaborate structure of control and supervision by the Ministry, which you also admit, and which is, if I may say so, very expensive?—It is elaborate, but whether it is expensive I suppose must be measured against the ends to be attained.

2401. Is there any estimate which can be stated in terms of money as to what it costs the Ministry to exercise this detailed supervision over flour millers?—It would be difficult to extract the cost of that control from the costs of the group of Divisions with which we are dealing.

2402. Anyway, we are faced with some sum of public expenditure which goes into this elaborate controlling technique and also a potential economic loss due to lack of incentive operating within these firms as entities?—We are certainly faced with the costs of the control; but the necessity for the control, I suggest, stems from the supply situation. On the other aspect, the potential loss through lack of incentive, I would

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merely say this, that the only alternative that we have been able to envisage is one which would be more expensive in terms of money, would cost the Ministry more in other words. I would add that it is in the millers' own very direct interests not to allow their costs to rise lest when their freedom returns to them they find themselves, or those of them who have so allowed their costs to rise, not in a competitive position.

2403. Have the flour millers, as have the Port Area Grain Committees and the Meat Traders, approached you in order that they may be released from the controlling scheme?—No, not formally. They from time to time express aspirations informally.

2404. You gave us last time the reason for not releasing them, as an important factor in any adverse decision with regard to the claims of the Port Area Grain Committee to be released, the balance of payments difficulty. That would not apply, would it, to the flour millers?—It would apply equally, I think, or certainly to a very material extent because the flour millers were themselves buyers of grain abroad.

2405. But I understood they took wheat from the Port Area Grain Committees and from approved buyers and that they were dealing with the milling and with the distribution of flour within the United Kingdom. Is that so?—(Mr. Lawrence.) They themselves are approved buyers as well. A miller does not necessarily have to get his wheat from an approved buyer, because he is one; he can buy direct from the farmer.

2406. Without allowing flour millers directly to import wheat, you could release them from the system as far as milling and internal distribution are concerned?—(Mr. Bailey.) No, I suggest not. The effect of that might well be a shortage of bread and of flour. That is the prime consideration in the retention of control of flour millers, namely, the extremely high off-take of flour for bread and other purposes and the strain on the distributive and productive system that involves.

2407. But precisely why would the release of the flour millers from this scheme lead to a shortage of bread?—The answer, I suggest, is that if there were a return to completely competitive conditions a great many flour millers might find themselves forced out of business. That is a strain that the bread supply situation could not stand.

2408. But that would only be indicative, would it not, of the capacity of the main millers or the most efficient millers to deal with existing supplies?—There would be an unfortunate hiatus while this adjustment took place in the industry—and one needs bread daily.

2409. But in the reverse situation when you brought the scheme into existence at the beginning of the war there was no hiatus, was there?—No; the production and distribution as well as the consumption of flour rose gradually.

Mr. Niall Macpherson.

2410. That hiatus, I take it, that you speak of would normally be met by imports of flour from abroad?—Yes.

2411. And that is something the Ministry of Food will not contemplate?—Yes.

Mr. Yates.

2412. May I just ask one question? When you admitted that the machinery was elaborate, do you think that that machinery could be made less elaborate, less expensive?—No. I think not. When I spoke of the machinery being elaborate, there is, of course, a fairly considerable elaboration of accounting controls here; there are 300 accounts a year to be scrutinised, but in terms of man-power that is not so much as it might seem; it might be a dozen or more accountants. The expenditure of man-power, with which I am not equally familiar, lies rather in the other direction, the control and distribution of flour throughout the country in order that the needs of the people may be met. I have not got in mind any figure which I could mention in that respect; but I would broadly agree with your proposition and I do not see any way of reducing this. With the abolition of bread rationing there was a saving of staff.

Mr. Niall Macpherson.

2413. May I start with the point which I think I raised in another connection. Mr. Bailey did say, speaking of the millers, that certain things might happen when their freedom returned to them. Does that imply that a guarantee has been given to them?—Not at all. I should have said "if and when."

2414. Is the situation different in this case from what it was in the past? Was there no understanding at all when the flour millers entered into this Agreement?—There are no outstanding pledges.

2415. Is there any understanding?—None that I know of.

2416. You also said that it would be difficult to extract the expenditure of the Division. Is it never done? I take it that it would not be impossible to cost, so to speak, each Division of the Ministry of Food and their operations?—It would be quite simple to cost the administrative costs of the Division or the group of Divisions involved; that is done very regularly at the appropriate intervals; but to split those figures down into some part attributable to this operation and some other part

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attributable to another operation would be somewhat difficult.

2417. But not impossible?—No; estimates could be made; but it may be open to question whether the expenditure of manpower would justify the effort.

2418. It would only justify it if you were contemplating certain changes, would it not, and you really wanted to make certain they were justifiable in terms of cost?—Yes; but the changes would be, I presume, broad changes which would have their effect in the field of staff or costs, whatever the number of staff or the amount of costs might be. They would vary.

2419. I am not quite certain when the Pool came into existence?—The first Agreement was made in 1941, but that extended back over the control years preceding. We were in negotiation with the Pool all that time. I think the Pool was probably formed when most of these companies were formed, at or about the outbreak of war.

2420. It was not a pre-war organisation?—No; it was a special company formed for the purpose of contracting with the Ministry. The principal existing association, the Incorporated National Association of British and Irish Millers, Ltd., is on another footing. That is the standing Association of the trade.

2421. Does that cover Northern Ireland?—Yes.

2422. Is not one of the grave troubles about the present remuneration the fact that it must be becoming progressively difficult, on the basis of a fixed remuneration, to arrange for the replacement of machinery?—That is a subject that has been raised by the millers; they have raised it on at least two occasions, and at the present moment it is under negotiation with them. Perhaps I might be excused from saying very much more about it, but certainly it is a feature of difficulty. On the other hand, the remuneration represents a certain measure of return on capital, which might be thought to be sufficient to meet the charge.

2423. Yes; but, of course, it was based entirely, was it not, on the four years' profit before the war, when presumably the ordinary rates of depreciation were only sufficient to cover replacement costs at prices ruling at that time?—That is to say, the rate of return on capital that I have mentioned is the rate of return upon capital computed according to income tax principles, therefore capital at its original cost, reduced by depreciation and similar allowances, and if you were to re-compute capital, then the rate of return would be quite different; it might only be half the rate of which I was speaking. On the other hand, as long as Inland Revenue rates remain what they are, we must follow them, and that is normal Departmental

practice. It goes wider than our own Department. If those rates were to be changed having regard to the enhanced cost of re-equipment, we would likewise follow, but in considering the whole subject one needs to look at the return on capital calculated on ordinary Inland Revenue principles.

2424. Would you say that those four years, then, were good years for millers from the point of view of return on capital?—They were able, of course, to make their selection among them within a certain limit, and they were competitive years.

2425. Able to make a selection among what?—They could take three years out of four, three consecutive years out of four, that is.

2426. I see. Now, in controlling costings, have you noticed that costs of maintenance have shown a tendency to rise more than they could be expected to rise in relation to costs ruling at the present time, and can one derive the impression, for example, that machinery is seriously in need of replacement, apart from maintenance?—I will ask Mr. Lawrence to answer that question. (Mr. Lawrence.) What happened during the war years was that millers went into complete production and running all the hours of the week, whereas before the war they would close down periodically. This they were not able to do as regularly during the war, otherwise they could not have got the production. By leaving it, one could say that the repairs, or the necessity for repair, was greater when they did repairs than if they had been able to do so in their normal sequence; apart from which the cost of repairs has gone up like any other costs.

2427. Are they now able to do normal peacetime maintenance?—Very nearly; now most millers are able to close down for a period and do their overhauls regularly, whereas during the war they had to do them when they were able, and the necessity might arise two, three or four months before they could close down to do an overhaul. That had the effect of necessitating greater repairs than if they had been able to do it fortnightly or weekly or whatever their normal arrangements were.

2428. Broadly speaking, are you satisfied with the state of the mills? We have already heard that some of them are not particularly efficient and might go out of production, and reference has been made to uneconomic mills; but, broadly speaking, are you satisfied with the state of the mills?—They are not as good as they might be; millers are gradually making up for this lag in repairs and getting mills into running order now, and by periodical inspections now they are improving; but, of course, the machinery is a lot older, and has suffered because of the extra running.

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2429. Is there any prospect of replacement, as things are, with the present level of costs and the present level of margins?—They are being carried out as and when the machinery is available. It is in short supply, shall we say, so that all millers cannot do all the replacement work that they would like to do.

2430. But it is not the financial factor that is limiting it?—It may come into it as well, because millers have to finance it themselves. The Ministry do not finance replacements.

Mr. Barton.

2431. Are they subject to any Ministry direction in respect of plant replacement?—No. If they want a licence to replace, the Ministry back it according to whether the Ministry think it necessary, though it usually is necessary, and then millers have to wait for the supply position to improve to be able to replace.

Mr. Niall Macpherson.

2432. Is there any priority given to the replacement of machinery when it becomes necessary, and who says when it becomes necessary?—It has the Ministry's backing. Whether one could call it a priority or not I do not know. (Mr. Bailey.) It would fall within the investment programme review, and it would be given its proper place in that programme.

2433. What percentage would you say there is of uneconomic mills? Supposing you were to release milling flour altogether, what percentage would you think would tend to fall out of production?—(Mr. Lawrence.) In number or capacity?

2434. In capacity?—It is difficult to say: I should not like to guess; but quite a few, I am almost certain, would not be able to compete. The bigger millers would obviously continue and they have the majority of the output; but what proportion in number would drop out or what percentage of output would be lost, it is very difficult to say.

2435. Then reference has been made to the method of distribution. Is it the case now that bakers and the like are limited to a certain amount of flour?—Yes; the Flour Restriction Scheme operates for a certain period, and a baker can only have a quantity which is based on his previous year's average before this Restriction Scheme came in. The baker has a datum for 16 weeks and he cannot obtain larger supplies unless he draws on his allocation for the next period. The baker can only receive more than his datum if there is a proved shortage of bread in his district which cannot be supplied by the other bakers in that district.

2436. What would you expect to be the increase in the total consumption of flour if that restriction were removed?—(Mr.

Bailey.) It is rather difficult to say; the figures have varied from week to week; they were rather materially in excess of the figure based on the pre-existing datum. They have now fallen to about that figure. (Mr. Fitzgerald.) It is quite a recent datum; it is the year ending only just a few months ago. That is the datum on which the present species of rationing of flour is based; so that it is not out of date; it is quite an up-to-date figure.

2437. Do you mean to say that if you took off the restriction now there would be no increase in total consumption?—(Mr. Bailey.) I think that would be anyone's guess, but at the moment the off-take is running at about the datum figure.

2438. Would it be possible to take off restrictions on flour only for human consumption and restrict other uses?—(Mr. Lawrence.) It would be very difficult, because it is difficult to trace for what purpose it is used. If an individual were rationed to so many loaves of bread, one would know to what use he was going to put it, but if it were freed he would have all he wants and then perhaps use it for some other purpose.

2439. Are there many other purposes?—For animal feed.

2440. Flour?—(Mr. Bailey.) Yes, and for flour confectionery. But you may rest assured that the course of this figure is very closely watched within the Ministry, and that the scheme would be maintained no longer than was necessary.

2441. I understand from what Mr. Lawrence said that really the subsidy amounts to the difference in the cost of imports, plus the cost of production, plus or minus the difference in loss and profits, broadly speaking?—Yes.

2442. Minus the selling price, finally?—Yes.

2443. Is there anything to go on to show whether these profits are in fact running or would in fact be running on the basis of the controlled selling price at a higher level than they were before the war?—Globally they would, of course, because the production is higher, whereas under the scheme global profits are static.

2444. Yes, I see. In other words, the subsidy is in a sense being reduced by the extra profit that is being made by the millers?—No. (Mr. Lawrence.) Actually millers cannot make a profit now at all. I am talking about trading results; they cannot show a profit, because of the high cost of wheat compared with the subsidised price of flour. No miller can make a profit, because wheat costs more than he can get for his flour.

2445. But supposing, instead of fixing the margin, you fixed the subsidy in relation to the method by which you arrive at the margin—if that had been fixed—would

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the margin be higher now or not?—A fixed flat rate subsidy?

2446. Yes?—Because that would have to vary with their costs, would it not? Their wheat costs have gone up, so that if you gave them a subsidy of so much per sack of flour, that would not cover them if the cost of wheat went up. Their production costs would go up too.

Mr. Niall Macpherson.] Yes; “flat rate” would be the wrong term. I see that. That is an impossible question to answer.

Mr. Barton.

2447. This subsidy on flour is not entirely a war and post-war innovation, is it?—(Mr. Fitzgerald.) Not a post-war innovation.

2448. It operated before the war?—(Mr. Almond.) It was not a subsidy as such before the war.

2449. But it involved the expenditure of public money?—Not that I am aware of. There was a self-balancing scheme under the Wheat Act of 1932.

Mr. Niall Macpherson.] It is a levy subsidy.

Mr. Barton.] The consumer paid it, at any rate.

Chairman.

2450. But not as taxpayer?—No.

Mr. Niall Macpherson.

2451. Dealing with the different types of flour, I had an answer from Dr. Summerskill the other day, in which she said there were some eighty different types of flour, all at different prices, wheaten flour?—(Mr. Bailey.) Speciality flour. (Mr. Lawrence.) Have you got your Question, Sir?

2452. No, I am afraid I have not got it?—There is wheaten flour but there were some other types.

2453. Oatmeal?—Or wholemeal. Did it not go further and include cereal breakfast foods?

2454. No; I was actually dealing with oatmeal there, a comparison between oatmeal and wholemeal wheaten flour, and she said there were eighty different types. What I was going to ask here was: Are those types branded varieties or associated with certain mills, or are they recognised types?—They would be associated with different mills. There are not eighty varieties.

2455. I thought that was going to be something that would be a little out of control. Dr. Summerskill's answer was, if I remember rightly, that the price for those was the difference between the price before the war and the present price. It is rather complicated?—It was the price of speciality flour and if that was sold at a certain differen-

tial or at a higher price than the normal flour price before the war, then it is still sold at the same price-difference over national flour.

2456. Yes. Thank you. Now, how is that controlled today, and how can you be certain that it is being sold at those prices?—Prices of speciality flour are under licence, and inspectors periodically go round the mills to see that they are selling their flour at their licensed prices.

2457. As to branded articles out of control, such branded articles as semolina, self-raising flour and so forth, do you control the prices at which they are sold? Yes, the prices are prescribed in the Orders for semolina and self-raising flour in small quantities. I take it you mean in small packets, not in bulk? They are prescribed in the Orders, and they are the maximum retail selling prices. The individual price of the miller again is fixed, and he sells under licence. The miller might sell to the retailer. The minimum price the miller can charge is fixed, and then the retailer is governed by the maximum retail selling price.

2458. What is the purpose of fixing the minimum price?—Because the miller is controlled by the Ministry, and we want to make certain that he covers certain costs. The maximum retail selling price is based on the approximate cost of giving different people adequate margins.

2459. Then is there any restriction on packings; are they allowed their pre-war packings?—They are allowed to pack, and that is governed at the moment by the supply of materials in which they can pack. There is no real limitation on the quantity they can pack. They are limited by getting supplies of the packages themselves.

2460. It is left to them, and if they can get them, then they can have their pre-war packing; there is no limitation on the elaboration of their packings by pre-war standards; they can do that if they like, can they?—Yes.

2461. We have been dealing mainly with wheat, but the same applies entirely to oat products as well. Now, what main differences are there in the handling of oats as compared with the handling of wheat from the point of view of your Department? You have got a fixed selling price to start with, and a retail selling price. How do you work back from that?—(Mr. Fitzgerald.) It is the same in principle as the control we have just been discussing for flour. There is a Maximum Prices Order which prescribes maximum prices in this case at all stages from the point of manufacture to the retail shop; that is to say, there is a maximum price the manufacturer can charge, a maximum price the wholesaler can charge and a maximum price the retailer can charge.

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Chairman.

2462. With margins based on the pre-war margins?—Yes.

2463. Would the same be true of millable barley?—(Mr. Almond.) Yes.

Mr. Niall Macpherson.

2464. And the only minimum is the minimum that the miller can pay to the farmer?—(Mr. Bailey.) For oatmeal? (Mr. Fitzgerald.) Oat products.

2465. Yes?—(Mr. Almond.) That is what the farmer gets for his oats. There are minimum and maximum prices in the Order. Could I go back to your question on barley? Was it barley as such that you were referring to?

Chairman.

2466. I was only putting a general point, that as far as oat products and millable barley are concerned they are dealt with in a similar way?—Yes, the margins are based on the pre-war figures.

2467. Earlier we were discussing what seems to be rather an important question, and that is the capacity of this industry. Have there been discussions with the Millers' Association on the question of the optimum capacity?—(Mr. Fitzgerald.) I do not think there have been any discussions as such on that. The milling industry up until the present has had the capacity to meet demands, although the demand has much increased by comparison with pre-war.

2468. Although you mentioned 300 milling firms, the industry very substantially is a monopoly, is it not?—There are several very large operators in the industry.

2469. Which for practical purposes control the industry?—They control a large percentage of the output, yes.

2470. I wonder whether it would be possible to have, as it is open to discussion, discussions with the industry regarding capacity related to the question we were discussing earlier of remuneration; in short, whether it would be an incentive to increase the capacity of the industry if some specific provision were made in the Remuneration Agreement for the re-equipment and extension of the capacity of the industry?—(Mr. Lawrence.) Several large mills were destroyed during the war and they have not been rebuilt yet, but the millers themselves are hopeful that they will be able to rebuild as soon as possible.

2471. So that in fact, owing to war damage, the capacity of the industry is less than it was at the outbreak of war?—Partly so, and they have met it partly by working or running longer hours than they did before the war. (Mr. Fitzgerald.) And they have brought back into commission some of the mills that were idle before the war.

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2472. I do not think we could pursue the matter any further, because I should imagine that any such proposal would have to fall in with the general position regarding capital investment?—(Mr. Bailey.) Yes.

Mr. Yates.

2473. When you say longer hours, do you mean the normal working week or overtime?—(Mr. Lawrence.) It varied. The big mills probably ran their three shifts and then closed down for maybe one and a half days a week; the others may have only run two shifts, and others may have run one shift; but they increased their output by running longer to replace the output of the mills that were damaged.

Mr. York.

2474. I wanted to find out, if I could before we went on, about the subsidy price. Could you say at what world prices would the subsidy become non-existent?—(Mr. Bailey.) I probably have the answer to that in my papers. It is calculated on the unit subsidy per sack of flour. All those figures have been given to the House on several occasions.

2475. What I was getting at was this. The newly signed Wheat Agreement gives a minimum price of \$1.50. It starts at that and then goes down each year. Would that minimum make the price of wheat unsubsidised?—(Mr. Almond.) No.

2476. It has got to go much lower than that?—(Mr. Fitzgerald.) Something below \$1.00 would be much nearer.

Chairman.

2477. Perhaps we can now turn to the Bakery Division. It is clear from the memorandum before us that we have a bread subsidy, because at the controlled price without subsidy the baker would receive no profit?—That is so.

2478. Now, what is happening today is that there is a subsidy of approximately 7s. 6d. a sack, of which 5s. is the trade's profit margin?—Yes.

2479. And as you state in the memorandum, it means that for 1948-49 we will have a subsidy running to rather more than £9 millions?—Yes.

2480. I wonder whether it would be possible to let us know how this compares with previous years?—The tendency has been for the rate of subsidy to increase gradually, practically ever since the beginning. At every review of the subsidy there has been a larger or a smaller increase in the rate, but the general tendency has been upwards. There are three rates in operation for the different countries, one for England and Wales, one for Scotland and another for Northern Ireland. The average is estimated to be somewhere about 7s. 6d. for 1948-49.

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They are not very wide of one another, though there are little differences, but the tendency has been upwards, and that has not been arrested yet.

2481. On the face of it, the more bread we consume the more subsidy there will be, and the more subsidy there is the more profit for the baker?—Yes.

2482. I wondered whether that factor was borne in mind?—Yes, that is certainly true; as long as bread consumption has increased, and the baker has received on the average the same unit profit on his sack of flour, then his aggregate profit has undoubtedly gone up.

2483. The broad purpose of this subsidy is to keep down the price of bread?—Yes.

2484. That is why it is introduced at this stage?—Yes.

2485. I do not know, and perhaps I should be better informed; but does that mean that manufactured bread is subsidised as against home-baked bread?—Well, they have this in common, that they both buy the flour at the same price; it is a subsidised price in both cases, and it really depends, if one could make a comparison, on what the cost of home-baking is as compared with the cost of factory baking.

2486. It struck me that possibly the home baker is being prejudiced as against the manufacturing baker, and I wondered whether perhaps, though not because of this, it may have contributed to the result, if that be the result, that the amount of manufactured bread had increased and showed a tendency to increase?—It is a very marked tendency; it is about 25 per cent. higher than it was before the war. It has accumulated gradually to that point, and that is where it stands at the moment.

2487. I have not thought of anything myself, but I wondered whether there would be any way of saving some subsidy by encouraging home baking?—It would be very difficult to do administratively, because the distribution of flour, broadly speaking, is at present all at the same price, and it would be very difficult in practice to direct it in such a way that the home baker would pay less for it. It is not impossible, but you could not be sure that even when they had bought it they would necessarily bake it into bread. They might use it for animal feeding. I should not think it is easy to do.

Mr. Barton.

2488. There is this point. Has home-baked bread fallen to the extent that manufactured bread has increased?—We do not know that, but as a matter of opinion I should think the total consumption of bread baked in any way must have increased overall. How far one kind balances the other, I do not know.

2489. You cannot tell whether a bag of flour is being used to make a loaf of bread or to make a big Yorkshire pudding?—No.

Chairman.

2490. In the case of biscuits, however, the position is different?—Yes.

2491. You have got a levy to offset the benefit that the trade would otherwise take from the subsidy?—Yes. We recover from the trade the full subsidy on flour that is baked into biscuits.

2492. Are the margins of the biscuit trade based on pre-war margins?—Again, the answer very broadly is Yes. This is rather a peculiar kind of price control. Biscuits are classified into price groups, and each biscuit is allotted to its particular group. What one can say about biscuit prices is that it is estimated that the average pre-war price of biscuits was about 11d. to 1s. per lb., and the price has risen to an average of about 1s. 7d., which is a comparatively modest increase. But one could not say that the margin is more than generally related to the pre-war margin because the nature of the industry has changed so much. We were making hundreds of kinds of biscuits before the war, with literally tens of thousands of different sorts of packing, whereas now they are only producing about 20 lines, sold loose, so that it is quite a changed kind of industry. The total production pre-war was about 300,000 tons of biscuits and the present figure is about 250,000. I think it is tending to go up.

2493. Do you work back from the global margin?—No, not in that case. (Mr. Bailey.) Might I give Mr. York the figure he was asking for? The flour subsidy from the calculation made on the 31st December represents approximately 1s. 1d. per 7 lbs. of flour or, with the wheat acreage subsidy, 1s. 1½d. per 7 lbs. of flour.

Mr. York.

2494. 1s. 1d.?—Yes.

2495. Is the subsidy all flour?—Yes, that is, all except speciality flour. This is the national flour.

2496. Would it be possible to get it into terms with the Wheat Agreement?—That would be quite a calculation.

Mr. York.] Thank you.

Mr. Yates.

2497. I would like to ask you a question about this bread subsidy on page 6. The subsidy will be approximately £9 millions, which is equivalent to 7s. 6d. per sack and the permitted profit is 5s. Why is that permitted to be 7s. 6d?—(Mr. Fitzgerald.) The difference represents the excess of baking costs over the maximum price that

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the baker will charge for his bread. His total costs, plus 5s., are 7s. 6d. more than the proceeds of the sack baked into loaves.

2498. But earlier on you say that the cost of production and distribution provide for a permitted rate of net profit of 5s?—Yes.

2499. Does this not mean that the subsidy now is providing them with a net profit of 7s. 6d?—No, because the actual cost of baking, plus the 5s. which gives the total cost, as it were, to the baker, is 7s. 6d. more than he gets for the bread.

2500. Claims for bread subsidy, you say, are about 17,000 every eight weeks?—Yes.

2501. Is there any special virtue in checking all this every eight weeks?—It is a matter of keeping a baker in funds. He is short on the proceeds of sale to the extent of half-a-crown to begin with; then there is his profit on top of that, and unless we settled with him at fairly frequent intervals the small baker would be in financial difficulty.

2502. What proportion of that 17,000 is checked by test check?—All claims are examined when they are received; they are made on a standard form that we provide the baker with. They are checked in the office in a variety of ways: for example, by a comparison with what he claimed last time, and any considerable discrepancy would be queried; in addition to that they are checked arithmetically. We make periodical visits to bakers' premises, I would not say we have the staff to do this very frequently, but bakers know our men are always on the rounds and are likely to drop in at any time. They check claims with his own bakehouse records, cross-examine him, or if necessary, if they do not understand the figures, in cases where there is real doubt, we go back to the miller and find out if it were a fact that that baker did receive so much flour as he claims to have baked into bread.

2503. What is the size of the staff?—Only about half a dozen accountants.

2504. Those are accountants for checking inside?—No, they are outside.

2505. They go round and visit various bakers?—Yes, they are always on the move. We have a fairly large staff inside, mostly clerks, actually checking and querying individual forms as they come in, but to keep up 17,000 or 18,000 every eight weeks, it has to be a factory kind of job and there have to be standard kinds of check and so on.

2506. Would it be possible to provide any estimate of the cost of this operation?—I have not got the figure but I can tell you that the staff engaged upon it is about 70 people, the great majority of whom are clerks; a few of them are more highly paid accountants.

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Mr. Barton.

2507. One question on flour confectionery. Is the subsidy recovered from bakers who are flour confectionery bakers in addition to bread bakers?—No. Flour confectionery flour is at the subsidised price.

2508. Even though it may be in competition with biscuit manufacture?—Yes. (Mr. Bailey.) The reason is the physical impracticability of dealing with thousands of bakers throughout the country. The biscuit industry is a much more highly concentrated industry that can be dealt with as an entity. In that case it has been practicable to recover the subsidy. In other cases we have never found the means of recovering it.

2509. At what stage does flour confectionery become biscuit manufacture? I can think of a baker immediately who not only bakes bread but produces flour confectionery and in a small way is a biscuit manufacturer. You need not go very far to find other examples. Take the London Co-operative Society. I suppose there is an easy check there, but they are bakers and flour confectionery bakers, and they have their own biscuit factory?—(Mr. Fitzgerald.) Yes. All biscuit manufacturers, whether they are co-operative or private bakers, have to belong to the war-time Alliance of Cake and Biscuit Manufacturers. Otherwise they cannot get a price specification for their biscuits; in other words, they cannot sell their biscuits. That is the broad check upon that.

2510. What I would like to know is where a pat-a-cake becomes a short-cake. They are just the same, you know?—I am afraid I do not know the answer to that. (Mr. Bailey.) When it is made by one of the members of the alliance.

2511. So that it is correct that there is no attempt to collect the subsidy from flour confectionery bakers or bakers who make their own biscuits?—No.

Mr. Niall Macpherson.

2512. Which is one of the reasons why the number of kinds of biscuits is reduced? (Mr. Fitzgerald.) That is mostly a matter of ingredients. There is a shortage of the necessary sweetening and so on that they have to have. The baker who is a biscuit manufacturer is dealt with, as regards biscuits, in that we should recover the subsidy on his biscuit production, whether it was large or small.

Chairman.

2513. But if a confectioner manufactured biscuits to any extent you would be likely to receive complaints from biscuit manufacturers?—Yes. (Mr. Bailey.) It should perhaps be added that the price of flour confectionery is itself controlled.

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Mr. Barton.

2514. Yes. Now there is this further question—I do not know whether it is pertinent to our inquiry—and that is the question of the subsidy recovery from biscuit manufacturers. Has it anything to do with the continued rationing of biscuits?—(Mr. Fitzgerald.) No, it is merely that we can recover it in that case, and we do.

2515. You could recover it even if biscuits were derationed?—Yes, we could.

2516. Quite easily?—I see no difficulty.

Mr. Niall Macpherson.

2517. Two short questions. With regard to the prices of flour to bakers, are they flat or are there any quantity discounts of any kind?—No, flat rate.

2518. So that the small baker can buy at the same price as the biggest?—Yes.

2519. On the question of exports of biscuits, is there any rebate against the levy that is made?—No.

2520. They go out wholly unsubsidised?—Yes.

2521. As to the difference between prices of home-grown wheat—this is really rather reverting to a former discussion—and imported wheat, is it possible in one figure to give what the difference per unit, per ton if you like, is overall?—(Mr. Almond.) No, I think not. We have given figures to the House, I think, from time to time of the arrivals of imported wheat and, of course, they are given in the Trade and Navigation accounts: the quantity and the value of arrivals of wheat.

2522. Are they collected in a convenient form so as to be able to arrive at a result?—(Mr. Bailey.) I think they were given quite recently—on Tuesday of this week, I think. (Mr. Lawrence.) Home-grown wheat prices are fixed and they vary month by month almost, starting at the beginning of the season and increasing throughout the season, so that it would be difficult to get an average. You can only get a straight average by dividing by 12, but that might not be right, because it would depend on the quantities purchased at the different prices month by month.

Mr. Barton.

2523. Just one point, and that is the question of bakers' claims for recovery of subsidy. I take it that the baker buys from the miller flour which is not subsidised as flour?—(Mr. Fitzgerald.) No, he buys at the subsidised price.

2524. The flour subsidised price or the wheat subsidised price?—There is really just one subsidy which we regard as a flour subsidy.

2525. What is the claim for recovery every eight weeks?—Even at the subsidised

price of flour, the price of bread is so low by comparison with its real cost that an additional subsidy is necessary to enable the baker to sell it at the standard price.

2526. And the baker, having bought that sack of flour, can use it either for baking bread or baking flour confectionery?—Yes.

2527. Why that particular system? Why cannot the baker buy at the net price and cut out what must be an administrative problem in meeting those 17,000 claims?—I think that is a possibility which has attracted us very much, but the difficulty has been that the bakers' costs vary, and the tendency has been upward. Bakery wages are up, and the proceeds the baker gets in the way of bread vary with the quality of the flour; so that even if today we fixed the price of flour to the baker at such a price as to enable him to bake it into bread without any additional subsidy, we could not guarantee that in a month or six months he would not again be needing a subsidy; and if we altered the price of flour to him it would alter the price to everybody else.

2528. The subsidy is not paid on the basis of the loaf?—No, on the basis of the sack of flour.

2529. What difference does that make? A sack of flour is a sack of flour, however many loaves he gets out of it?—Yes.

2530. And if there is a flat rate subsidy—it is 7s. 6d. a sack, is it?—That is the average at the moment.

2531. —may there be a difference between sack and sack, then?—No, it is an average of the three different rates paid in the three different countries, one England and Wales, one Scotland and one Northern Ireland.

2532. That is the main factor why the subsidy cannot be included in the sack of flour as the baker buys it?—Yes, that is so. (Mr. Bailey.) Perhaps I could direct Mr. Macpherson to the answer given in column 27 of Hansard on the 22nd March on imported wheat costs and home-grown wheat costs, adding merely that they were given because they are broadly deducible from the Trade and Navigation accounts.

Mr. Niall Macpherson.

2533. But the figures could be completed by adding in the total quantity to the figures you have given in Appendix A. There we have the quantities of wheat involved, but we have not got the other figure to set against them. You might do the same for the other quantities which are not there. That is why I am suggesting to you that perhaps you could let us have the quantities?—No, I think we would have objection to that. The House was given last Tuesday even more information than would be obtainable from the schedule

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with the quantities. It was given average costs by sources of supply such as the Argentine, Australia, Canada and Eire.

2534. What would be the objection, if even more information has been given?—At the date when these schedules were prepared the figures were not then deducible from the trade and navigation accounts. They are now. I think I ought to explain quite frankly we do not refuse to give the House figures of this character when they can be got from other sources. We closely scrutinise every source in order to see whether they have been published, and if they have been published, and a Member of Parliament asks for them, we give them, to save him the job of working them out.

Chairman.

2535. You are willing to disclose anything that has already been disclosed?—Yes.

2536. Now, you remember that Mr. York asked one or two questions about the eighth column of Appendix A, Analysis of Estimated Payments?—Yes.

2537. And there is a further note that is relevant on Appendix E (ii)?—Yes.

2538. Would it be possible to let us have comparable figures for previous years?—We have done our best to make a comparison and have entirely failed. We could, of course, give you figures for the earlier control years; but what I think Mr. York was interested in was a comparison between the figures which appear in the schedules and comparable figures for pre-war years. We have been, as I say, unable to get out any pre-war figures on a true average basis, and such figures as we have been able to get are not comparable with those given in the schedule; but if you would like supporting detail for that statement I think it could be given to you.

Chairman.] As Mr. York raised the point, I think it would be helpful if you let us have a note upon it.

Mr. York.

2539. Can I just ask upon that three short questions? I quite understand, because I have been trying to do it myself, that there are certain factors, and I should like you to check whether these factors are relevant or not. First of all, before the war the trade would try only to keep as much in hand or on the way, as it possibly could; in other words, as little as possible in hand: is that correct?—(Mr. Bailey.) Yes. (Mr. Almond.) Subject to taking a view of the market on the part of the individual trader.

2540. Yes; but that is not possible now?—No.

2541. You have got to take it when you can get it?—(Mr. Fitzgerald.) The pre-war position was that the trader knew he could always go out, and if he could not get supplies in one country he could go and buy in another. We have to be in a position to hold sufficient stocks to meet the ration, with the additional difficulties of limitation in the sources of supply.

2542. So that your stockholding is more expensive than it was before the war?—(Mr. Bailey.) It is more extensive, not necessarily more expensive.

2543. But if you store it must cost you more?—Yes.

2544. Does it cost more to keep wheat in store?—(Mr. Fitzgerald.) Than before the war?

2545. No, than not keeping it in store, but using it quickly?—Yes.

2546. Quite apart from storage costs, which obviously must be higher, is there any other cost which goes up?—If it were kept too long in store it would suffer, but if it is good, dry wheat it will keep some little time. (Mr. Almond.) Imported wheat would not generally lose weight on the average.

2547. And the method of buying makes it essential to store a good deal more than before the war?—(Mr. Fitzgerald.) I would not say so much the method of buying, because although we buy an agreed quantity to cover the whole year, we arrange shipments of that quantity to suit our estimate of requirements; but, for one reason and another, principally because we have got to guarantee the supply, the tendency must be to hold larger stocks than pre-war, when the trader was operating freely and able to buy anywhere.

2548. In general terms, even if you could get the pre-war figures, it would be difficult to make a fair comparison?—I feel it would be very difficult indeed.

2549. That was my conclusion too. I do not think there is a comparable basis?—(Mr. Bailey.) In the Corn Trade News of the 19th July, 1939, you get, for instance, a figure for wheat from a certain source at a certain price, 19s. 6d. afloat, and then at the same date you see that it was selling for less ex store, the exact figure being 18s. 9d.

Chairman.] Finally, I think we should say that we are very much obliged to you for the very helpful assistance you have given us in following a rather difficult subject.

The Witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 31ST MARCH, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Niall Macpherson.

Mr. Yates.
Mr. York.

Mr. R. C. HAMMETT, C.C., M.I.H., President (J. H. Dewhurst, Ltd.), Mr. A. S. BAXTER, O.B.E. (The London Central Meat Company, Ltd.), Mr. D. GALLOWAY (West (Butchers) Ltd.), Mr. E. GUNNER (R. Gunner, Ltd.), Mr. H. WOODLEY (H. Woodley & Company, Ltd.), Mr. B. G. ARTHUR, C.B.E., Secretary, and Miss K. J. GARLAND, Private Secretary to Mr. Arthur, the Association of Multiple Retail Meat Traders, called in and examined.

Chairman.

2550. As you will be well aware, we are a Sub-Committee of the Estimates Committee, at present inquiring into the Estimates relating to the Ministry of Food, and at the moment we are paying particular attention to those relating to meat. We are very much obliged to you for coming to give evidence before us, and may I say that personally I have found the memorandum* you have submitted very helpful. We understand that you are all representing the Association of Multiple Retail Meat Traders, and perhaps you will tell the Sub-Committee what constitutes a multiple retail meat trader for the purposes of the Association?—(Mr. *Hammett*.) It is usually acknowledged to be a membership of ten, but with multiple butchers we recognise five as constituting a multiple firm, that is, a firm with five or more branches.

2551. What is the general picture?—If you take the meat trade, there may be ten or fifteen of the very big multiples, and then the others would be of the smaller type of firms, such as men who have started in business themselves and gradually increased from one shop to others, we will say.

2552. Is your Association comprehensive as far as such traders are concerned?—Yes, quite.

2553. What do you estimate to be the volume of retail trade catered for by members of your Association?—(Mr. *Arthur*.) I think that is rather a tall one for me. You are not asking the question, what percentage of the multiple traders do we represent?

2554. No; but what percentage of the total trade do multiple traders represent?—(Mr. *Baxter*.) 10 to 15 per cent. (Mr. *Gunner*.) Round about 15 per cent., I should think.

2555. Is that a proportion which is tending to increase?—At the present time I think it is about static.

2556. That is because of the various controls?—Yes.

2557. Has the Association a managing body?—(Mr. *Arthur*.) Yes, we have a Council.

2558. What is your relationship with the Ministry of Food?—As a matter of good feeling, do you mean?

2559. Yes?—We are represented on the Consultative Council, and we act in good accord with the private trader, and, of course, we are constantly in contact with the Ministry of Food. I am glad to say our relationships are quite happy.

2560. The consultative machinery works reasonably well?—Yes; we are all represented upon it, each branch of the retail trade.

2561. Are any of your members also wholesalers?—I think not. (Mr. *Hammett*.) No.

2562. We have taken some evidence about the Retail Buying Committees; I assume that you are represented on those Committees in the same way as are the individual meat retailers?—Yes.

2563. You have experience of operating differently in Scotland from the rest of the country?—Yes, we have.

2564. Have you any comments to make on that difference? Do you find that one system is more effective than the other?—I could not reply to you upon that. I have no comments to make upon that. We have no great experience of Scotland. I do not know if one of my friends here could speak on that. (Mr. *Gunner*.) I do not know of any multiple that extends into Scotland.

2565. So that your experience, for practical purposes, is confined to that part of the country which operates through Retail Buying Committees?—Yes, that is right.

2566. Do you find that system a satisfactory method of distribution?—No.

2567. What are your criticisms of the system?—We agree that under present conditions it is the only system to be worked.

* See Annex 6.

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2568. I should have made it clear that for the moment we are talking in the light of present conditions?—But we resent the inability to look after our own affairs and the delegation of those affairs to others in whom perhaps we have not sufficient confidence. Nevertheless, we would not criticise their ways of working; they have a difficult job, and on the whole they are carrying it out very satisfactorily, but we only submit to it willing under present conditions.

2569. Accepting present conditions, have you made any suggestions for altering the present system of distribution?—Under present conditions?

2570. Yes?—No.

2571. Do you think, again accepting present conditions, that distribution could be improved by any rationalisation of depots and such like steps?—I think it might be made worse.

2572. In short, you feel that there should be more facilities than are afforded at the moment?—Yes.

2573. Perhaps we could deal in the first instance with the question of margin?—Yes.

Mr. York.

2574. Could I get a point clear before we go on to that? Might I ask this: You said that none of your members were wholesalers. Does that mean that all multiple retailers buy from a different wholesaler? They have no other method of buying or collecting meat?—At present we have to take all our meat through the Retail Buying Committees; the multiples, the Co-operatives and private traders get allocated supplies which are given in bulk to the Retail Buying Committees and which are representative of the trades.

2575. That is in present conditions?—Yes.

2576. Before these present controls came into being, you then had your wholesale organisation?—Yes.

2577. Or had any of your members a wholesale organisation?—Individual members. There are some of our members who did some wholesaling, but quite as a separate affair.

Chairman.

2578. They would be separately represented at the moment in the W.M.S.A.?—Yes.

Mr. York.

2579. Did it go further back than the wholesaling part? Were any of your members importers or refrigeration organisations?—(Mr. Galloway.) A lot of multiples were definitely importers.

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2580. So that when you said that none of the members are wholesalers you only meant that under present conditions none of the members are allowed to wholesale?—(Mr. Gunner.) That is right.

Chairman.

2581. If I may just intervene to put a general question? Do any difficulties arise from the fact that you are horizontally divided in between M.I.N.D.A.L., the W.M.S.A.'s and the retail side?—(Mr. Hammett.) No.

2582. In other words, the firms were so divided, and the respective parts of the firms have fallen into the respective Associations?—(Mr. Gunner.) Yes. That is where the difficulty in answering it first came in, because the respective firms are also divided. (Mr. Arthur.) It is quite clear that even there, whether some of our members may have had to link up with some wholesaling, as far as membership of the Association is concerned, they are outside; but we do not represent their interests, and never have.

2583. The firms were departmentalised?—Yes, they were entirely separate companies; they were not in fact trading as retailers, wholesalers and importers. They might have had their subsidiaries.

2584. They are even separate entities?—Yes, quite.

2585. If there are no further questions arising with regard to that, we will now turn to the question of margin, and perhaps it would help if you made a statement on that?—(Mr. Galloway.) This little memorandum here on margin is based on the costings taken by the Ministry of Food after investigation of various multiple firms' books. These were based on the quarter for June, 1948, which had the following percentages: gross profit, 28 per cent.; expenses, 23.1 per cent.; net profit, 4.9 per cent. Now, I have applied that to this example here to show the effect of reduction in the ration, but it must be remembered that in taking 2,000 adult registrations as an example I am taking very much more than, say, the average butcher's shop, which I understand has something equivalent to just under 1,000 adult registrations. However, this example suited.

2586. When you say that the average butcher's shop has about 1,000 or just under 1,000 registered customers, are you talking about the average butcher's shop or a multiple trader?—No, throughout the country. Then, taking this example of the 1s. ration where there are 2,000 registrations, the total retail registration figure at 1s. is £100, and a cost price of £79 is the formula used by the Ministry in working back to the cost price of the meat. Then we apply to that cost price of the meat

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the gross profit of 28 per cent. on sales, which gives us a turnover of £109. The difference between the £100 and the £109, of course, is the margin to cover where you have got to give a little more than the ration in the case of emergency books and so on. Deducting £79 from your total sales of £109 gives a gross profit there of £30.7. I have then applied the expenses percentage shown at the top on a turnover of £109, which gives us £25.3; deducted from the gross profit, it shows that after charging all expenses, including overheads, you have got a profit of £5.4; that is on the 10d. ration. The same explanation holds until we come to the 11d. in the £ rebate which has commenced this week. We have a gross profit of £30.7 with the 1s. ration and £25.6 on the 10d. ration. Therefore there is a drop in profit there of £5.1. The Ministry contribute £3 and we are bearing a loss of £2.1. We are then left with a profit of £3.3—I am applying the same expenses there—which is on a shop which is considerably in excess of the average size of butcher's shop. We feel, and indeed we submit, that the profit, again taken on the basis of the 1948 expenses still going on, is frankly quite inadequate.

2587. Is this 11d. rebate an incident of an agreement you have previously negotiated with the Ministry of Food that now comes into operation automatically with the reduction?—It is not an agreement; it is a statement made by the Ministry that they would in fact subsidise us to that extent.

2588. When was that statement made?—(Mr. Gunner.) Only a few weeks ago.

2589. So that it is quite a recent step?—Yes. (Mr. Woodley.) When the reduction in the ration was announced.

2590. What I was getting at was this: there is no sliding scale affecting margin. Supposing the ration were doubled, if the margin were to be affected, it would be negotiated then?—(Mr. Gunner.) I think at the last Consultative Conference, before the reduction in the ration, the Ministry did say that they were contemplating using a sliding scale, and they were thinking of taking the 1s. ration as the datum line; we had not got so far as agreeing with that step at all; we were still disputing it when the reduction took place and they announced they would give us 11d.

2591. So that there is no general agreement about the operation of any rebate?—No.

Mr. Barton.

2592. Can we just clear this point up? These costings are based entirely on the ration?—(Mr. Galloway.) Yes.

2593. Manufactured meat is not taken into account at all?—In the case of multiples, of course, manufacturing in many

instances is carried out in their own factories and charged out at wholesale prices to particular shops. Some of the shops have been investigated when taking that into account; but, after all, it has only been 2½ per cent., and I think from the 10th April it will be 5 per cent., which represents a net effect on these figures of round about, I think, 0.5, or a figure of 10s. additional net profit from manufacturing. As a matter of fact, I think the actual quantity manufactured per registered customer will work out at just a little over 2 ozs. a week.

2594. Does this include offals?—No; offals again, I think, work out at ¼d. per customer per week; supplies are given about once every eight weeks now. Taking the profit again at 20 per cent. on that, that would have very little effect on these figures.

Chairman.

2595. Going back to the percentages, I gather these percentages are the figures accepted by the Ministry. Does that include a percentage for expenses?—Yes.

2596. And that will be based on costings inquiries held by the Ministry officials?—Yes.

2597. Am I right in this? My recollection is that your percentage margin is higher than that of the individual trader?—Very slightly. I think the difference there is 0.5. I have got a figure here of £27.6 for the private trader.

2598. So that there is very little difference, and for all practical purposes the individual trader will be as badly hit as yourselves?—Probably a little worse, because his average trade is less than ours.

2599. Has there been any effort to introduce any differential on the number of customers?—No.

Mr. Barton.

2600. Could you tell us what the average trade is—£60 a week or more?—(Mr. Hammett.) The average trade in London is estimated at £64 a week; throughout the country it is just about £45; that was before we had the cut. Now we have had a cut of one-sixth upon that. That was the 1s. ration, and now we have the 10d. ration. At the 1s. ration it was in London about £65 a week and throughout the country about £45 a week.

Chairman.

2601. How dependent are you on the sale of meat?—(Mr. Gunner.) Wholly.

2602. You do not rely to any extent on the sale of any other products?—Not to a great extent. (Mr. Galloway.) On this question of other commodities, our figures were investigated for all our shops, and they took

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four of them at random. In their figures the costings accountants have stated that 89 per cent. of the trade in those shops was meat and that 11 per cent. consisted of sausages or other commodities.

2603. Going on to a third percentage figure, the net profit figure, has that remained stable or relatively stable since the introduction of the control?—It has gone down.

2604. Is that because the percentage for expenses has tended to absorb a larger proportion of the total?—Yes.

2605. Has any step been taken or have any discussions been begun to revise those percentages in the light of increased costs?—These figures, I think I am right in saying, were only given to us within the past month or two. We are, I believe, negotiating now with the Ministry. (Mr. Arthur.) The answer is Yes.

2606. You are in process of negotiating now on this point?—Yes.

2607. One last point on the question of margin. Would you agree that the position at the moment, particularly in view of the recent reduction in the ration, is that the scale of the trade is really too small to support the cost of distribution; in short, that the overriding difficulty today is that owing to the ration not having been increased, the machinery of distribution we have got is really too comprehensive to support such a small turnover?—(Mr. Gunner.) No. That would be true on paper, but it still remains the fact that we have the same number of customers to serve, and in fact we have the added difficulty of trying to serve them with a minute amount of meat; therefore in fact there is perhaps more work to be done with the smaller ration than there would be with the larger ration.

2608. But from the economic point of view what is needed above everything else is more meat?—Yes.

2609. I was not for the moment endeavouring to raise any point of criticism about distribution, because I would concede that the number of customers is the same as it was before?—Yes.

Mr. Barton.

2610. There is just one point here, and it may be a minor point: that is, that the reduction in the ration surely has a tendency to reduce the number of times the individual customer pays a visit to the shop?—I think this last reduction has forced people definitely to shop perhaps twice with four or five books, where they would otherwise have shopped three times, but it still remains that the number of people who shop for the week-end joint is the same.

2611. Yes; but the number of operations is cut; I appreciate that it is to a very little extent, but surely the number of opera-

tions is cut down?—By eliminating some of the early week operations. (Mr. Hammett.) I do not think we have yet felt the effect of that, so that it is difficult to reply to that question. We just do not know what the attitude of the public will be and what they will do.

2612. I am applying the experience of my own household. Whereas a couple of months ago my wife went to the shop twice a week, today she only goes once?—(Mr. Gunner.) At the week-end?

2613. Yes?—(Mr. Baxter.) They usually pay two visits a week. We are trying to get them, perhaps, to take their corned beef in the early part of the week, and we are asking them to help by having the joint at the end of the week. It would be easier, for business, and it would help everybody. The customer would get a better joint; it would help in cutting the joint. But it does make it more difficult with the reduced ration.

2614. I appreciate that. I was only dealing with the actual operations in the shop; that is all?—(Mr. Hammett.) I think they come every day to see if there is any offal.

Mr. Yates.

2615. Where there are families of not more than one or two it has been the general custom up to the present for them to leave it to the week-end?—Yes.

2616. That at any rate is not altered now?—No.

Mr. Barton.

2617. There is one point, getting back to costings. Your costings figures include whatever remuneration the proprietor gets out of it in the way of wages or fees?—(Mr. Galloway.) Yes. (Mr. Hammett.) He would only get what remained out of the £3.3 as far as the multiple concern goes. It includes overheads, of course.

2618. I am trying to bring out a comparison between the multiples and the small trader?—Yes.

2619. Obviously, the small trader in his costings includes proprietor's working wages. Is there such an item so far as the multiples are concerned, in the shape of directors' fees if you like?—(Mr. Galloway.) Yes; this figure of £3.3 includes directors' fees; it also includes supervisors' and managing directors' remuneration and so on, a proportion of it; but the percentage of the private trader is not comparable, because it does not include anything in his costings for the salary or wage of the working proprietor.

Mr. York.

2620. I want to go back, because I am not quite clear about this expenses point yet. In a multiple shop there will be capital

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charges which are not part of the accounting of the private trader. Does the £3.3 cover the capital charges?—There is no capital charge made. The only difference, I understand, between the two costings of the multiple and the private trader is that the multiple includes charges for remuneration to everybody, and the private trader does not include anything for the working proprietor.

2621. Therefore, to put it in another way, the £3.3 in the case of the private trader is his living, and in the case of the multiple trader is the profit of the company?—Yes.

2622. I think I have got that clear now. Now, still on the expenses margin, I see the Ministry of Food have worked out this percentage of 23.1 per cent. for expenses. Surely, is not that expense ratio affected by the size of the business?—Yes; but, of course, this is a general cross section of the types of businesses which have been taken. It is definitely affected by the size of business.

2623. Yes. The large multiple shop will be able to make a profit out of its expenses margin, whereas the small one might even make a loss?—That is the tendency.

2624. But there is no differential scale?—No; the Ministry have taken what they consider is a broad cross section of the trade and have applied the result of that to the trade as a whole, or were applying it to the trade as a whole.

2625. May I go back? I want to get clear about this wholesale business. One of you gentlemen mentioned that firms had their own factories. Is not that a wholesale function?—(Mr. Hammett.) Their own factories?

2626. Yes?—If it is a large wholesale firm they are kept under a different company entirely. (Mr. Gunner.) I think you were mentioning that most of the multiples make their small goods, such as sausages, in a separate factory. They have sausages and small goods factories quite distinct on a separate site from their retail shops. (Mr. Arthur.) Instead of having it at the back of the shop. (Mr. Gunner.) Instead of making sausages at the back of each retail shop, they make them in the same way as a wholesale sausage factory does.

2627. I see; in fact the factory is not a depot in any sense of the word?—No.

2628. It is entirely a factory for the processing of offals?—Manufacturing meat for their own shops. (Mr. Arthur.) It is not a manufacturing unit for the purpose of sale and retail generally. (Mr. Hammett.) I think it was decided that in the case of any multiple who had fifteen shops or more they might centralise the whole of their manufacturing in one depot and manufacture

what they liked at that one depot, and they would have to distribute it among the other branches.

Mr. Barton.

2629. Are the accounts in those circumstances included in the accounts of the retail organisation itself, or does the manufacturing section of the business sell to the retailing section at a profit?—(Mr. Galloway.) I think in most cases they are charged to the shop at the ordinary recognised wholesale price as fixed by the Ministry.

2630. In effect it is a profitable transaction of some sort?—Yes. (Mr. Gunner.) In the costings the Ministry of Food, when they are taking out the costings, make provision and estimate a profit for that. We say they take too much.

Mr. Barton.] I see.

Mr. Yates.

2631. What is the membership of your Association?—(Mr. Arthur.) We have 104 members, with approximately 3,000 individual shops.

2632. I thought you said your membership was 5 or more?—Yes.

2633. So that you must have members with less than 5?—No; we have got members with a great many more than 5.

2634. Yes, I see. That would be just a branch?—Just a unit.

2635. Yes?—(Mr. Hammett.) 1,500 to 2,000 would be the largest. (Mr. Arthur.) We have three or four very large multiples, and the rest represent rather the small multiples of between 5 and 10. The bulk of the membership consists of those people; but over and above that we have half a dozen large firms.

2636. But the bulk consist of the smaller concerns?—The smaller multiples, but there are one or two which are very large indeed.

2637. I must confess that I am a little hazy about this table. Do I understand that if you take 2,000 adult registrations, by working out this sum it means that if a trader has 2,000 adult registrations, after he has paid all his expenses, directors' fees and everything else, he is left with a profit of £3 in a week, plus what the Ministry of Food pay? Is that what it means?—(Mr. Galloway.) No, a multiple who has a branch with 2,000 adult registrations is left with £3.3 after receiving the subsidy from the Ministry; that is on the 10d. ration.

2638. Yes; that is income from the consumer?—Yes.

2639. You are taking that as £100 and on the 10d. ration as £83?—Yes; it is one-sixth less.

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2640. But that figure, surely, does not include the subsidy?—Yes; I referred to the subsidy as 11d. in the £ rebate on the wholesale value.

Mr. Barton.

2641. That was the rebate that was granted on the reduction of the ration?—Yes, the 10d.

Mr. Yates.

2642. What I did not understand was the figure you gave earlier about a weekly income of £65?—(Mr. Gunner.) Those weekly trade figures are for a shop that has 2,000 adult registrations. That would mean a weekly trade at the 1s. ration of £100 or at the 10d. ration of £83. In fact, the average trade of butchers' shops is much less than that, and over the whole of the country the average trade is only about £45; in London the average trade is about £65. The average shop does not have 2,000 registrations. We have taken the £100 for an easy figure. (Mr. Baxter.) I think the difficulty is the £65 costs.

2643. Yes.—That is the actual cost of the meat to the retailer. That is the actual money that he pays to the Butchers' Buying Committee when he is supplied with his weekly supplies. That is the amount of his cheque, the cost price of the meat to him; so the £83 would be money realised in the shop from the registered customers.

Chairman.

2644. In the same way, the figures you have given as averages would have to be reduced at present by one-sixth?—Yes.

2645. Those were average figures when the ration was 1s.?—Yes.

Mr. Yates.

2646. Whilst these figures would appear to show that in spite of the difficulty of a 10d. ration it is possible after all expenses to make a profit in the case of certain firms, does it mean that there are a number that would make a loss, where they do not have the trade, or where the trade is much smaller? What would be the smallest number of registrations for a trader? It would be below 1,000, I suppose?—Yes.

Mr. Niall Macpherson.

2647. Even in a multiple shop?—(Mr. Woodley.) Yes. (Mr. Hammett.) When it comes down to the practical side and you get heavy beef, wasteful beef, that is, beef with large suets, which do not come within the ration, that is where the butcher's difficulty arises; it means that he cannot cut it to advantage.

Mr. Barton.

2648. Are we to understand that these figures do not include any contingency for bad cuts and things like that—wastage?—Yes. (Mr. Galloway.) Yes; they are covered

in the 28 per cent. gross profit. Bad cuts or wasteful cuts give you a lower percentage; the more favourable meat gives you a higher percentage; but the average still works out at 28 per cent. All these figures purport to do is to show, to take an example, the effect of the 10d. ration as compared with the 1s. ration.

Mr. Niall Macpherson.

2649. Accepting always the Ministry's costings?—Yes.

2650. On the basis of the Ministry's costings, when they show your gross profit, it is not very much different, is it—28 per cent.?—Yes, that is right.

Mr. Yates.

2651. Is there an association representing all Retail Buying Committees as separate from other sections?—Have you official representation?—(Mr. Hammett.) On our Buying Committees, yes. (Mr. Woodley.) They simply have representatives of butchers in all the towns—take Leamington or Northampton: they would elect so many members to the Buying Committee; they do like a representative of multiple concerns and of the Co-operatives, and they will ask representatives to attend.

Chairman.

2652. They endeavour to represent all the retail interests?—Yes, that is how they run it. Therefore, we are not necessarily represented at all. (Mr. Arthur.) No, nor are we represented on a proportional basis. We merely desire to be represented in order to ensure that at least that aspect is dealt with. (Mr. Woodley.) But as long as there is no trouble the allocation is fair and no complaints are made.

Mr. Niall Macpherson.

2653. Can you say what a fair number of registrations per shop is over all the members of your Association? Have you got such a figure?—(Mr. Gunner.) No.

2654. It would, however, be considerably higher than the average figures you have been mentioning for London and the provinces?—(Mr. Galloway.) Yes.

2655. Possibly double?—No.

2656. Not as much?—No.

2657. What would you assess it at? Have you any figure on which you could roughly assess it, either for your own concerns or in general?—Half as much again, I should think. (Mr. Hammett.) It is a very difficult question to answer.

2658. It was just to give the Sub-Committee an idea.—We could produce those figures if you required them. (Mr. Arthur.) I would not like to guess at all.

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2659. I should be grateful if you would clear up this point again on these costings, because it is not immediately apparent to me how 2,000 people who are entitled to spend 1s. in fact spend £109.7?—(Mr. Galloway.) It is impossible, in the first place, to cut, as you know, exactly to the ration. If your wife goes in and she gets 2d. over she is quite pleased. Probably that is the best the butcher can do, and she is charged that 2d. more. Then there must be some margin for emergencies, people coming with emergency cards, and that sort of thing. You do not recover that meat at all, so that the following week there must be a little margin for that. Then, in addition there is a margin for the efficient cutter who can get that little bit extra out of the meat which has got to be cut. He cuts it a little bit more efficiently, with less wastage. (Mr. Gunner.) And, of course, there are those parts of the carcass that are not rationed meat; for instance, there is suet; it is charged in to us and we sell it, but it does not form a part of the ration. Therefore that helps to bring the £100 up to £109.

Chairman.] That is the average.

Mr. Niall Macpherson.

2660. Is that a figure that is recognised by the Ministry also, this tolerance of £9.7 plus?—Yes; the Ministry give £79 worth of meat wholesale to enable us to honour the 1s. ration of £100 worth. They also know that the proper percentage is 28, and therefore the amount received from the customer is £109. They have calculated that it is necessary to do that in order to see that we have sufficient to meet the £100 demand. Fat is unrationed, suet is unrationed, kidneys are unrationed, and there are various things like that which come in as part of a carcass but are sold free of the ration.

Mr. Niall Macpherson.] Yes, I see. Thank you very much.

Mr. Barton.

2661. There is just one point on costings. Is there any differential on canned meats, and what is the effect if the proportion of canned meat rises against carcass meat? Does it increase the gross profit?—It will go down. (Mr. Galloway.) I think it is estimated at round about 20 per cent. (Mr. Gunner.) A little less.

2662. What are the Ministry allowing you—30 or 31 per cent., or is that all manufactured meat?—That is not allowed. (Mr. Baxter.) Not corned beef.

2663. You say that in cutting corned meat out of the ration your margin is reduced below 20 per cent.?—(Mr. Galloway.) It is reduced to 20 per cent.; that 20 per cent. is roughly the margin of profit on corned beef. (Mr. Gunner.) So that the

more we have the lower it will drag our total margin.

2664. Obviously, if that is the case.—I think you are thinking perhaps of other canned meats that are not on the ration.

2665. But they would not be included in your costings figure?—No.

2666. I am talking about canned meat that is in the ration.—Yes. The profit margin on canned corned beef is very low—about 18 to 20 per cent.

Chairman.

2667. Now perhaps we could turn to slaughterhouses. I think you have very lucidly put forward your point of view in the memorandum, and I have only a few questions to put. My general impression is that you favour a degree of rationalisation with a word of caution?—(Mr. Arthur.) Yes.

2668. About the dangers of over-centralisation?—Yes.

2669. And you point out that it is cheaper to move meat than it is to move livestock?—Yes.

2670. You also make the point that slaughterhouses should not be granted monopoly rights in a given area of production. If you had a real degree of rationalisation how would you avoid that creation of monopoly rights?—(Mr. Gunner.) We do not favour such a degree of rationalisation at all. We want to keep competition.

2671. In other words, the producer would have an alternative?—In our scheme the producer would not have to sell to the abattoir; he would still retain his right to sell to the individual retail butchers if he wished.

2672. On the question of ownership and management, you have got an open mind; you think that there are various ways in which they may be run?—Yes; we think that all those ways should be retained to get economic working.

Mr. York.

2673. I want to ask about this centralisation. Could you tell us to what extent centralisation has already proceeded as a result of the war?—Of course, the slaughtering units have been drastically curtailed by the Ministry to some, I believe, 600 units only, where there were some 16,000 before the war, and I think it is a little unfair to draw that direct comparison, because you had the individual retail shopkeeper who only killed for himself; he might have killed one beast and six sheep or pigs for himself, and he was regarded as a slaughtering unit beforehand; whereas now all individual slaughtering for their own use has been stopped, and they are all done in the larger abattoirs.

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2674. The process up to date, then, has not been centralisation; it has been more rationalisation?—Yes.

2675. There is no centralisation?—Since the Government rationalised slaughtering, there has been no movement at all from the private trader; he has been unable to progress one way or the other.

2676. I do not know that this question really applies to your organisation, but where is the economy or saving in making a small butcher who kills one beast send that to a central or rationalised slaughterhouse, and then fetch the meat back again?—In that case I would say there is a possible economy, because that butcher's man would have nothing to do at the beginning of the week, whereas he would otherwise do the slaughtering.

2677. In other words, it would be uneconomical to take to centralisation to that extent?—Yes.

Mr. Barton.

2678. May I intervene there? There is this point: Will you tell us what percentage of your members in pre-war years bought live?—(Mr. Hammett.) A very small percentage, but I could not say definitely. (Mr. Gunner.) We have not got any figures upon that. Opinions do differ, because it was the practice of the multiple trader to try to get as near to the raw material as possible. They were tending to purchase live and do their own slaughtering.

2679. But that emphasises the answer you gave to Mr. York, does it not? It is all dependent on the practice of the trade before control, and what is the practice now?—Mr. York cited a very small butcher, a very small rural butcher, who only slaughtered one animal. (Mr. Arthur.) Does that affect the contention as to whether it is more economical or not, as to whether it was done in the past or is done now? I should have thought so.

2680. I am relating it to your organisation and the answer to my question was that very few bought live, so that very few of your traders before control were being involved in slaughtering?—The opinion expressed to Mr. York was that any further centralisation in the case of the small man who did his own slaughtering would tend to make it become more uneconomic. That was the answer that Mr. York got.

Mr. York.

2681. Yes; but I think there has been a slight confusion with one of the earlier questions when I was dealing with wholesaling. I think there is a slight confusion here because now we understand that there was a tendency to go in for wholesaling in former days before controls came in. But

that was not the point I was making at this moment. May I pursue that point now? Have you any indications, assuming that it is economic for the man who kills a single beast, to continue to kill a single beast himself, at what point up the scale does it become uneconomic for a small butcher to kill his own beasts?—Really when it gets to the stage that he must employ labour specially for that job.

2682. But he does employ labour at the moment?—He has employed it to cut it up and to retail it, and in the very small cases that labour would be idle at the beginning of the week.—(Mr. Arthur.) As soon as it is necessary to employ more people for the specific purpose of slaughtering, then it becomes uneconomic.

Chairman.

2683. Yes, because the slaughterhouse operator has idle time?—All the time the labour is available for slaughtering and is sufficient for that purpose, and it is at that point that it is uneconomic.

Mr. York.

2684. Would that be as much as six beasts a week?—(Mr. Gunner.) Yes. If he is retailing it in the shop himself, it would be as much as six beasts and thirty or forty smalls.

2685. Sheep and pigs?—Yes; but the point is where he commences to slaughter and sell the carcass, and then, of course, it is an entirely different proposition.

2686. But it is somewhere between, say, ten and four beasts that the job would be more economically done by a bigger slaughtering organisation?—I would not like to say at what point it would be done cheaper by a bigger slaughtering organisation, because some of the bigger slaughtering organisations, unless they have got a regular throughput, do tend to become more expensive than individual shops.

Mr. Yates.

2687. Would it depend upon distance, because you mention that in this memorandum?—Yes, I think it would depend on management.

Mr. York.

2688. I am coming to the point of distance in pursuing my argument. Now, having started at the bottom, I now want to go to the top, the biggest slaughterer. You mention here the danger of over-concentration, and you say at the bottom of the third paragraph that "there is a point at which the efficiency curve flattens out". Now, starting from the top, have you any indication as to where that flattening out starts? No. I do not think we can put it

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into figures; it depends on the slaughterhouse itself; it is a point as to where the slaughterhouse has to have a large number of animals to keep their staff employed; but I think we do recognise that somewhere about 104 beasts and 200 or 300 smalls are quite a useful weekly amount to go through; if it goes over and above that and rises to 500 or something like that, then the point at issue is, can they always maintain that number of animals to make themselves efficient? Sometimes that is where they lose efficiency.

2689. Is not this dependent to a great extent upon the factory processing of the by-products?—No, I do not think so.

2690. I thought that the main point or the main argument in favour of central slaughtering, such as were envisaged in the Livestock Industry Act of 1937, was that they could have a factory organisation within the slaughterhouse for dealing with by-products?—You can have, but they have to have a specialised staff; they are not interchangeable; and with a drop in throughput the whole staff of the factory is not fully employed.

2691. But, reverting to this flattening out of the curve of efficiency, I should have thought that if you had got, say, 500 beasts a week going through a slaughterhouse you would have a very large amount of offals and hides which would carry the full factory organisation to process those by-products. Is not that so?—Yes, that is so.

2692. I cannot quite see how you get this point that the efficiency curve will flatten out?—You could with 100 beasts and a small number of smalls handle the by-products; you could have the staff to handle by-products quite efficiently; but when you get higher there is no more to be gained, and the chances of insufficient quantities going through are greater.

2693. I see. In other words, you may not be able, if you have a big number, to get sufficient to fill it?—Yes.

2694. Now, there is another point about large scale slaughterhouses, which was Mr. Yates's point about the difficulty and the loss entailed in long distance journeys. Could you give us an idea of what you have in mind when you say that long journeys are detrimental? What is a long journey, in your definition?—It all depends on the method of transport. I think that livestock will travel longer journeys by road with less detrimental effect than they would do by rail. You can move cattle, pigs and sheep 100 miles quite comfortably by road without any adverse effect upon them, but if you are going over that distance, then the time that they are in the conveyance has a definite detrimental effect upon them.

Mr. Barton.

2695. When you say by road, do you mean droving?—No, by road transport. If it is a matter of 100 miles, it means 4 or 5 hours. It is time that has more effect upon them than distance.

Mr. York.

2696. We should have taken it very hardly before—in fact we did in certain parts of the country; if our pigs were moved 100 miles to the bacon factory we used to complain bitterly?—Yes. The bacon factory operator would not object to purchasing pigs 100 miles away and shifting them at his own risk. He would not object to that distance at all.

2697. You have no idea, have you, of what distance you would consider, as handling meat at the end, is the maximum that they ought to be moved either by road or by rail?—If I were operating for myself and I arranged to move them a very long distance, as long as I made the necessary arrangements to rest them for perhaps one or two days at the other end, I would move cattle over much longer distances.

2698. Yes, that is quite a different idea. It means that you have got to have your holding grounds near the slaughterhouses?—Yes. I would not like to move 100 miles.

2699. What about rail?—By rail sometimes much shorter distances take two days.

2700. Leaving that point and going to your fourth paragraph, could you explain a little more fully what is meant there. Do you say that abattoirs should not be granted monopoly rights because this would unnecessarily increase prices to the consumer?—If abattoirs were granted monopoly of slaughtering in a certain area, then we would automatically expect they would have a scale of charges fixed, and when we get these fixed rates usually they give little value for money.

2701. In other words, it is like your expenses margin; to-day some firms' expenses are much lower and some are much higher?—Yes.

2702. So that the actual expenses allowed would be greater than the average expenses if there were no expenses account, or no expense percentage laid down?—If we had to compete for that trade they would do the job better and perhaps at less cost.

Mr. Barton.

2703. Would you agree the tendency before the war was towards the factory abattoir type of concentration?—It was going that way quite definitely.

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2704. What do your Association think of rationalisation; are they in favour of it or against it?—Naturally, we being multiples, our trade is built up on the fact of doing a multiple job in an economic manner. When we have twenty or thirty shops, we tend to eliminate all slaughtering at shops and to do it at a central point.

2705. You would want to retain the right to do your own processing?—Yes.

2706. And manufacturing?—And slaughtering.

2707. You prefer rationalisation to be on the basis of co-operative slaughter-houses rather than factory abattoirs?—I think so. Others may think differently.

2708. Have you given any thought to this matter in conjunction with animal diseases, like foot and mouth diseases?—We have a paragraph at the very end on diseases which I think has not been put forward by any other organisation before. It is the last paragraph on page 5, and if I may say something upon that, we have drawn this plan up in the light of continued Ministry protection to agriculture, and we feel that if the Government are going to guarantee prices to agriculture then it would be a very opportune time for them to take the liability for condemnation of whole carcasses.

2709. I think we had better deal with that in its proper order. I am relating it to the question of concentration of slaughter-houses?—Yes.

2710. To what extent would the trade be placed at a disadvantage so far as slaughtering in areas where animal diseases occurred was concerned, assuming slaughter-houses were concentrated into huge units?—It would inconvenience them; I presume they would be forced to slaughter on farms. It all depends what the regulations are at the time.

2711. The regulations would presumably be the same as to movement?—Yes.

2712. It is the restriction on movement which would surely affect slaughtering?—Yes; if a case of foot and mouth disease is present they have to slaughter some animals on the farm because there is no slaughter-house within such an area, and the restriction on movement would increase that.

2713. What would you say would be a reasonable population to be served by a slaughter-house? Assuming, for instance, the responsibility were placed on the municipality, would you say a 10,000 limit, or 20,000 or what?—I would not like to express an opinion on that; we have not thought about that, as a municipality serving an area.

2714. Now we come on to the question of manpower. Are you prepared to deal with manpower in slaughter-houses?—We can do. It is not really within our province. We are not handling it at the present time; the slaughtering has been altered.

2715. Yes, I know; this point arises, especially in the case of a small trader, and I know quite a number of small butchers who were competent slaughtermen. Does that apply to multiple traders?—We have such men, but with the concentration of slaughter-houses the facilities for teaching young men slaughtering are dying out and those men are getting much fewer.

2716. Have you got competent slaughterers sterilised as retail butchers?—There are some.

2717. Could they be effectively used in a co-operative slaughter-house?—Quite likely yes. (Mr. Arthur.) And quite likely no, I think. (Mr. Baxter.) It is the older generation, of course. (Mr. Gunner.) Provided the union allow them to go in, but there have been cases where they have been refused by the union to take part.

Mr. Niall Macpherson.

2718. Is there a special union of slaughtermen?—There was, but I think it has been amalgamated now.

2719. Has it gone into one of the big unions?—Yes.

2720. The Municipal and General?—(Mr. Arthur.) I believe it is A.S.D.A.W. It is still sectionalised.

2721. To what extent did multiple shops do slaughtering before the war?—(Mr. Gunner.) It was not done to any large extent, but they did do slaughtering. I think the multiples handled a fair proportion of the imported trade and utilised some of the dead meat markets for obtaining their fresh English meat; but nevertheless, in spite of that, I myself personally represent a firm that did not sell imported meat before the war and we did do a proportion of our own slaughtering.

2722. Then this memorandum would be based, generally speaking, on the experience of multiple shops as concerned with the end products, so to speak, of the slaughter-houses and not with the procedure of slaughtering?—Yes.

2723. From the economic point of view rather than the procedural point of view?—Yes.

2724. You said that you wished to maintain your right to do your own slaughtering. In your view, does it actually matter who does the slaughtering, and if so, in what way?—Very much. If we have to go to someone else for our end-products, we have not the ability to prepare it, to present it, and handle it in what we would consider a proper way.

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2725. But you are speaking for your own concern rather than for multiple shops in general?—You are asking about the slaughtering of English meat?

2726. Yes?—I am only talking from the point of view of multiple traders who are concerned in the handling of English products.

2727. In other words, those who are concerned in the handling of English products were for the most part also engaged in slaughtering?—To some extent.

2728. In the case of those who were not engaged in slaughtering, does it matter to them who does it?—No; if they were not engaged in it, they are concerned only in the end-product, the meat.

2729. Yes, I see. Now we were talking about co-operative slaughter-houses and their procedure in this; I do not mean belonging to Co-operative Societies, but what I think Mr. Barton meant, that is, slaughter-houses which are made available to people who wish to slaughter their own animals in them?—I have not got any experience of them myself. I believe the procedure is that they pay a headage fee. They can take animals in and their own slaughter-man, and they hire the use of the slaughtering hall.

2730. Or at any rate, even if they do not take their own slaughter-man, they can supervise and say how they want the thing done?—Yes, and there are slaughtering gangs there who would undertake the work for them.

2731. You do say in your memorandum here: "In this connection there is much to be said for the operator of the abattoir being responsible for reimbursing the cost of official inspectors to the authorities by whom they are employed."?—Yes.

2732. What is to be said for it?—At the present time the local authority is responsible for providing adequate inspection of carcasses. It sometimes happens that a large bacon factory or slaughter-house is erected in a very small rural area and they may have, or they may need, three or four veterinary meat inspectors regularly employed inspecting meat going through that, and the liability at present falls on that small rural community.

2733. It would not be compensated by the rates payable by the factory?—It may to a certain extent—it would, yes.

2734. After all, it is a service in the interests of the public rather than in the interests of the producer?—Yes, but it is a little hard sometimes if it should happen like that, and we say that there is something to be said for there being a headage charge.

Chairman.

2735. You feel that in any case a small local authority may be disinclined to bear the expenses of inspection if they should be heavy?—Yes. Before the war they did not provide sufficient inspection, and in some cases in order that it should be done thoroughly, factories did pay the wages of these inspectors; but then, of course, it is not right, because then they are paid by a factory to whom they should be an outside body.

Mr. Niall Macpherson.

2736. What was your own procedure for slaughtering?—As regards recompensing the veterinary people?

2737. Yes?—The local authority bore the cost.

2738. That has been the general rule everywhere so far, has it?—Yes.

2739. In what way did those multiple shops which did slaughtering before the war carry out slaughtering? Had they their own abattoirs?—They either had their own abattoirs or one of their shops had an abattoir at the back of it where they did the slaughtering for their other branches.

2740. As far as the multiple shops are concerned, as a rule are they widely spread over the country, or are they concentrated in a certain area?—The larger ones are spread over the country, but after the larger ones, then there are those with five, ten or fifteen branches, which crop up in little areas.

2741. I take it that the multiple shops that handle exclusively home killed meat, as you did, would not tend to be large units, would they; they would tend to be smaller ones?—Yes.

2742. And they would also tend to be grouped in a certain area?—Yes.

2743. So that as far as you were concerned—when I say you, I mean those handling home killed meat—possibly one abattoir would do the lot. Is that right?—For each multiple?

2744. Each group?—Yes, each individual multiple.

2745. Yes. One would do each individual multiple?—Yes.

2746. Did any of you experiment in the wider aspects of the treatment of by-products?—Yes.

2747. And did any of you have tanneries?—No, not tanneries.

2748. I mean everything short of tanneries?—Yes, I think we drew the line there. We processed blood and bone-meal and various other things such as that.

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2749. Your practice then presumably was to buy locally, if I understand this memorandum correctly, because you wanted to avoid transport. Is that right?—Yes.

2750. You bought locally?—Yes, with one exception of going to Scotland.

2751. They shipped dead meat?—Yes, and then it was rested.

2752. It was shipped alive and then rested?—Yes.

2753. That was the practice before the war?—Yes.

2754. Even for sheep?—Not for sheep; that was for larger cattle.

Mr. York.

2755. Was not that only for prime beef, not for normal supplies, but for speciality beef such as Aberdeen Angus?—Yes.

2756. Not for normal supplies?—I think the multiples that handled English products were always looking for prime supplies.

Mr. Niall Macpherson.] The answer to that is that you only supply the best, I am sure!

Chairman.] Perhaps we could deal shortly with the problem you touch upon in paragraph (d) of the memorandum which is the problem of attracting new entrants.

Mr. Yates.

2757. I wanted to ask whether, as these units had been reduced, there was any evidence of detriment to animals in connection with the distances they had to travel, or whether this is just a warning in case of further trouble. Is there any evidence to your knowledge that there has been injury to animals or any detriment to the eating quality or loss of weight as a result of any alteration which to your knowledge has been made?—Animals were transported fair distances before slaughter-houses were rationalised. There is always a risk of damage to animals in connection with long distance transport. I have not any evidence that it is becoming excessive nor that it has become greater than it was.

Chairman.

2758. Is the main problem in attracting new entrants to the trade what you describe as the present "bleak outlook" of the trade?—(Mr. Woodley.) That has a distinct bearing, of course. It is nothing new. It has been on the horizon ever since the end of the war. That has tended certainly not to encourage younger juniors, especially from a scholastic point of view, to enter the trade, and we have found also in the schools, that there has been a tendency for the educated people possibly to

direct the younger element away from the meat trade.

2759. What steps has your Association taken to attract new entrants to the trade?—I think I am correct in saying that we were responsible for the initiation of the brochure that the trade prepared; it was done in conjunction with the Institute of Meat, and that was circulated round the schools of the country.

2760. What reception did it evoke?—I think you could say that the majority of firms would say that they are still short of junior labour. Conscription plays a part in that; but our trade does call for a longer period of training than possibly some of the other distributive trades. You have got to take a man when he is not in any shape or form really qualified by the time he comes back. It is a lengthy process to turn out a finished manager for a shop.

2761. Are the educational facilities adequate?—I would say that London is well catered for, but when you come to the Provinces the position is not quite the same. You get certain large areas where you have got local authorities who have their training schools; but there is one big difficulty, and that is to get the youth to go to these schools. I think I can say that in a number of cases multiple firms have paid their expenses to be taught the trade and very often when they have paid them the youths have not been sufficiently keen to follow up and keep their incentive, and they have dropped out. That is one of the big difficulties.

Mr. Yates.

2762. Have your dealings been with headmasters of schools, or has your problem been placed before technical Educational Sub-Committees of Education authorities, because you say here that headmasters of schools are averse to recommending the trade as one with great prospects for the future. Have you tried to influence headmasters of schools direct, or have you put your problem before local education authorities?—(Mr. Hammett.) We have, through the Institute of Meat. That was the idea of the production of that booklet which has been sent to all schools up and down the country. Representations have been made to headmasters. I do not know if you have seen that booklet. (Copies handed in.) (Mr. Arthur.) I think we were also largely responsible for the establishment of the Institute of Meat, which is an institute which is concerned with education and facilities for education; but as Mr. Woodley I think suggests that is more valuable to London. (Mr. Woodley.) The Provinces suffer on account of that. (Mr. Baxter.) With regard to the Institute of Meat, we are very interested in that. We have actually four of our Council men on

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the Institute of Meat, and we are now taking an interest in the Provinces, although that is a great difficulty, as has been said. I think even this year there have been meetings in the larger towns and lectures have been arranged, and as a result of this booklet we approached the education authorities with a view to this knowledge being spread, to get the youths and boys interested in the trade. But we are definitely interested in the Institute of Meat, which is in its infancy; but next year, in 1950, the Institute of Meat is taking over the examinations for all these young fellows. (Mr. Hammett.) May I say this, that by saying that we have been interested in trying to get these lads away from just the ordinary technical education, we have arranged for groups of them to be taken down to farms. Then groups have been taken to shops. All that type of education has been tried to be given to them and we are still following on those lines. But just at the moment we are in negotiation with the Ministry of Education and are putting forward these ideas, through the Institute of Meat; so that we have not as yet settled on this question.

Chairman.

2763. All these schemes are in the formative stage?—I think we can say that it is a subject which has been very much in our minds and has not been neglected in any way in the last two years or so.

Mr. Yates.

2764. I had the impression that in a city like Birmingham, for instance, there was quite a lot which had been done in this direction.—(Mr. Woodley.) The larger cities have an advantage over the smaller areas.

2765. I imagine this is a subject that has been discussed by the local education authorities.—Yes, correct. When the new Education Act comes into force making youths of eighteen and under attend classes, then a body such as the Institute of Meat will come into its own, because it will prepare the curriculum and examination classes for these boys for them to follow. (Mr. Baxter.) That has been prepared and issued.

Mr. Niall Macpherson.

2766. In what sense is the outlook bleak?—From the ration point of view.

2767. Or is it because there are a number of trained slaughterers within the meat trade who are not employed as such and might therefore be employed as such?—(Mr. Woodley.) When that wording was put in there it was done purely on the question of the outlook for the meat trade. We are all agreed that it is bleak and we cannot see anything, shall I say, in the way of a silver lining for attracting young entrants into the trade. That is what we meant by

that word "bleak." We were not suggesting that it is all confined to the slaughtering side. These boys do part of their training by visiting slaughter-houses and seeing cattle slaughtered and dressed. They are not trained as slaughtermen under our organisation in the normal way.

2768. Then after that you say it is a long job to train a boy to become a slaughterman and longer still to become a manager. But do you envisage from your own point of view as traders a continuation of this bleakness?—I am afraid we cannot see anything different.

2769. That is your outlook as a trade, looking ten years ahead?—Yes.

Chairman.

2770. Could we leave future prospects because we will be coming to that point specifically?—It is so cloudy; and if we could only know what is going to happen in the Argentine now our outlook would be different. We have had nothing to encourage us during the past few months.

Mr. Niall Macpherson.

2771. I quite agree. I daresay this will lead on to the next matter. It is a question quite clearly of getting down to training people now if we are going to have enough slaughtermen available when the time comes, is it not?—You can say we are doing as a trade all that we can in encouraging the youth of the country to be trained. We have to get the youth in the first place to come and be trained; we cannot conscript them. They have to come to us; and that is, shall I say, one of the difficulties all traders have experienced.

2772. May I just deal with this question? What would be the best single factor in improving recruitment?—Technical education.

2773. Improving recruitment?—(Mr. Gunner.) Or a return to small slaughter-houses. New recruits get training much better in smaller units; that is where they learn the job.

2774. That is what I was getting at?—(Mr. Woodley.) The rural areas have a distinct advantage over the towns from that aspect—or they had in pre-war years, at any rate.

Mr. Barton.

2775. On the question of the supply of labour into the trade, has not your problem been affected by the virtual disappearance of what we used to call the butcher boy?—Yes.

2776. That is an inevitable consequence of the restriction of supplies?—Yes.

2777. The possibility is that when the supply situation is less severe than it is

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now, to some extent that will be rectified?—Yes.

2778. You want to get boys in at the bottom when you will be able to impress upon them the virtue of following butchering as a career?—That is our aim, to see they are not brought in to a dead end; they have got to have prospects, and that is what we are trying to set out in this booklet.

2779. But the difficulty at the moment is that you have not got the scope to bring in the youngsters that you normally had?—Yes.

2780. And that probably that part of your problem will disappear as and when supplies do come somewhere nearer normal?—Yes, except for the fact that if we can get the help of headmasters in the schools to put our point of view before the youths leaving school, that will be a very great help to us. (Mr. Baxter.) I will give you an instance. The other day I asked a man why he was not letting a boy whom he employed do more cutting. I asked the boy how he was getting on. He said he was sorry, but that he did not like the trade. I then said to the man: "Why is not this young fellow doing more cutting?" The reply was: "I cannot experiment with this ration I am cutting now. It has to be done so carefully and with a skilled hand." It is that sort of thing that means loss of experience to the youth.

2781. Does not he even cut up sausage meat?—Yes, he does his sausages; they know how to make sausages, but they get a little bit tired of that. A boy really wants to know how to cut up meat and how to be a butcher, but unfortunately the man at the top who is responsible for his ration of meat dare not experiment. I think that has a detrimental effect.

Chairman.

2782. We have had an opportunity of studying the plan you have prepared for the future marketing of meat, and I gather that your major assumption is that whatever happens there will have to be a continuation of the guaranteed price of the producer, and it is against that background that you are now working.—(Mr. Gunner.) We have assumed that that is so.

2783. The major purpose of your plan is to encourage production of higher standards of quality?—Yes.

2784. You do not think you can do that through any detailed system of grading; so that in short, what you propose is that there should be a free market for meat so that there would be an adequate opportunity for the different qualities to get different prices; that there should be two averages, a guaranteed average price and an official market price obtaining at the appropriate time?—Yes.

2785. The subsidy would be the difference between the two?—Yes.

2786. That would be a flat rate subsidy; or might it happen then that the subsidy would be paid even though the price was above the guaranteed average price?—Yes.

2787. That price, of course, itself would be a factor in reducing the subsidy?—Yes.

2788. Because it would tend to reduce the margin between the two averages?—Yes.

2789. This system would depend upon whatever form it took on a register of sales?—Yes.

2790. It could be, if desirable, further adjusted by some differential price based on grading; in other words, you might, if necessary, have different subsidy figures?—Yes; but we favour simplicity and classification instead of grading. A lot of purchasers do their own grading.

Mr. Niall Macpherson.

2791. Could I be quite clear about this? What is guaranteed as the average or net price in any particular deal?—It may be, and indeed it would be, that someone, even with the subsidy, would not reach the guaranteed average because his animals were of very poor quality.

2792. It is this wide extension of the guaranteed price which I cannot help feeling it would be difficult to get the farmer to accept. Do you think you could get him to accept it?—I think it is one that he would be very willing to accept.

Chairman.

2793. Of course, the question that Mr. Macpherson has put would depend upon the guaranteed average price?—Naturally.

2794. And the book-keeping involved would be at the point of sale registration?—Yes, that book-keeping would also be at a minimum.

2795. It would be a simple, straightforward registration, because the subsidy would take the form of a flat rate?—Yes.

2796. Would you except, for the reasons you have given, calves and lambs from such a scheme because of the wide range of quality in those cases?—Yes.

2797. A similar scheme could operate as far as pigs are concerned?—Yes.

2798. Has this scheme been put to the Ministry?—We have given evidence on this to the Lucas Committee; we have also published this scheme, and we propose to put it forward in booklet form. I do not think that this is so different. This kind of affair has happened before; it happened with bacon before the war. The price paid by the Government for bacon

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was in line with the average realised price of bacon. There were two averages, the Government price and the average realised price, and the subsidy was the difference between the two.

2799. Yes; I think there are several precedents for this sort of operation?—Yes.

2800. Is there any reason why such a system should not be put into operation in the present circumstances?—Except this: How many bidders are there going to be for the animals, and are we going to be allowed to bid, or is the Ministry of Food going to be the only bidder? A feature of this is that by quality he will be able to get above the average. I think under present conditions there is only one purchaser, and that is the Ministry of Food.

2801. I was not so much concerned with the present administration as whether in present circumstances, with meat in such short supply, it would be possible to operate such a scheme as that which you suggest?—I am afraid that the two prices, or the two averages, that are suggested here in present circumstances would both be fixed prices, fixed by the Ministry of Food.

Mr. Niall Macpherson.

2802. So that such a scheme could not possibly work within the framework of a price ration?—I do not think so.

2803. Because obviously it is unlikely that people would be willing to sacrifice a part of their ration for that extra little bit of quality?—Yes; it would mean a fundamental change in the ration system.

Chairman.

2804. This in turn comes back to the acute short supply situation that obtains today?—Yes.

2805. To deal with one or two of the other points you raise, I gather in your opinion it is not practicable or wise to rely upon cold storage for home-produced meat?—No.

2806. We have got considerable cold storage facilities now; but even allowing for that, your Association does not favour any extended use of those facilities for home-produced meat?—No.

2807. Of course, the Association must have continually in mind the question of de-control. At what stage, as retailers, would you consider de-control possible—or perhaps I should not put it as high as that: either de-control or a substantial relaxation of control?—It could only take place when the amount of the ration had reached the point where the public had started to take less or relinquish or forgo part of their ration.

2808. In short, it would be likely to be near the point of de-rationing?—Yes.

Mr. Niall Macpherson.

2809. Are you satisfied that it would in fact be practicable to see that point from the statistics of your own sales?—Not accurately, because the purchasing power of the public would have an effect. What size of ration would that be at, do you mean?

2810. No. Is not there a danger that if the consumer were to take less than his ration, in the early stages at any rate, that would be concealed by slight adjustments with other consumers?—That might be so in the early stages, yes, but if the ration then had a further increase that would overtake those hidden pieces.

Mr. York.

2811. Could I go back to this question of grading, and ask first of all, which would you, as retailers, prefer, presuming that one such grading system has to continue—on a live weight basis or on a dead weight basis?—I think as retailers we would plump for the dead weight basis.

2812. And for what reasons?—We should get 16 ozs. for our lb., for one thing.

2813. But in fact today you are paying on a dead weight basis, are you not?—Yes.

2814. Therefore, is the live weight grading today having any serious effect on you as an organisation?—Today it has no effect upon us at all.

2815. Then why do you suggest it needs altering?—Because today the two are quite separate, the live weight grading for the farmer and the dead weight sales to the butcher; but with the disappearance of that control the two operations have to come back to the retailer and a reconciliation has to take place between those.

2816. But you have already said that you are in favour of some further degree of rationalisation of slaughtering?—Yes.

2817. If that is so, would not the same conditions as to dead weight purchase by retailers continue under that system as continues today?—It would in the case of those people who purchase their animals already slaughtered, but the degree of rationalisation of slaughterhouses which we agree with does not mean to say that it alters the purchasing of animals.

2818. I was trying to get at the reason for your objection to live weight grading, because in the country district where I live the local butcher always gets prime beef, and I cannot quite understand why, if he could get prime beef, other butchers should be cut out by buying something which was not prime beef, or paying for something which was not prime

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beef?—We are dealing with an organisation with perhaps a majority of its members who do not actively engage in slaughtering. Those who are engaged in slaughtering have no objection at all to buying live weight.

2819. That is the point I wanted to bring out. The people who buy their own cattle, then, as I understand, are perfectly prepared to buy live weight?—Yes. (Mr. Hammett.) Yes, I think that is so. I think they would be quite prepared to use their own judgment and would be rather pleased to be able to buy live weight. There is no better man than a butcher himself who is the purchaser to grade an animal, because you know as well as I do a skilled butcher in buying can tell within a few pounds what the carcase will be like when it is dead, and what its weight will be when it is dead. We have no objection to buying by graded live weight or dead weight; but the dead weight grading, we feel, should be left to the butcher again. It is a question of the bid, as I think we say in the memorandum, that if it is a question of meat being available at the central abattoir, the butchers, if they come along and if they choose to have some selected animal, they are willing to pay that little extra. I think that is so.

2820. I do not think that there is anything between us upon this, but would you suggest that the guaranteed price should be an average price? That is the second thing I cannot understand, because today it is the average price; it is not a fixed price in any sense of the word. We have live weight grading of the dead beast which grades it B minus, and it gets bought at one price, and the super special gets bought at another price?—Yes.

2821. Where does that system differ from your average guaranteed price?—(Mr. Gunner.) We want the purchasers to do the grading and not some official.

2822. Is that the only point?—We want the purchaser to do the grading as to the quality of meat.

2823. And is the vendor then forced to take the purchaser's grading?—I think in a competitive market he would be very pleased to do so, because if he has bought an animal that is better he stands a chance of getting the best.

Chairman.] Your argument, in short, is that price does affect grading?

Mr. York.

2824. What you are trying to suggest is that the pre-war market ring and the auctioneers' ring should in effect be the arbiter of price or quality, but that at some stage the guaranteed price should operate?—Yes.

2825. I cannot quite see how that is practicable?—We think it is very practicable and very simple. The auctioneers' ring

would handle the sales. They would be bid for competitively, and they would make returns of the realised prices. Those realised prices put together would form the national realised average price, and the difference between that one price and the guaranteed average price would be the flat rate subsidy. As we state in our example, it may be that the guaranteed average was 1s. and the average realised price at the auction was 10d. Then the subsidy would be the flat rate price of 2d. a lb.

2826. But the effect of that, surely, would be that whatever came into the market it would then get the average subsidy?—Yes.

2827. Therefore that eliminates to a considerable extent the premium on quality;—No; if it were a question of the quality of the animal it might be that it would make 1s. a lb., but he would still get his 2d. subsidy, flat rate subsidy, and therefore the quality animal would perhaps receive 1s. 2d. a lb., whereas someone who sent in an animal very much below average quality might only succeed in realising 8d., and he would still get 2d. subsidy, but in total he would only get 10d.

Mr. Niall Macpherson.

2828. Does it not follow, then, that the subsidy which is allowed—it is slightly Gilbertian, I think—or that the subsidy which is guaranteed, would be unknown at the time but would only be paid later?—Yes, that is right.

2829. Or could you say that there will be a subsidy of 2d. per lb. afterwards?—No.

2830. The actual subsidy in each separate market would not be known until afterwards, it might be a month afterwards, when the vendor received his cheque for the subsidy?—Yes; the subsidy would be something that would have to follow later.

Mr. Barton.

2831. Would not that in effect revert to this, that the taxpayer would be subsidising the inefficient producer?—I think that this scheme would in fact force the inefficient producer to wake his ideas up, because he is not getting a flat rate price. If the subsidy was going to be a guaranteed 1s. over a wide range, someone would come in at the bottom of the scale, and then almost certainly there would be a preponderance of animals at the bottom, and there would be no incentive to produce the better article that was actually wanted at the top.

2832. It depends on the circumstances. If the producer was going to get 11d. and could produce at 7d. and his average price was 10d., then obviously he would not trouble himself, would he?—(Mr. Arthur.) I would not say that. Is not the suggestion this, that there is a uniform subsidy of 2d.? The producer gets the market

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value according to the grade of the animal he is selling, plus the 2d., and now his incentive to produce a good animal is in fact that he gets a better price; in other words, the better the animal, the better the price.

2833. It depends on how much it costs him to produce a good animal as against a bad animal, does it not?—Yes. (Mr. Gunner.) If they did not produce the best animals the demand would increase very steeply, and the price for the best animals would go right up, and the incentive to producers to produce that animal that is required would be much greater.

Chairman.

2834. Is this in short what you are saying? To the producer you say: "You will get the subsidy per head of the cattle you raise. Now the size of that subsidy will depend upon the market price. If the market price should tend to fall, you will get a compensating subsidy, because the difference between the two averages will increase." On the other hand, if we turn to the purchaser and the customer in your shop, you are saying to the taxpayer: "If the price rises, the amount you contribute to the subsidy will fall"?—Yes.

2835. So that if you have more to pay in the shops you will have less to pay as a taxpayer towards the subsidy?—We feel that that is a method of incentive to the producer to produce the best article, and that in effect that will be an indirect incentive to the producer to reduce the amount of subsidy that is going to be required. It may not be their idea, but it will have some effect.

Mr. Niall Macpherson.

2836. Does it not follow that such a scheme would only work in times of relative stability of prices, which would also depend on the relative stability of world supplies, not only supplies in this country?—It would, of course, depend on the amount of imported meat coming into the country. This guaranteed average price would no doubt be negotiated on the footing of various periodical changes, and they would also have in mind all those outside things which would affect it. (Mr. Hammett.) I think it is a question that there would be limitation on importation of meat such as there was prior to 1939, in the case of big wholesalers, as you know, because when we had a great influx of Scotch meat, which we did in July, August and September each year, then you found the Colonial merchant held off from putting his produce on to the market, because he knew very well that no trade could absorb both the Scotch supplies and the imported supplies.

2837. Do you mean chilled supplies?—Yes, imported supplies, Sir. It was not possible, and they knew that, because every market authority knows the quantity of meat which it can handle each week, so that it was quite simple in operation. I think the idea of my friend here is that some premium should be put on the obtaining of better class cattle, because it has always been the shortage of the better article which has caused the difficulty. There has very rarely been a surplus of the better class of article, especially better class meat. Whether the 2d. a lb. or whatever it may be will enable the producer to do it, and whether it will pay him to produce a better article, that has got to be thought out. We just give them as an example.

Chairman.

2838. To come back to Mr. York's question: Why should it be difficult to obtain that result through grading?—(Mr. Gunner.) It is grading through the experience of the graders, and it has many anomalies. I am not saying that grading by experienced butchers is not the thing, but if they make mistakes it comes out of our own pockets. The subsidy would not be a 2d. a lb. subsidy; it would be a figure of, say, 1s. a lb. That would be the figure of the flat rate subsidy, and it would vary according to conditions.

Mr. York.

2839. Does not the Grading Panel have a butcher representative on it?—Yes.

2840. It has a producer on one side and the Chairman of Auctioneers in the market on the other side?—Yes; but it still has many anomalies.

Mr. Niall Macpherson.

2841. Rather than having these average prices and all the complicated machinery and the delay, together with the fact that you are guaranteeing a price that you do not know, or that you are giving a guaranteed price, would it not be simpler to give a guarantee to pay a subsidy of so much on the price per lb?—That might be much simpler.

2842. It seems to me it would be enormously simpler?—Yes; I am not saying that would not work. It might work a lot better, but there would have to be reviews periodically again.

2843. Yes. I quite agree that might be a step further forward.

Chairman.

2844. It struck me, when I was listening to the explanation of your proposal, that you might need a totalisator?—These average prices we get out from the market beforehand, and we have to try to follow

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[Continued.]

the scheme that has been previously used. I am not saying that the suggestion that has already been made would not achieve the same end a lot quicker and a lot simpler. (Mr. Hammett.) In the case of first class cattle at 86s. per cwt., your idea is that the subsidy should be placed on that 86s., or if it was only 60s., then the subsidy would be paid on, say, 65s.?

Mr. Niall Macpherson.

2845. Yes.—I think that is a very valuable idea for us to think about.

2846. It might even be made a sliding scale?—(Mr. Gunner.) If instead of guaranteeing 1s. when the market is round about 10d. they guaranteed 2d. a lb. subsidy and they did not restrict imports and there was a sudden fall of imports, as had happened in the case of Danish bacon, then the market would drop to, say, 6d., so that 2d. would immediately be inadequate.

2847. That is why I asked about the question of world supplies, because it seems to me that even your scheme would not really work unless there were a controlled supply of imports?—We thought that under this scheme, in order to make sure that the average subsidy was not too great, the Government would have for their own safety to see that no flooding of imported meat did take place, because if they did allow it to come in, then the flat average figure would gradually increase to 3d. or 4d.

2848. It seems to me to be strange to talk about a flood of imported meat at the moment.—Yes.

Mr. Barton.

2849. In any circumstances, you are not in favour of unrestricted competition?—From abroad?

2850. From anywhere.—Within this country, yes, but not from abroad.

Mr. Niall Macpherson.] You are in favour of Protection?

Mr. Barton.

2851. Will you answer me this: Can you ever see the day arriving when in this country we can meet the demand for home-produced meat from the ordinary English customer?—No.

2852. When we shall even be able to meet 25 per cent. of it?—Yes. (Mr. Hammett.) 25 per cent. of our requirement?

2853. Yes.—We were meeting 53 per cent. of it before the war, so it is possible, and if I might suggest, if you chose a long-term policy or a short-term policy—

2854. We enter into another phase. Can you tell me to what extent home supplies of home-killed meat have been affected by the stepping up of milk production?—(Mr. Gunner.) Very seriously.

2855. We can go on ad infinitum from that. There are other things that enter into it. If we are going to step up milk production to meet future increased demands, in my opinion the supply of home-killed meat in the future as against pre-war years will be very much less, and we shall be more and more dependent on foreign supplies. It appears that your scheme of guaranteed prices for the producer is an incentive to produce meat, whether it be at home or abroad?—This applies only to home-produced meat. We have said that it might be that the Government will want to consider the operation of perhaps a levy subsidy, an arrangement to reimburse their average subsidy by a levy being placed on imported meat; but that is not within our sphere.

2856. The importer looks at it from a different angle altogether?—(Mr. Hammett.) We are hoping, Sir, that the farmers may take this view, that you can produce beef cattle in two and a half years, where a cow goes along for five or six years, so that if we can produce a bullock in two and a half years the farmer himself hopes that it would be better if he got his money quicker than if he depends on milk he gets from his cow.

2857. That is all right from the butcher's point of view, but it might not be from the point of view of the country's economy. Again, you would agree that the production of livestock in the country is to a great extent dependent on feeding stuffs?—Yes.

2858. And on pasture land?—Yes. I do not know, and I expect you are more acquainted with it than I am, but the point is, I think, that you will take this view, that unless we get more animals back on to our farms we shall have soil erosion in this country, because all my farmer friends say that where they have planted cereals now for four or five years the land is extremely tired and they cannot go on. They know they have got to put them back into ley again and rest them. The same thing applied to the ordinary rotation farmer many years ago. That being so, we have got to put some grassland back, or plough up our verges and chop down our hedges, and in that way obtain more acreage in the country. But there is no doubt that we shall have to rest our land here, and we have got to consider also what we may buy from abroad in the most economical way, if it costs us 80s. a quarter to produce wheat in this country and we may buy it overseas in one of our own Colonies or Dominions. Then it may pay us better to buy the cereals to feed to our own stock here. Going on from that, it may be that if we could get more cereals here and if we took a short-term policy and said: "Well, we will produce poultry and pork here, remembering that the pig

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reproduces itself to such an extent," that may mean a much better thought than going into the difficult question immediately or within a very short time of what is to be done. We have pressed the Ministry to let us have more feeding stuffs exclusively in the early stages for poultry and pork production. That seems to me to simplify things. That would allow us to lay down our land for grass, because, after all, if you plant your grass seed now this spring, you will not be able to put your cattle on that grass, I think, until some time in the autumn or perhaps next year, with safety. I am not a farmer: meat is my industry; but I would naturally consider any avenue by which we could get more supplies of meat here. I do not want to talk about foreign importation, naturally. We are talking now about marketing our own stuff; that is all we are here for today. We have given a lot of thought to this memorandum. There was a lot more padding in it, however, we cut it down as much as possible in order to bring it to you in a simple manner, hoping that we have given you a framework, or an overcoat, by which you would help us with your wisdom just to take a tuck in there and put a gusset in there and so produce the article that we require.

Mr. Yates.

2859. Just one question on another subject; that is on page 5, where you say: "Suggestions have been put forward from time to time that home-produced meat should be cold-stored at certain seasons." Why should that be put forward, first of all, and, secondly, does that mean to say that you think that all our cold storage accommodation is of little value?—Regarding the suggestion that home-killed meat should be cold-stored at certain seasons, that is so, because before the war we did have lots of Scotch meat in particular, and it seemed to be such a pity that it was not placed into cold store and issued out to us in February, March, April or May, when we were always short; but today, when you know as well as I do that you have got to have a slaughterhouse or an abattoir which can handle meat straight away, to place it in a cold store of the right temperature would be too great a business, such as was set up in the Argentine, as it is only just seasonal you cannot put into cold store meat which has been hanging round for, shall we say, forty-eight hours. It does not take kindly to it. It must go perfectly fresh from the killing straight away into cold store, if you want to retain the quality, the bloom and the flavour of that meat, and that is why we do not suggest that home-killed meat should

be put into cold store with the idea of bringing it out at some future season.

2860. What about frozen meat? I am afraid I do not know much about this.—In the case of frozen meat, you can go to a killing station where they are killing; for instance, you can go to one I know very well where they have been killing 10,000 bullocks a week and 10,000 sheep a day, and they have got the proper system there. The meat is dressed and handled in such a manner that it goes straight away into a series of coolings, and the heat is extracted from it.

2861. We have not got that?—No.

2862. How long would you suggest that home-produced meat could be kept? You say it should not be put into cold storage at all?—No. (Mr. Baxter.) That is for immediate consumption, within a few days. (Mr. Hammett.) Yes. It should not be put into cold store, to be taken out again in perhaps a month or two or three months' time. That is what we meant by that. (Mr. Gunner.) If it was stored and brought out in three months' time, taking into account all the expenses you have been put to in doing that, you have depreciated the home-killed article into a foreign imported frozen or chilled article, and therefore it is of much less value when it comes out.

Chairman.

2863. I am sure the Sub-Committee would not wish me to allow you to go without thanking you very much indeed for the frank and helpful way you have assisted us this afternoon. I am sorry we have kept you so long, but at least that is one of the penalties of holding the interest of the Sub-Committee, that we are more protracted in our proceedings. We are very much obliged to you. May I also say this, that we recognise and appreciate the very real difficulties you are facing to-day, and we should also like to acknowledge the services that you are providing to the country in doing what you can to ensure our present small rations are evenly distributed among our citizens?—(Mr. Hammett.) We should like to thank you, Sir, on behalf of the Association, for the very kindly manner in which you have conducted this meeting to-day, and also for the kind way in which the questions have been put to us, remembering that we are not all academic in our ways, that we are sometimes rather leisurely, and our minds do not think quite so quickly as they should. We do appreciate the very extreme courtesy we have received here to-day, and we shall look back to this day in future as a very sweet remembrance, our visit to the House of Commons.

Chairman.] Thank you very much indeed.

The witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 7TH APRIL, 1949.

Members present:

Mr. NIALL MACPHERSON (in the Chair).

Viscount Hinchinbrooke.
Mr. Yates.

Mr. York.

Mr. LESLIE W. PHILLIPS, C.B.E. (Chairman), Mr. H. R. GRANGER (Vice-Chairman), Mr. W. M. LOVE, O.B.E., Mr. F. A. BRISTOW and Mr. MICHAEL MOORE, National Federation of Corn Trade Associations; Mr. JOHN STEWART (President), Mr. H. B. WATKINS, O.B.E., M.C., D.C.M., D.L. (Vice-President), Mr. WILLIAM WATTERS, Colonel E. P. CLARKE, D.S.O., T.D., J.P., Mr. C. G. METSON (Secretary), and Mr. J. P. REEDY (Secretary, Cereals Committee), National Association of Corn and Agricultural Merchants; Mr. W. R. LAW (Vice-President) and Mr. E. A. GREEN, National Association of Flour Importers, called in and examined.

Chairman.

2864. I think you are aware that this is a Sub-Committee of the Estimates Committee which is inquiring into the Food Estimates. We have asked you to be good enough to come along this afternoon to give us evidence on your particular part of the trade. First of all, can we deal with the question of the corn trade and the flour aspect of the matter? Am I right in supposing that you are all on the Port Area Grain Committees? Perhaps Mr. Granger could deal with that first?—(Mr. Granger.) I wonder to what extent, to start off with, you are quite aware of the position, Sir. You may, of course, be entirely aware of it, but no doubt it might help you if I explained the set-up exactly as it exists?

2865. Yes, I shall be obliged if you will?—I have got to take you back to the early days of 1936, when the question of the preparation of the grain trade and the assistance they could give to the Government in the event of war first started. Between 1936 and the early days of 1937 certain preparations were made in conjunction with the Government, who were then setting up a security stock of grain in this country. In the latter part of 1937 we proceeded to finalise all the plans whereby the grain trade would be *in toto* available for the Government in the event of war. There followed after that the setting up of the Food Defence Plan, of which certain representatives of the grain trade were members.

2866. At what time was that?—That was in 1937. The plan was this. There were in existence at that time seven Corn Trade Associations in the main ports of this country, including Northern Ireland; there was one in Glasgow, one in Liverpool, one in Bristol, one in London, one in Hull and one in Leith; and in concert with the Ministry of Food, as it now is—it was then Sir Henry French and Sir Ernest Gowers—a plan was concluded whereby the grain trade set aside the whole of their personnel and formed what are now called Port Area Grain Committees in these self-same ports.

2867. May I ask what you mean by "set aside"?—They were to be in readiness to act for the Government. They were to be responsible for the importation, the complete care and the distribution of all grain that came into this country in the event of war. The position was virtually complete in September, 1938, at the time of Munich, and they were ready to operate at that time. Following the time when things looked better, further steps were taken to put everything into apple-pie order, and arrangements were made for the Chairmen and Vice-Chairmen to be named and individuals to be appointed in each of those Port Areas to look after the job in the event of an emergency. As you, of course, are aware, the emergency took place in September, 1939, and on the Monday the trade ceased operating, it having finally ceased operating on the Saturday, when all the free markets in this country were closed, and the Port Areas came into existence. They took over all stocks; they automatically became the property of the Government; and from that point until today the grain trade through the various Port Areas has carried on the importation, the storage, the care, the discharging, the housing and distribution of all grain and feeding stuffs coming into this country.

2868. Thank you, Mr. Granger. Now, may I ask this: At that date when the Port Area Grain Committees took over you ceased to have any responsibility for purchasing?—Yes, the Ministry became the sole importer into this country. The grain trade, in the early days, and until the time when bulk purchases became the procedure to be adopted, were the source of procurement, and perhaps I can enlarge upon that. There was a Committee set up, as you are probably aware, in connection with the Food Defence Plan, and prior to the 3rd September, 1939, there was set up a Committee called the Imported Cereals Committee, which was to be responsible under the direction of Mr. James Rank for the importation of all grains and feeding-stuffs into this country. Use was made of the grain trade's personnel and the

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individual companies to make on the instructions of this Committee all the necessary purchases by this country.

2869. So that in effect the grain trade became agents of the Import Cereals Committee?—Yes; they put up to them daily offers which they received from their agents in foreign countries; they put those offers before the Committee, who were then sitting, and the Committee themselves decided what price should be paid and the quantities that should be bought.

2870. At what date did the Imported Cereals Committee cease operations?—It is still operating today.

2871. And is entirely responsible still for procurement?—You can hardly call it that, because owing to the innovation of bulk buying, that became rather a higher policy procedure, and it was taken out of the hands of the Imported Cereals Division. However, they and the grain trade still look after all this grain which is bought and does form part of the bulk contracts. The Canadian contract, for instance, is still shipped and the details are all dealt with by the importing firms on this side, and the documents go forward to the Ministry of Food; but the Port Area Grain Committees still deal with the receipt of this grain, the sampling of it, arbitrations, storage and distribution.

2872. And shipment to this country is made by the Ministry of Food, is it, or on behalf of the Ministry of Food?—Yes, on behalf of the Ministry of Food.

2873. To what extent are you also importers of flour?—That, Sir, is a matter which is dealt with by the Imported Flour Section, who act on behalf of the same body, the Imported Cereals Division, but they are on a separate arrangement from ours.

2874. It comes within the Corn Trade Association?—(Mr. Law.) No. I can speak on that, if you would like.

2875. If you please. It is an entirely separate organisation, is it?—Yes; but in so far as Mr. Granger has very fully given you the history of the set-up of the Port Area Grain Committees and the machinery for importation, I have nothing further to add, except to say that we provided our portion of the personnel in the Port Area Grain Committees to handle the imported flour side of the business. The only other point of difference which I perhaps ought to make is that when Mr. Granger speaks of distribution at the Port Area, I should like to point out that we are importers and also distributing merchants, and that the distribution side is handed back and done through the organisation for imported flour.

2876. That is to say, you are distributing merchants to bakers?—Yes, as well as importing buyers.

2877. Then in your capacity as importers of flour, is it true, that you are agents of the Ministry but as distributors you are not agents of the Ministry?—No; in every way we act on Ministry account, both in regard to importation, that is, purchasing from abroad, and distribution; we act as agents of the Ministry entirely.

2878. Do you retain your goodwill as individual importers from the point of view of distribution?—We do. We keep up the ordinary procedure of peacetime in regard to that in so far as it is possible under the control of the Ministry.

2879. How far is that possible—We keep up our personal contacts with our customers. As you are no doubt aware, there are two restriction schemes in regard to the registration of customers and also in regard to deliveries. When I say in so far as it is possible, I mean that within the scope of these two schemes we keep contact with our customers exactly as we did pre-war.

2880. I wonder if you could indicate to the Sub-Committee just how far it is possible to keep in touch?—You have got the two schemes. First you have got the registration scheme; that is to say, certain customers will register with you and you are only allowed to supply flour to them; therefore you are restricted to that extent. You are also restricted by the recent Restriction of Deliveries Order, which restricts the amount you can over any certain period deliver to such customers. Those are the two restrictions that I am speaking of.

2881. Is this correct, that on the one hand you are restricted as to the amount you may import, and on the other hand as to how the amount that you may import is distributed, or rather divided between your customers? Is it in accordance with a proportionate basis, or are you simply instructed as to which customers you can supply?—No. As far as importation is concerned, we have nothing to do with it except that we buy on instructions from the Ministry. We have no further interest in these purchases after that. That flour comes in and is dealt with under Ministry instructions. The flour which we distribute is handed to us by the Port Area Grain Committee, and we distribute quite separately from our importation; it has no reference to it at all. Under these two restriction schemes which I have tried to illustrate as far as I can, there is no connection at all.

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2882. I think that is quite clear to the Sub-Committee. Before we pass to further details, I wonder if you could give an indication as to the manner in which home-grown cereals are handled?—(Mr. Stewart.) That is a function that the National Association of Corn and Agricultural Merchants perform. We purchase from the farmer. We must purchase, of course, under Ministry orders. There is, generally speaking, on certain grains a maximum and a minimum price. On wheat, for instance, there is a fixed price. We pay the farmer those prices, either fixed or maximum or minimum. We lift the stuff from the farmer and we send it to the mill or wherever it is wanted. If it is wheat it goes to a flour mill, and if it is barley or oats it goes to its appropriate destination. We have, however, sent in a memorandum on this question, and if there are any further questions on that we shall be happy to answer them.

2883. As to the first point, may I ask this: What are the advantages and disadvantages of purchasing wheat at a fixed price?—I think I will ask Mr. Waters, who is our wheat expert, to answer that question. (Mr. Waters.) That just depends on the point of view from which you are looking at the matter. When you are looking at it from the point of view of pre-war days, pre-war when one purchased a sample of wheat one looked at the question of the amount of admixture and the type of wheat; whether it was a wheat which was a very good milling wheat from the miller's point of view, or whether it was a white wheat, soft enough for biscuit making, and the actual condition of the sample on which it was purchased, and according to those various things so did the price vary to a certain degree. Today if it is millable wheat it has to go to a flour mill and they embody it in their grist, because of the compulsory percentage which is laid down by the Ministry of Food, so that actually if the wheat is millable there is no question that it has to have a fixed price, and to that extent you could say that it is a question today from the farmer's point of view that he wants to grow quantity instead of quality. That really is the drawback between having a fixed price and an open market price, that the farmer gets the same price whether his wheat is of a first class milling sort or a second class milling sort, and so he wants to produce as much per acre as he possibly can; so that it is quantity that counts rather than quality.

2884. I wonder if we can get this quite clear before we pass to greater detail. For example, could Mr. Granger say first of

all under which branch or branches of the Ministry of Food his Association works?—(Mr. Granger.) We work under the Cereals Division.

2885. The Imported Cereals Division?—Yes.

2886. Wholly?—(Mr. Phillips.) As a matter of fact, we work under the Cereals Group of the Ministry of Food which incorporates the Imported Cereals Division and other allied Divisions connected with cereals. We are responsible to the Imported Cereals Division on that part of our work which relates to imported grains. We are also in some way connected with the Home-grown Cereals Division in so far as it affects our work where we have to handle purchases on behalf of the Ministry, for instance in the case of home-grown barley—that is another of our operations. We are also in some ways working with the Animal Feeding Stuffs Division of the Ministry in so far as our work is connected with the allocation of maize, oats or barley, which are being used for animal feeding stuffs. Those three Divisions are the main Divisions with which we work. I think it would be fair to say that the Division from which we get our original instructions, and indeed most of our instructions, is the Imported Cereals Division, because that is by far the greater part of our work.

2887. Can you indicate, Mr. Phillips, what functions you perform in connection with the purchase of home-grown barley?—Yes. Under present arrangements the Ministry of Agriculture guarantee a price for barley to the farmer. If the farmer is unable to sell that barley it becomes the responsibility of the Ministry of Food to purchase it on behalf of the Government. It is at that point that the machinery of the Port Area Grain Committee is used. We then buy the barley on behalf of the Government, store it and eventually put it into distribution. The approximate quantity, which varies from one year to the next, is something between 400,000 tons and half a million tons a year.

2888. And much the same applies to animal feeding stuffs?—No. We are mainly dealing there with imported maize, imported barley and imported oats. In those cases we are responsible for the reception of those goods at the ports again, for seeing them into store and for their distribution against ration documents.

2889. Could I put the same question to Mr. Stewart? Is he entirely under one Division of the Ministry or does he work under several?—(Mr. Stewart.) Yes, we

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work under the Home-Grown Cereals Division of the Ministry of Food and also the Animal Feeding Stuffs Division.

2890. That is quite straightforward?—Yes. We do practically all the purchasing of home-grown grain from the farmers.

2891. Except for one case mentioned by Mr. Phillips?—No, we still do the purchasing and we sell to the Ministry of Food. We do, I think, almost 100 per cent. of the purchasing of home-grown cereals from the farmer.

2892. I think the National Association of Flour Importers speaks for itself?—(Mr. Law.) No, it does not entirely. We come under the Imported Cereals Division in regard to any purchasing we do on behalf of the Ministry and in regard to any work which is performed in the Port Area Grain Committees by our personnel there, but in regard to our distribution we come under the other Division. That is entirely separate.

2893. Can you say whether that works quite smoothly?—Yes, I think it does. (Mr. Green.) I think within the policy laid down by the Ministry, or at all events what I might call higher level policy, the machinery works quite smoothly. (Mr. Law.) It is a very clearcut division between purchase and distribution. There is quite a natural division as far as we are concerned.

Mr. York.

2894. I want to carry on with this question as to whether all the workings with the Ministry of Food are quite smooth. Have you noticed any overlap or duplication in the administration of either the Cereals or the Feeding Stuffs Division or the Flour Division?—(Mr. Stewart.) If I may reply first, I cannot say that we do find any duplication. We find it fairly clearcut and probably as smooth as it could be under present conditions. (Mr. Granger.) If I could answer you in reply to that, the position is quite clearcut as between the imported grain trade and its Port Areas vis-à-vis the flour importers and the corn and agricultural merchants. The orders are quite definite. Whilst the Port Areas deal with both grain wheat for mills and feeding stuffs for the Animal Feeding Stuffs Division, they also deal in the same office with the imported flour business, Mr. Law's Division, and whilst the staff all work together there is a clearcut division as between the flour and the grain side, and in the present circumstances existing as they are, I do not think I could say that there is very much criticism to level at it.

2895. As to the switching of supplies, either of corn or of flour generally, how are the orders transmitted from the Ministry of Food, and is there any delay, if a merchant wants a decision, in obtaining that decision?—Might I ask for some clarification? I am not quite sure what you mean by switching supplies.

2896. I presume merchants get instructions from the Ministry that their corn is to go to a certain place?—No. May I explain again? The Ministry purchase a quantity of grain; maybe it is wheat or maybe it is feeding stuffs. That is directed by the Imported Cereals Division Committee which sit at Lancaster Gate, and they have the direction of that cargo or parcel, whichever it may be, to a particular port, one of our seven ports.

2897. Yes, I understand that part. I ought to have said that I was talking about home-grown cereals?—(Mr. Stewart.) I think that is our part, Sir. What exactly, may I ask, is the question you wish answered?

2898. May I put it again? The first part was: How do you get your instructions from the Ministry of Food as to where you, as their agents, are to send the supplies of home-grown cereals?—I should like to say that, generally speaking, we are not directed to send the supplies anywhere. If we buy wheat we are still allowed to sell it to a mill or to our usual customers at a fixed price. If we are in any difficulty with wheat, in getting it to our customers, then we must go to the Wheat Officer, who gives us help in finding a customer.

2899. You get that help straight away?—Generally speaking.

2900. He does not have to refer to higher authority before giving you instructions?—No. Regarding oats, they generally used to find a market, but they do not find it so easily to-day. However, generally speaking, we are allowed to find our own market under the Ministry, who will take any surplus at the minimum price.

2901. The Corn Officer again will tell you where to send the surplus?—We apply in this case direct to the Port Area Grain Committee who have a Purchasing Officer.

2902. Why does that go to the Port Area Grain Committee and not to the local Cereals Officer?—The point is, Sir, that any oats purchased are generally to be used as feeding stuffs. That is where the feeding stuffs are dealt with in the same way as if we were to get rid of non-millable wheat, which would go to the same point, and the same thing with barley. Barley is a very

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special subject. We have an expert on it here, Colonel Clarke, who can deal with barley.

2903. Yes. It is a fairly narrow point in regard to the switching of supplies. For example, this year we have got very heavy Ministry buying. Do you deal with that in the normal way from your ordinary suppliers, or do you have to get instructions from the Ministry of Food as to where to send it?—(Colonel Clarke.) No; there is a maximum and there is a minimum price for barley, because half the crop that is grown is used for brewing and distilling and the other half is used for other purposes. A large number of brewers in the country have varying demands as to the quality they want, and so within the maximum and the minimum there is a market, so that you can send the right quality to the man who did use that particular quality before the war. That is largely brought about by the fact that water in different towns has a different content and requires different quality barley. There is something like at the moment double the quantity of barley grown—

2904. Yes; but I should like to direct your attention, if you would not mind, purely to the Ministry barley and not to brewing barley?—I beg your pardon; I was only trying to explain that there is double the quantity, and anything that is not sold at that price, at the minimum, is then dealt with by the Ministry at the minimum price if there is no other opening for it and if it is up to a certain standard. There is then a court of appeal to which they can take the case, and if it is in their opinion an inferior quality there is what is called a certain allowance made to them to deal with it and take it in accordance with the Ministry of Agriculture's guarantee.

2905. That was not the point I was on. What I want to know is this. How does the barley buyer, the merchant buyer, know what to do with the Ministry barley?—He buys it and he takes it to the Port Area buyer in the various ports, and if it is up to the quality they buy it at the minimum price. The point I was trying to make was that you can make more than the minimum price if someone is prepared to pay it, so that the farmers can get the benefit of it.

2906. Yes; but supposing, as this year, you have a very much larger quantity of Ministry barley than normally, is the Port Authority or the Port Committee the correct authority to give you instructions as to where to send it?—Yes.

2907. They tell you to send it to such and such a destination?—Yes, they send it to you the same night.

2908. It is done quite quickly, is it?—A destination is given for it on the same day. There is no delay whatever. (Mr. Granger.) The corn merchant, as the last speaker has just said, offers that barley to the Port Area, the Port Area Purchasing Officer buys it, and he gives immediate instructions for its direction, and it is then allocated to the provender merchants, and is then used for animal feeding stuff purposes.

2909. May I ask about some of the details? I have not, unfortunately, had time to read your memorandum, because I only got it just before I arrived, but there are one or two points in it. First of all, has the merchant any incentive to efficiency in the conduct of his business, that is, buying it from the farmers and either storing it or sending it to some ordered destination?—(Mr. Stewart.) Yes. The bigger the quantity he can handle, then, of course, the better for himself. He gets his normal profit for the goods; he gets his normal profit on 100 tons, and it is much better than the normal profit on 50 tons.

2910. So that the incentive is on throughput?—Yes, certainly.

2911. But is there any other incentive? For instance, where is the incentive to good management within the merchant's store?—I would say this, that we deal with all sorts of articles. For instance, we may send a lorry out with feeding stuffs or fertilisers, and that lorry takes out the sacks of home-grown grain, and it certainly leads to economy in our business.

2912. Does the fact that there are fixed prices to farmers and fixed prices received by the merchants in any way help or hinder the ordinary merchant?—I think I might ask Mr. Watters to answer that question. (Mr. Watters.) When you say does it help or hinder, I do not know that it does hinder him; it perhaps makes for a little bit prompter bargain, because there is less talk about it, if you follow that.

2913. Yes?—When you talk about the question of efficiency, I think the point of efficiency is when the merchant is doing business with the farmer, to see that his orders are carried out promptly and to the farmer's satisfaction, thereby retaining his goodwill and retaining the business which the farmer has to put in the way of the merchant himself.

2914. I notice at the back of the memorandum there is a schedule of prices and profit margins?—Yes.

2915. Does that fixed profit margin tend to make the less lively trader sit back, and just take what is coming to him?—If he sat back I am afraid the more lively trader would get the business.

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2916. And that would have an effect upon him of losing throughput?—Yes, his turnover would be reduced and his profit would be reduced, and I think we can say without fear of contradiction that the corn trade generally are right on their toes to get business. Competition is by no means lacking.

2917. And the competition is not only in the buying and selling of fixed price commodities, but also in certain ancillary trades which merchants carry on?—Yes, exactly.

Chairman.

2918. Before you turn to the point in regard to costs, may I ask this? In view of the nature of the competition, is there any evidence of unfair competition at the present time, or even illegal competition?—Not in the corn trade. I would say this, that I think the tendency of the corn trade generally is to work in keeping with the Statutory Rules and Orders which are laid down. In fact I think that nobody ever thinks very much about anything else. There is no question that anybody would ride roughshod over them or indulge in black market practices which you may have in mind. If there are any, we do not hear about them. I would not like to say whether there are any or not, but as corn merchants they do not come our way. I should say that there may be one or two minor infringements with regard to coupons and that sort of thing, but generally speaking, without being unduly modest, I should think it is one of the cleanest trades that I know about.

Mr. York.

2919. I was going to ask about sacks. Is the cost of the provision of sacks a big item in the corn merchant's budget?—(Mr. Stewart.) A very serious item indeed, and in certain parts of the country it is dealt with in different ways. In my part of the country, where we deal with small quantities of grain, in quantities perhaps from two tons up to ten tons, we have our own private sacks, and they are very costly things indeed; they are costing today almost five times what they cost pre-war. They are a very serious matter, and can quite easily take away the profit that we get if we are not extremely careful.

Chairman.

2920. Does that mean that you normally recover your sacks?—Yes. Our position is that when we send out sacks to a farmer and he asks for 100 sacks, we invoice them. He may send us back 80 sacks of grain, and he states he has returned the other 20, and we may only find 18, but we

cannot quarrel about a thing like that. We have just got to give credit. Of course, sacks do not have a long life; they go down fairly quickly, and they cost a lot to repair.

2921. That is as a result of the framework within which you have to work just now?—Yes.

2922. You cannot afford to lose the goodwill of your customers owing to disputes over sacks?—That is one way where we do lose on the fixed margin.

Mr. York.

2923. One matter of further detail. Are your costs—I am not sure that I should call it overhead costs, but anyhow costs—any greater with combine corn than with ordinary threshed corn?—Once again I think I must ask you to address that question to one of my colleagues, because I live in a part of the country where there is no combine corn practically. (Colonel Clarke.) With regard to barley, the trouble is increasing every year. In regard to combines, a matter of 2,000 come in every year; there is a very large increase in supplies, which does mean that they have to be moved fairly quickly, and a good deal of it has to be stored. But, of course, it is more a farmer's problem than anything else, because if he has got the stuff and it has got to be moved we probably have to say whether it should be so much a hundredweight less because it has to be stored—

2924. What I was getting at was this. As combining becomes more and more common will it affect your profit margin as laid down by the Ministry of Food?—I would suggest, as far as my personal opinion is concerned, that it must be less, because we have been in the habit of carrying on this distribution of corn from one harvest to the next harvest, and it has been spread over at least ten months in an orderly manner, and now we are getting practically 50 per cent. of the crop in a matter of a month or five weeks, and it cannot be done in that limited way to the same extent.

2925. In other words, the more combining there is, the less economic the margins for handling it?—I should certainly say that the less likely we are to get a reasonable profit, because if everything is coming at once your buyers cannot be so eager.

Viscount Hinchinbrooke.

2926. Could I ask Mr. Stewart how corn merchants are remunerated? Do they send in forms to the Ministry of Food based upon their turnover in a period?—(Mr. Stewart.) No; we buy from the farmer at a fixed price, and we have a fixed price at

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which we are allowed to sell to the miller, the maltster or the oatmeal miller. We pay the fixed price, and we are allowed to charge a fixed margin, so that when we pay the farmer we pay him £10 per ton, and we invoice the stuff to the Ministry of Food or whoever it is at £10 5s. 0d., or the appropriate price.

2927. So that you get your money on what you sell to the Ministry from the Ministry, and you have to pay the farmer his fixed price?—Yes, where it is a fixed price commodity sold to the Ministry, we pay the fixed price to the farmer, and we add on our margin and invoice it to the Ministry of Food.

2928. How much supervision is there in corn merchants' offices by officials of the Ministry of Food?—We do get Ministry officials fairly regularly. Of course, there are various Divisions with which most of us are dealing. I would not say it is onerous by any means.

2929. They are not constantly with you examining your books?—No.

2930. Do you have to send up your books regularly for their inspection?—No. We have to send returns in at the end of each month on various points, such as how much home-grown grain we buy, and various other forms. Some of us are also asked to send our balance sheets at the end of each year. Certain merchants have been picked out and they send their balance sheets in at the end of each year.

2931. The competition between individual corn merchants is, therefore, not on price at all and not on quality at all, but simply on ability to gain bulk?—I should say it is largely on their ability to give service, but there may also be a question of quality in the goods they supply.

Chairman.

2932. May I follow that point up? On the question of quality, could you say how you can influence the quality that you supply?—We cannot supply grain to a farmer as feeding stuffs under the coupon position; we cannot have anything to do with that; but when we come to quality we can put it on the basis of quality, and when we deal with feeding stuffs we can also have a certain influence on the quality of the goods we send out.

Viscount Hinchingbrooke.

2933. Have you put up any proposals to the Ministry of Food that you should be released from the wartime scheme and revert to the peacetime position?—No.

2934. Do you desire to do that?—Yes. We really go on the Wheat Act principle, but whether the time is opportune or otherwise wants very careful examination.

2935. But it would be the general view of the corn merchants that it would be desirable from their point of view to give them extra incentive and thus conduce to better standards and no doubt higher profits in their respective firms, if they were allowed to return to the pre-war system?—Undoubtedly; there is no question whatever about that.

2936. And the fact that you have not put up proposals means merely this, that you do not think that they are generally in line with public policy at the moment and that you have not thought it worth while?—The position regarding prices has been so extremely difficult. We have been working on prices which are not perhaps economic world prices, and altogether the set-up has been extremely difficult to consider returning.

2937. I understand from evidence that we have had, and perhaps Mr. Granger can tell us about this, that Port Area Grain Committees have put up proposals to the Ministry of Food to be released from the wartime scheme?—(Mr. Granger.) The position is that at the present time we have an arrangement with the Ministry of Food whereby they pay us a sum together with approved expenses. We have quite recently, in fact I think it was last October, put up to the Ministry of Food proposals that certain steps should be taken which we consider to be the first steps towards decontrol. I do not know whether you, Sir, or his Lordship, have seen this particular paper which was put out in September? It was a document put together by the Imported Grain Trade. When I say imported, we must separate ourselves from the home-grown section; we deal only with the imported, plus certain additional work. As I say, we put forward this proposal to the Ministry of Food, that the time had come when we might take our first steps in considering whether some form of decontrol might not arise. There were certain countries whom we describe as mandated countries, Ceylon, Malta and various other places, whose supply of grain came from the Ministry of Food. Our suggestion was that they should no longer provide those necessary supplies, but that they should be released and be provided by the grain trade. We further suggested to the Ministry of Food that where they had any surplus stocks coming along and if we saw the opportunity of advantageously, at a premium, selling those cargoes or half cargoes to other ports, for instance, Antwerp in Belgium or any ports in France, we should be empowered to do that business, undertaking to replace to the Ministry of Food at a later date and thereby save the carrying expenses of the goods in store. We

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further, as our third point, put forward a recommendation that we thought the time had now come to consider whether the bulk buying policy adopted by the Ministry of Food could not be reviewed, because we felt in the interests of the country that the best benefit would accrue to the country as a whole if that was gradually—it would have to be gradually—transferred back to the original methods whereby the grain trade were allowed to import into this country the necessary supplies. In that connection, I would only say that whilst it cannot be done forthwith—it could not be done tomorrow; it would have to be done very gradually, and we admit difficulties of exchange; we admit difficulties which have arisen following the Ministry of Food starting this bulk buying method—they have undoubtedly educated the exporting countries to become bulk sellers, and that is where we reach a temporary impasse; but we believe that it could be gradually broken down and that we should revert back to the procedure whereby the grain trade imported into this country the supplies which they knew were necessary, spreading their distribution, and obviating as far as possible this very heavy expense of carrying in store. That is the suggestion which we have put up, and that is now on the Ministry's table.

2938. Have you suggested starting with those countries in the sterling area where exchange control, which I understand to be the main difficulty, does not apply?—We did not particularise, Sir. We said there we thought the time had now come when we might in general review the bulk buying policy.

2939. The Port Area Grain Committees and the importers generally are more anxious to revert to full scale competition than the home corn merchant?—No, I think we are equally interested.

2940. There is a time factor in it, and one proposal has gone in before the other?—(Mr. Stewart.) We sent in our post-war plan in 1944. We have not done anything just recently; at the same time we are most anxious to get rid of control. But we do think that this matter wants very careful consideration.

Chairman.

2941. Have you prepared, or have you in mind, any kind of interim plans, possibly along the lines of, or in co-operation with, the Corn Trade Association?—I think we have laid that out in this memorandum, Sir.

Viscount Hinchinbrooke.

2942. One more question to Mr. Granger about the Port Area Grain Committees. They are remunerated according to strict

agreement with the Ministry of Food?—(Mr. Granger.) Yes. I can give you quite briefly the answer on that.

2943. Could you indicate also whether the excess profits are creamed off by the Ministry and the losses made good?—Could I ask for clarification on that?

2944. I understand that in the remuneration there is provision made that if you make a profit over some standard rate that is taken away?—I think I can explain it. Prior to September, 1939, every detail had been arranged, except the actual figure on which we were to be remunerated. In June, 1940, the figure was agreed, which was an overall figure, in return for which the grain trade gave the entire services of the grain trade; they gave up their offices and their equipment, heating, lighting, and everything they possessed, to the Ministry in return for a certain figure. That remuneration lasted for one year. It was then reviewed. Purely because we had during that first year made very extensive savings in our general expenses—as just one instance, a number of firms had direct private telephones between London and Liverpool, at considerable cost, as you can imagine, and they were cut out—the reduction in expenses was very considerable, so that the Ministry of Food said in the second year: “You have saved such a lot of money that we will save this remuneration which you get,” and in the second and third years the same state of affairs happened.

Chairman.

2945. May I interpose there to ask whether it was reduced by the same amount as the saving?—Considerably more, in anticipation of future savings. We really got penalised both ways. Having behaved as extremely good boys in the first year, we were rather penalised for the future. Then for the fourth year the Ministry decided that they would pay us a sum and they would pay in addition the approved expenses of running all these port Areas. They paid salaries and the approved expenses, office rents and everything else, and those are all subject to the approval of the Ministry. That is what is happening today. Two and a half years ago we went to the Ministry and said: “The position is getting so acute; we are getting now materially less than we were getting in 1939; the trade is doing a very large business, and we have taken on a lot of additional work. Will you review the position?” They said: “In view of the present situation we cannot. We think the time has now come when the grain trade should consider the possibility of de-control

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and looking after yourselves by doing outside business throughout the Continent and throughout the world at large"; and we were given the power, authority and approval to get busy and do outside business. We do that today. That profit is not returnable to the Ministry. But I must tell you now that any profit which any firm makes on purchasing wheat abroad on the instructions of the Government, and importing it into this country, is returnable to the Ministry. The only way in which we have any means of making a profit for ourselves is private enterprise, if you like, on business outside this country.

Chairman.

2946. Shipments between two foreign ports?—Yes, and on anything that is imported into this country the profit is returnable to the Ministry. It is taken into account. We have a firm of Chartered Accountants, of which Mr. Moore is the senior partner, who deal with all the details of the accountancy as between the Ministry and the grain trade. If you were to inquire as to whether there is any detailed examination, I could tell you that the examination is past belief.

Viscount Hinchinbrooke.

2947. So I understand. Is it broadly true to say that as regards imported cereals for home consumption these Port Area Grain Committees are frozen to the 1939 position as regards price, subject to the clause which you have told us about as regards volume?—No; it depends entirely on what the Ministry purchase and by what methods they purchase in some foreign country. For instance, there is their bulk purchase arrangement, such as the Andes Agreement with the Argentine, and the arrangement with Russia, and it depends entirely on the amount imported into the port.

2948. But these Port Area Grain Committees are not separate entities which of themselves can generate an expansion in their business?—No, they cannot do any business; they are all employed. There are a number of firms in each port, and they have provided the whole of the staff; they have provided the necessary staff in each Port Area, both principals and staff. Each firm has so many clerks there, it may be twenty, fifty or a hundred.

2949. As regards imported grain for home consumption, there is no natural competition as between port and port?—No.

Mr. York.

2950. Could I take up two points that I missed before, or rather they perhaps bring out some other questions I have

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asked? Are farmers tied to any particular merchant?—(Mr. Stewart.) No, they go anywhere.

2951. Are merchants tied to any particular miller or client?—No.

Chairman.

2952. May I follow that point up with regard to what you say on page 3 of your memorandum? Is it your responsibility to see that the mills are fully occupied?—No, Sir.

2953. And yet you are able, I understand, to direct your purchases to any mill that you please?—No; we are not able to direct our purchases; we are able to sell our purchases to any mill who cares to buy them, but if they tell us that they are full up we have to look elsewhere; we have to look to another mill.

2954. Perhaps we are at cross purposes. Assuming they are able to take it, you are able to choose which mill to send it to?—Yes, we are.

2955. So that as you said before, it is very rare for you to have to apply for instructions as to where to dispose of your purchases at all. Is that correct?—It does occur occasionally, depending on the sort of glut in the area.

2956. Supposing there were no such person to whom to apply, what would you do?—You mean in ordinary competition, Sir?

2957. Yes?—We would simply either store the stuff or send it to some other part of the country entirely, which would entail heavier carriage.

Mr. York.

2958. Could I carry on what Lord Hinchinbrooke was saying about purchases by Government on Government account in foreign countries? Have you come across in the course of your business any other countries where buying is by private firms but where the seller is a Government agency or Government?—(Mr. Granger.) I think I should like to ask Mr. Phillips to answer that question. (Mr. Phillips.) The only countries that I know at the moment where wheat is brought by private account is Belgium. I believe that recently an arrangement has been made whereby all purchases of wheat are now made by private account, whether the seller be a Government agency or whether the goods be bought from a commercial house abroad. So far as feeding stuffs are concerned, all feeding stuffs are now brought on private account, imported into Belgium, and there is a move to follow the same line in certain other Continental countries,

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France and Italy, and more recently, strangely enough, Germany. With regard to the less important commodities such as feeding stuff pulses, and commodities of that nature, most countries on the Continent to-day are buying on commercial account, and very little business of that sort is now done intergovernmentally. I think that is about as brief a picture as I can give generally. There are exceptions, but generally speaking Belgium is by far the most advanced in methods and decontrol of grain purchases.

2959. I asked the question to see whether it was possible for private firms to buy from foreign Government agencies?—I think I ought to add here that it would vary according to the circumstances; for example, it would be extraordinarily difficult for any commercial firm today to buy grain on commercial account from the United States of America owing to the arrangements which the United States Government have made for selling their grain through the organisation known as the Commodity Credit Corporation, where they impose all sorts of restrictions which could not be accepted by a commercial house on this side. On the other hand, it would be a comparatively easy matter to buy grain on commercial account, shall we say, from a country like the Argentine; it might be even a simple matter to buy—and indeed we are buying—wheat from Canada, where the Wheat Board is the seller, or from Australia, where the Australian Wheat Board is the seller. Firms in London today are able to buy a cargo of barley or of wheat from Australia for shipment to Continental destinations, and in fact they are doing that. We are making great efforts in the United Kingdom grain trade to get back to the position that we held before the war, which was a very predominant one, whereby London and Liverpool were the two largest international grain centres in the world, and we are hoping that very slowly but surely we shall be able to get back to the position we held before the war. As I said, it is possible to do business, but if it is possible for us to buy a cargo of grain for Italy and France, well, it is equally possible for a man over there to do it.

2960. Have you any experience or have you sufficient knowledge or can you give us any evidence as to whether long-term contracts or Government purchases have any effect on keeping world prices at very high levels?—It is very difficult to say. Nobody knows what could happen to a world price once an exporting country has got rid of the larger part of its surplus. It is quite impossible. It is only guesswork, for instance, to say what would

happen to the price of wheat in Canada if we had not committed ourselves to taking a very large proportion of their exportable surplus. It is argued by the Canadians that the price might be \$2.50, and we might argue that it might come down to \$1.50; but we must not forget that the mere fact that we take that wheat reduces selling pressure, and that is a very important point as far as bulk buying is concerned.

2961. Does that mean that we are having to pay more for the cereals we buy?—That again would depend upon the state of the market. It might easily be argued both ways. I could argue that.

2962. It is just guesswork?—Yes; you could argue it both ways. It depends upon the policy being followed by the Government. If, for instance, they decided to follow a policy whereby they wanted to hold a large quantity of grain, if they buy in bulk, they have not got to pay the ruling price; but you might equally argue that the mere fact that they have done that is an expensive way of buying, because the better way is what we did before the war.

2963. Would you say this, that our buyers were in any way handicapped as compared with our pre-war buyers?—I think that present day conditions certainly handicap people who have to take decisions here on buying. Today those decisions are quite different from the decisions we had to take before the war. There is the question of currency; that is one which has to be put in the foreground. For example, if for reasons of stringency of currency we wish to get hold of a very large supply of grain which is available to us in soft currency, we shall be very foolish not to buy it, even though the price may be relatively high, and we are, therefore, forced to buy that grain through lack of hard currency. You can buy grain at the equivalent of £15 or £16 in terms of dollars, but you might easily have to pay £20 in the sterling area for the same grain.

2964. In your opinion the currency difficulty has a greater effect upon the costs to this country of our purchases than the Government's purchasing system?—I do not want you to think that I take the view that it is good.

2965. No, I am not asking for an opinion upon that; I am asking for an opinion upon what you know of the facts.—The facts as I see them are that the Government are trading with their hands tied behind their backs owing to a shortage of foreign currency, and they are, therefore, forced, when they are offered anything at

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a relatively low sterling price, to take it, because they have not got the dollars to pay in hard currency.

Chairman.

2966. Would that be mitigated in any way by a stoppage of bulk buying?—Yes, I think so. Bulk buying, whether you apply it to hard or soft currency, is the same; the principle is precisely the same. You have got to look at each particular operation on its own, but it would be quite unwise, if there were a surplus, for example, of any particular foodstuff, which there is at the present moment, to buy a very large quantity, shall we say, a year's supply of it, if you felt that there was nobody else who was going to take that off the market. You would be wiser to buy only a three months' supply, to see whether the market came back. I think that it is a question of the policy being followed by the Government. If they want to get hold of big supplies of stuff at a particular moment, they probably cannot help themselves, but it would probably be very much cheaper to buy it other than by bulk buying.

2967. That would be influenced by factors other than just the question of the price to be paid at the moment?—Yes, it would, Sir. I think the factor that would influence the trade would be the law of supply and demand, as to whether there was more of this particular grain than there were likely buyers, in which case he would only buy a minimum quantity.

2968. Would there be any objection from the traders' point of view to working within a certain limit under the Government's direction, even although bulk buying were taken off?—No; I think we would encourage that. In fact, in the paper which we have put up, to which Mr. Granger referred, we have suggested that the Government should cease to make these bulk purchases and should leave to the trade the job of making purchases; but, of course, we recognise at this stage that they would most certainly have to work under the direction of the Government in view of the stringent currency position. (Mr. Granger.) That is perfectly right.

2969. I do not know whether this paper was confidential, or whether you could submit it to this Sub-Committee?—I should imagine you would be entitled to see it. We could get permission from the Ministry of Food for you to see it, and if you like for the Secretary to send it to you.

2970. Thank you very much.—Might I just repeat, Sir, that this question of bulk buying is anyone's guess. I do ask that it be remembered that if a bulk contract is made for a very large quantity, be it

for three, four or five years, it must in itself have a most extraordinary effect on the other nations who also have grain to sell. If a five years' supply is taken off the market, it must have a very big effect; and the other point in our letter which we have put forward to the Government is the vital necessity for the good of this country that London and Liverpool should again be brought in as focal points of the grain trade. London and Liverpool pre-war, and particularly London, as regards the Continental business, were the focal points where all business came. The United Kingdom was the biggest importer. Therefore every exporting country made their offers to the United Kingdom as the most probable buyers. Now, if the United Kingdom did not want to buy it that morning, it gave the merchants in London an opportunity of making an offer and selling it to the Continent. All that business carried with it those invisible profits, insurance, banking and freight, which all came through London.

2971. Whether or not the first two of the three points that you have referred to as being in your memorandum were granted, it would still be impossible for London and Liverpool to resume their previous position unless the present import policy into this country were changed?—Yes.

2972. It all hangs together?—Yes.

2973. I think from the point of view of procedure possibly the first two could be conceded, with a view to having the third item conceded later?—Exactly.

Mr. Yates.

2974. I want to follow up the question of bulk purchases. When you say that it reduces selling pressure if a commodity is in short supply, then a private buyer would be wanting to buy it just the same, would he not, and if they all bought instead of one, would not that equally reduce selling pressure?—I could only say, if I may reply to you, Sir, that pre-war the question of supply and demand was the dominant factor; that is frankly the dominant factor; and even today, for instance, I do not suppose that you would suggest bulk purchasing an article which you in your business experience knew was likely to be in very much freer supply in six months' time; you would not contemplate purchase for your own particular private business of three years supply. That is the basis upon which we go.

2975. Yes, I know; but in certain commodities other Governments themselves have insisted upon bulk selling?—Yes.

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2976. And in that case your suggestion is that you ought to be put in the position of going in as a separate entity to buy from someone who will only bulk sell?—But may I suggest this in all sincerity, that it was we who started this bulk buying; we educated the seller to become a bulk seller, and it is we who are receiving the thrashing resulting from it, having educated these people to become bulk sellers.

2977. The position in regard to supply is entirely different from what it was pre-war?—Yes.

2978. Which alters the position. Now, I should like to follow this up. You put forward a scheme for decontrol. How recently was that scheme put forward?—In September.

2979. Of last year?—Yes.

2980. I take it that the Ministry of Food declined?—No, we have not had an answer.

2981. Then that matter is being considered?—I presume it is *sub judice*.

2982. But why, if you felt strongly about this, did you not put forward a scheme before; why leave it until last September, and why have you gone on with this scheme?—The original suggestion in connection with decontrol was made two years ago in consultation with the Ministry, with whom we are in very close touch. They indicated to us some time ago that the time was perhaps opportune for us to make some further suggestion, and it was upon that suggestion that this detailed plan for the first stage of decontrol was put forward.

2983. You put forward the suggestion two years ago, which apparently the Ministry felt they could not consider then?—I think, with all respect, you must remember that the war ended in 1945, and it was perfectly patent that nothing could be done immediately, so that last September was the first really regular time within which such an alteration could be made.

2984. So that you only put forward your further scheme on an invitation from the Ministry itself?—No, Sir, it was their acceptance of our suggestion that the time had come for some steps, and that if we were satisfied that the time was now ripe, then they said: "By all means put in your scheme."

2985. So that the position is that that is being considered now, and you do not know what the Ministry's view is about it?—No.

2986. Are you satisfied with your present method of remuneration?—The answer is, No, very frankly. I should tell you quite

briefly, because we have nothing to hide about this, that we are getting just about five-eighths of the average profit pre-war.

Chairman.] That is the amount of your remuneration. The question was the method. I do not know whether you meant amount, Mr. Yates?

Mr. Yates.

2987. Yes, I meant both?—You mean the total figure?

2988. Yes?—The total figure, no. In the present circumstances the method is left entirely to the grain trade to distribute the amount we do receive amongst ourselves.

2989. You say that you are getting only about five-eighths of what you got pre-war?—Yes.

2990. Are the traders that you represent making a surplus, or if they were not subsidised by Government money would they make a loss?—They would not be there at all, Sir. In the case of a great many of them it is their only source of revenue.

2991. If that is so, what is going to happen to them in the case of decontrol? For instance, how many firms could not pay their way without having a guarantee, because as I understand the Ministry makes up losses?—No, we do not trade in that way, Sir. The ordinary firm which is providing all the personnel, principals and staff, to staff the Port Areas, would do all the Ministry's work, all the documentary work, invoices and accounts, which is all paid for out of this figure.

Chairman.] I think we must distinguish between Mr. Granger's activities and Mr. Stewart's.

Mr. Yates.

2992. There are so many of them that I am a bit confused?—I am sorry. We are merely dealing with imported grain, plus any quantity of home-grown grain which the Ministry may choose to acquire from the corn and agricultural merchant. For that job which we do we are paid £X plus expenses, and I replied to you, as I thought your question was: "Are you satisfied that you get sufficiently well paid?" and my answer was: "No."

Chairman.

2993. May I put a supplementary question? I take it that one answer of the Ministry is that, possibly not through your own wish, the services rendered are less than they were before?—In my opinion, the amount of work done today, and the number of articles today, is frankly more than it was. We estimate that this year

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we shall deal with 4½ million tons of wheat, 2½ million tons of feedingstuffs and half a million tons of home-grown produce.

2994. And unless you do not actually make the purchases yourselves the services to that extent are less?—The services are possibly less to that extent, and we may not make that purchase again because of bulk buying, but it is now a question of dealing with bulk purchases, which is a matter which is actually dealt with at a very much higher level.

2995. Could we put it down in figures? What is the actual increase in percentage of what you handle over pre-war?—I do not know that I could give the answer to that. Perhaps Mr. Moore could answer that. (Mr. Moore.) I should explain that I am an accountant and not a grain dealer. The position is that before the war the grain trade were handling approximately 9 million to 10 million tons of imported grain, which includes feeding stuffs, in the course of a year. At the present moment they are handling rather less because less is being imported, particularly in relation to feeders. But the employment of the imported grain trade at the present moment deals with a whole lot of things which they never touched during the war; in other words, their services are at the disposal of the Ministry for a number of other things such as animal feeding stuffs, a certain amount of home-grown grain for which they supply the staff, and all sorts of activities of the Cereals Division of the Ministry of Food. So that you cannot say, as a matter of percentage, if they are handling less or more. The answer is I think that they are able to handle all that on a very economic basis, but with remuneration at rather less than five-eighths of the profit which they were making before the war they are able to do their job and to do it extremely efficiently. I can say that because I also happen to be a director of one of their traditional enemies, the millers.

Mr. Yates.

2996. You do not represent the millers?—No—the Imported Grain side. (Mr. Granger.) I think perhaps it might help you if I said this. If you take the imports to which I have just referred, the average percentage cost will be approximately 0.55 per cent., which will cover the total remuneration of the whole of the personnel and other costs in the grain trade.

2997. I will pass to another question. I was not quite clear what you meant or to what you were referring when you mentioned a detailed examination “past belief.” I would like you to elaborate on that?—That is very easy. Each firm at the end

of the grain trade year, which is September, sends in to Messrs. Edward Moore and Sons for consideration by the remuneration committee details of all their expenses, details of any profit they may have made which may be returnable to the Ministry, and details of any profit which they are allowed to retain. These are all dealt with by Messrs. Edward Moore & Son. Subsequently an investigator from the Ministry of Food accounts branch comes to Moore’s office and goes through the accounts in detail, firm by firm. I will just ask Mr. Moore if he will confirm my statement, that we have had in Moore’s office for the last six weeks—(Mr. Moore.) Six months.—(Mr. Granger.) an investigator checking every firm’s accounts; and when I say checking every firm’s accounts, prior to that they have been checked by Messrs. Edward Moore, and following that they are checked by our own Grain Trade Committee before any division of the sums is made. We are toothcombed, Sir.

2998. So that actually your accounts are first audited by your official auditors?—Yes. They are then vetted.

2999. Secondly, by your own Grain Committee?—Yes.

3000. And, thirdly, the Ministry of Food’s investigator?—Yes. (Mr. Moore.) First of all, they are audited by the firm’s own auditors; so that there are really four sieves.

3001. There is not much chance of getting away with anything?—(Mr. Granger.) I have not seen a hope, Sir!

3002. Do you really think that the investigation is necessary to this extent, and have you any suggestions to make?—Frankly, I should be the first to say to the Ministry, “Do not send anyone,” but if they liked to send anyone, our accounts are open to inspection. But frankly I think it is carried to unnecessary extremes, in view of the fact that we have got Messrs. Edward Moore checking them; after all, we have got an accountant’s certificate to start with; we have got one of the largest accountancy firms in London. We do not object if the Ministry choose to do it, except that it entails a lot of work. It is an additional amount of work which we frankly think is unnecessary.

3003. Would it be one official in the office for six months?—(Mr. Moore.) One official does nothing else. They do not come regularly. I would say that the particular gentleman in question has been there for about six months on and off.

3004. I thought earlier on you said that you were not directed by the Ministry of

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Food?—(Mr. Granger.) Yes, we are; the Port Areas receive all their directions from the Ministry.

3005. That is what I thought; but from the statement you made I rather got the impression that you did not receive very much in the way of instructions. Are you very heavily directed by the Ministry?—Entirely controlled as far as any importations into this country are concerned.

3006. Yes; but are there any directions which you consider add to your costs unnecessarily by the Ministry?—Do you think they knock you about more than they should?—No, I do not think so. After all, this business is the Ministry of Food's business and they have taken complete control of it; it is their responsibility and they must give directions as to the amount to be released.

3007. The directions, therefore, that come to you are, in your opinion, quite satisfactory?—I could not take any exception to them. (Mr. Moore.) I do not want to give the impression that the Ministry of Food accounts department have been in any way unreasonable because they have not, up to the present. But they have, in the last year or so, been going into quite a lot of detail covering a number of years of control; it is not merely in relation to one year. I think that the Ministry are more than fully entitled to do that and to look at these things, even though the amounts they may query are very small indeed.

Chairman.

3008. May I ask this? Do they involve any delay in the settlement of expenses or remuneration?—No serious delays. You appreciate that there is inevitably delay in settling claims of individual firms, because, until we can get in the whole of the accounts of the trade, the committee on remuneration which deals with the distribution of the amount at credit of the fund cannot work out a scheme which equitably apportions it.

Mr. Yates.

3009. I wanted to be quite clear, when you used the phrase "detailed examination past belief," which sounded to me as if you were being thoroughly harassed?—(Mr. Granger.) They are very careful indeed, and of course they have got every right to do it; it is public money.

Chairman.

3010. With regard to this question of the division of remuneration, could you say on what basis it is made?—Each firm had to submit at the beginning of the war their

balance sheets for the prior three years. Upon that each firm is given a datum. When we receive that and when we know the amount of money involved, the sub-committee sets to work to see how that can most reasonably and equitably be apportioned between all concerned. There are some firms who, of course, had, by misfortune or otherwise, very small businesses: they are the first people to be looked after. We have to see that the people who are to-day doing the job in the port areas are paid. That is the first call. Then we may have certain expenses to meet in various other matters, and the balance is then distributed according to the sub-committee's recommendation which is submitted to the full remuneration committee. It is then submitted to the trade for their acceptance.

3011. So that it would be true to say that it takes account of previous and existing turnover and all other relevant considerations?—It does not cover existing turnover, except as regards profits which they may make outside and which the trade are allowed to retain. That is not returnable to the Ministry; it does come into it. So that your three points are good: it is the pre-war average datum, their present earnings, and any other considerations. Equity is the basis.

3012. Yes. Before we leave the question of remuneration, may I ask Mr. Law to say a word about the remuneration of the Flour Importers?—(Mr. Green.) I think I can deal with that, Sir. Our remuneration follows on precisely the same lines as the grain trade remuneration. We were completely taken over at the outbreak of war and an agreement was negotiated with the Ministry under which we receive a fixed global sum for all services rendered by the trade to the Ministry and for their distribution services, plus approved expenses, which are examined in a very similar manner to that to which Mr. Granger has referred. I think that is just the short answer. If you wish me to elaborate in any way, I shall be only too happy.

3013. Thank you. I should like now to turn to the question of the remuneration of the National Association of Corn and Agricultural Merchants. In your memorandum* you have stated the profit margin and the percentage of profits. Would you care to say how those compare with pre-war?—(Mr. Stewart.) I would like to say this with regard to this paper that we got out six months ago, or a little over, that up to that time they were on exactly the prewar basis and they were raised by 33½ per cent.

* See Annex 9.

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3014. From when was that rise effective?—Somewhere about six or eight months ago. That is still the income basis, pending a full investigation by the Ministry. In the meantime, they have had their full investigation, but apparently they still want a fuller investigation. We have submitted balance sheets and all sorts of things that they have asked for, but they still have not said that we are definitely getting that profit.

3015. Would you regard that as satisfactory?—No, I am afraid that it is not satisfactory, owing to the terrific amount of money involved now. We are paying roughly three times the price we were paying before for grain—7s. 6d. per cwt. before and we are now at a figure of 23s.; so that, with all our increased costs and the increased capital required, it is not satisfactory.

3016. Now do the rates of interest compare?—Rates of interest on money certainly are not any higher than in prewar days, but we do require very much more money, and all our overhead charges have certainly gone up.

3017. There is one subject and that is the question of the replacement of any plant involved, to which you refer in paragraphs 42 and 43. Would you care to say something about that?—(Mr. Waters.) I do not think that there is anything further that I can add to that information in paragraphs 42 and 43 which we have put before you, Sir. I think it is one of those things that are common to most trades, and although we do our best to deal with the matter, I think this sense of frustration in getting on with the work to-day is quite a common and not an unknown factor. Then there is this question of providing storage accommodation for combined harvested stuff. We have the feeling that if we could come under the agricultural scheme which allows a building to be depreciated in ten years it would be a very great asset to us, because it is very difficult to envisage what is going to happen to the grain trade after such a period as ten years under present conditions. If you are building a factory, for instance, you know very well that the hosiery trade and the boot trade will go on; but if you are building storage accommodation for combine-harvested stuff you do not know what the position is going to be because the Cabinet might say, "We shall put the emphasis on the livestock position; we shall grow less for sale; we shall emphasise the necessity for sales less than we have done before." Therefore, farmers will probably use more of their own stuff and their own stores will not be wanted to the same extent. We feel if we

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could have a ten-year basis such as is allowed for agriculture we could feel far happier about putting down capital for this matter, which is assuming rather greater proportions in view of the increased combines which are coming into action every year.

3018. So that your difficulty is more one of capital investment than of maintenance?—It is both. When you refer to maintenance do you mean maintenance of plant or buildings?

3019. Both?—Yes. Of course, it is easier to do repairs than it is to build fresh premises because licences are more easily obtained for smaller amounts than they are for big ones.

Mr. York.

3020. I have only got one question. I was not quite clear when you referred to the trade going on to the same depreciation allowance as agriculture. I have not quite got that?—They have a special rate.

3021. Yes, I know the agricultural rate, but is not there a general industrial rate?—Yes. It is 10 per cent. for the first year and 2 per cent. after that.

3022. Does that mean that you want to replace your storage accommodation every ten years?—No; we want to see the value depreciated in our books to that extent; so that, if the trade does peter out at the end of ten years, we have not got a big millstone round our necks in the way of the liability of big storage accommodation and consequent expenses.

Chairman.

3023. Could I ask this question? Even supposing there were a declaration of policy, would you feel quite happy in regard to your capital investments under the existing system of handling the trade?—Where is a declaration of policy to come from?

3024. By the Government?—The present Government?

3025. I get your point!—Yes. I do not think I need emphasise that point. Of course, there is no question about it, that the present Government has altered its emphasis from livestock to corn and *vice versa*.

3026. Even within that period?—Even within the present four-year period.

3027. So that either you want a firm declaration of policy or the freedom to envisage for yourselves your future capital investment?—There could be no declaration of policy for a matter of from four to six years; there might be one for five

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Mr. E. A. GREEN.

or ten. But even as late as February of this year the emphasis has been on growing wheat to the extent that the price has been put up a pound a quarter. That is the sort of thing on which we do not know what is going to happen in a number of years. But it does make it difficult for us to plan ahead to the extent to which we would by putting down capital under the present system of depreciation.

3028. According to E.C.A. arrangements, planning is already envisaged up to 1952-53?—Yes.

3029. But even that is not sufficient?—No; and it does not altogether include our domestic policy. (Colonel Clarke.) Between

The witnesses withdrew.

Mr. J. C. WOOLER, President, Sir ARCHIBALD F. FORBES, a Director of Messrs. Spillers, Ltd., Mr. T. H. GILL, J.P., President of the Co-operative Wholesale Society, Ltd., Mr. C. A. LOOMBE, C.B.E., M.C., a Director of Messrs. Joseph Rank, Ltd., Mr. L. HECTOR READ, a Director of Messrs. R. J. Read Ltd., Norwich, and Mr. W. K. M. SLIMMINGS, Messrs. Thomson, McLintock & Co., the National Association of British and Irish Millers, called in and examined.

Chairman.

3032. Gentlemen, as you are no doubt aware, we are a sub-committee of the Estimates Committee which is going into the question of the Food Estimates. I am afraid I have to apologize to you, first of all, for having kept you waiting, and I am sorry to say that the amount of time that is left is not very great, so that I must apologize to you if we seem in any way to hurry the evidence. I would like to ask straight away about the question of your functions. I wonder if the President could briefly summarize the functions of the National Association of British and Irish Millers?—(Mr. Wooler.) I am not quite sure what line you wish us to take.

3033. If you could just say under what terms you receive deliveries of wheat and on what terms, in turn, you pass them on?—I think that is easy. We are, as you know, a controlled industry and have been controlled ever since 1939 and are still controlled. We receive all our raw materials from the Government at a certain price and we have to sell our produce also at a certain price which is given to us. We are operating on a prewar basis, our profits for 1935-6-7, and that is all the remuneration we get.

3034. Could you say how the Association was formed, when it was formed and in what circumstances?—It was formed about 70 years ago. It comprises I think about 85 or 90 per cent. of the millers in the flour-milling trade. As far as the present time is concerned, under control, we repre-

the wars, in regard to this question of storage capacity, our storage was practically nothing but a white elephant, and you might get a similar position again. We do not always know what is going to happen when we are taking on building.

3030. Storage has increased vastly since that time?—The necessity for storage has increased.

3031. Yes, and the storage also?—We have not been able to get licences.

Chairman.] Gentlemen, I am very grateful to you indeed for the way you have given your evidence to-day. As you are aware, it is an immense subject. Thank you very much.

sent about 98 or even 99 per cent. There is only a very small percentage, one or two very small people, who are not in the Association which is controlled by the Ministry. We are what we call members of the Pool Company, which was formed by the Ministry and the millers. An agreement was drawn up, and so forth, before we came into being. That Pool Company has a negotiating committee, of which Sir Archibald, Mr. Read and Mr. Gill are members, and the business of the Association and what is required of them by the Ministry is more or less conducted through that negotiating committee with Ministry officials. If you will allow me, I will ask Sir Archibald if he can enlarge upon that, because I am not a member of that committee. (Sir Archibald Forbes.) There are two distinct bodies, the National Association of British and Irish Millers, which is a normal trade association, and the British Millers Mutual Pool Ltd., an ad hoc company formed at the special request of the Government when war broke out and the industry became subject to control, and in which every miller who is party to the control agreement is a nominal shareholder. The board of directors of the Pool Company act as the people who supervise and negotiate with the Ministry on all matters concerning the terms and conditions of control.

3035. On what terms are they shareholders?—Purely nominal.

3036. How is the proportion of the shareholding fixed?—In ratio to what their output was before war broke out.

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Mr. L. HECTOR READ, and Mr. W. K. M. SLIMMINGS.

[Continued.]

3037. For what period of years?—Over the standard period of years, which was the average of the years 1936-7 with the year 1935 or the year 1938—an average of three years. You chose out of those four. 1936-7 had to be taken, but you had the option as to whether you took 1935 or 1938.

3038. This Association was formed on the outbreak of war?—Yes.

3039. Were preparations being made for it before the war?—To a certain extent, not wholly.

3040. It was formed on the directions I take it of the Ministry at the time?—Yes.

3041. Was there any kind of undertaking implied or explicit of reversion to the system that existed before the war?—Not specifically.

3042. There was no specific undertaking of any kind?—There was an understanding in the minds of those in the industry that there would be a reversion to the prewar basis as soon as possible, but there was nothing specifically stated at the time.

3043. No assurance was asked for or obtained?—I think that there was a complete understanding in the minds of the millers that that would follow automatically.

3044. On the question of the remuneration agreement, could you give us some idea of the terms of that and as to how it is working now?—Yes, Sir. It proceeds on this basis, that the Ministry reimburse all reasonable costs of production, that is to say, subject to the usual clause which they have to examine all the costs, and if there seems to be any extravagance or any cost which would seem to exceed what is regarded as reasonable it can be struck out. Subject to that, the Ministry reimburse the costs of production. Then the Ministry pay the industry a global sum which represents the profits which the industry made in the standard period to which I have already referred. That is subject to the industry's producing as much as they did during that standard period. If output falls below what it was in the standard period, then the profit is correspondingly reduced. If, on the other hand, output is in excess of what it was in the standard period for the first three years of the war, no margin whatsoever was paid on the increased output, but from the fourth year of the war onwards a very small proportion of the margin which was being earned before the war is paid on the additional output. That is the broad basis on which it works.

3045. If it falls short, it is deducted from the standard period?—Yes.

3046. You spoke of expenses being struck out for extravagance. How can that be judged?—That is for the Ministry; that

is not any concern of ours. They deal with that in the case of each individual miller.

3047. But as an Association you have no means, have you, of comparison between one miller and another?—We as an Association do not see the results of individual millers. We do get the total amounts; but if it is necessary for us, for any particular reason, to examine the operations of any particular miller, then that is normally done under a code number; we do not know who he is. All those matters as between the individual miller and the Ministry are dealt with between the two parties on the type of question to which you are referring.

3048. So that although it must be recognized that the efficiency of different millers must vary very considerably, and their costs of production, I am wondering whether the Association as such from that point of view has no fault to find with the present system?—From what particular point of view do you mean?

3049. From the point of view of the striking out of expenses for extravagance; and also perhaps we could go on to the next point.—Yes. I think the broad answer to that is this, that, whereas this type of agreement may have been well suited to the circumstances obtaining during the war, we as traders do not feel that is adapted to trading under peacetime conditions, because, as you will see, it depends on reimbursing costs, subject to the clause we have been speaking about, plus our margin which is limited to the prewar margin and takes no account at all of the general inflation and fall in the value of money which have taken place since the standard period before the war.

3050. Yes; I can understand how you would not find that point of view satisfactory, but from the point of view of the turnover of the various firms, their output, in relation to the standard period is that in excess in some cases and below in others?—I think we can say that by and large since the outbreak of war the global output has run at about 25 to 30 per cent. in excess of prewar output.

3051. Yes; I was not asking so much about output as variations between one firm and another.—There would be certain variations; for instance, the global increase which I have mentioned to you would not apply proportionately among all firms; some firms would have done more than 25 or 30 per cent., others would have done less, but there would be comparatively few, I think, who would produce less than they did before the war.

3052. Were certain mills brought into operation which were not in operation in the standard period?—A few relatively

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small mills, which had been or were on the point of being closed down when the war broke out because they were obsolete, were brought back into production because of the peculiar circumstances arising in the war.

3053. Has there been any opportunity on the present basis of remuneration of modernising this plant?—We should say that there is very little incentive, if any at all, towards that, because, as you will understand, the depreciation and obsolescence allowance which is made to millers under the control arrangement is based on the usual Inland Revenue allowance for wear and tear related to historical cost, and that just does not compare with the provision which any prudent trader would make to-day, having regard to the increased cost of replacement of all fixed assets. Also, since the margin of the industry has not risen in company with the rise in costs, there has been no surplus from that source to offset the deficiency in depreciation and obsolescence allowances. Apart from that, until very recently it has not been possible to obtain the necessary permits and licences to carry out any major expenditure. That position has eased a little, I think, in the course of the last six months, but until then it was not possible to obtain the necessary permits to go ahead, including the replacement of capacity which had been destroyed by enemy air attack.

3054. That has not been done either?—A start is being made now.

3055. Does the Association regard the existing position as unsatisfactory?—If you are speaking of the existing units, which I think you are?

3056. I am.—They have been maintained and kept in efficient operating condition to the best of our ability. I should say that overall they are in a good and efficient state, but as time goes on it always becomes necessary to replace that plant and machinery in the normal course, and had it been possible to get the necessary permits, or even to acquire the necessary machinery, I expect that a certain amount of capital expenditure would have been incurred; but with the easing of the situation in the last six months a great deal is now going ahead.

Mr. Yates.

3057. Were many mills destroyed during the war?—Yes.

3058. How much have you made good of that?—Practically nothing.

3059. So that the existing plants are having to carry also the burden that would have been carried by these others?—Yes.

3060. How are you meeting that problem?—The existing plants, as you say, are carrying what would have been carried by the plants which were destroyed, and in addition to that from 25 to 30 per cent.

over the pre-war output is being covered. There has been no difficulty up to now on the part of the industry in meeting the demand made upon it for flour during the war years and since, but that has been done by a considerable amount of technical skill, and, of course, the constant running of existing plants.

Chairman.

3061. Does that mean three-shift running?—Yes, normally we are a three-shift industry. What we did during the war period was to run every week-end. We are always at work in most cases, though not in all, on a 24-hour a day basis.

Mr. Yates.

3062. You are doing that in all cases now?—In most cases, not all.

Chairman.

3063. But it could not be said that the plant has been in any way overstrained?—I think there was a certain amount of that as a result of those conditions, and there is still; but, as Mr. Gill rightly reminds me, one large additional unit has been brought into operation since the war ended, and that is the Co-operative Wholesale Society plant at the Victoria Dock in London, which was partly constructed before the war. They were not allowed to complete it during the war, but when the war ended they were allowed to complete it, and it has been brought into operation since then.

3064. Are they members of your Association?—Yes.

Mr. Yates.

3065. What do you consider to be your chief difficulty now?—That is a very wide question, Sir.

3066. What is your principal headache, if you have one?—I suppose it is the difficulty which affects any body of operators, if you have to carry on under a series of very tight regulations. I think one of the major practical difficulties, which, as I said, are easing now, certainly was, from the point of view of some units at least, not being able to go ahead and replace the capacity which had been destroyed in the war.

3067. But if some of those regulations were lifted, suppose you were allowed to go free and go your own way, what about those firms which are not doing well? I suppose they would be in a difficulty? I understand you require to have up to date machinery, plant and so on, but those that have not got that would be working at a disadvantage, would they not?—Only relatively. I did say that by and large the condition of plant and machinery now in the operating unit in the industry was good.

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[Continued.]

3068. I suppose you have to receive what the Ministry sends to you?—Yes.

3069. And you have to deliver where they ask you to deliver?—Yes.

3070. Are those terms very onerous, or do you find that they sometimes issue directions that add very much to your cost of production unnecessarily?—I think, if I might answer that in this way, in the first place, of course, there is a disadvantage in not being able to have free choice of wheats. It always was a cardinal point in the milling of flour in this country that it was possible to produce cheaper flour than in almost any place in the world because of the ability and skill of the British miller to choose his wheats from the world markets. Now we have to accept whatever wheat is given. In regard to the delivery side, it may be necessary to engage to a certain extent in uneconomic hauls, that is to say, uneconomic from the strictly commercial point of view. Nevertheless a possible answer lies in conditions as they are today, intensified by the destruction of certain plants in key centres. Take the City of London, for instance. A considerable weight of destruction fell on milling capacity in London, and therefore it was necessary to bring flour into London from outlying centres, which was not previously the case.

Mr. York.

3071. Could I ask how many members of the Association, or what proportion, were pre-war importers of grain?—Are you asking in numbers?

3072. Numbers or proportion?—I do not know that I could give you the answer offhand. There are parties to this control arrangement amounting to about 300 millers to-day. (Mr. Read.) Does the question mean as direct importers or users of imported grain?

Mr. York.] Direct importers.

Chairman.

3073. Would they be members of the National Federation of Corn Trade Associations if that were so as well?—(Mr. Gill.) I can only speak with knowledge of the Co-operative Wholesale Society. We were direct importers of a considerable portion of our grain, with joint offices in Winnipeg for the Canadian, our own set-up in New York which controlled and bought through agents on the Chicago Wheat Pit, our own agents and connections with the Agricultural Co-operatives in Australia, and our own agents in South America. That was our position; but I cannot say the percentage of millers as a whole who bought and imported direct.

3074. Why were you importers? Was it because of the whole process?—The magnitude of our operations enabled us to

set up machinery in those countries and cut out the importers' margin. We did for ourselves instead of employing other people to do it, and there were times when even with that set-up it was to our advantage to buy spot; but the great majority of our imported grains were bought direct by ourselves.

3075. And the result was that you were able to produce flour cheaper than if you had to buy from importers?—Certainly, because we saved that importers' margin; it got us the advantage of the grains that our millers felt were the suitable grains for the type of flour that met the desires of our customers.

3076. So that you got your own wheat exactly as you wanted it, and you could cut out some costs. Did it also give you an advantage in the price you had to pay for the wheat?—In certain cases, yes, through our working with the Agricultural Co-operatives.

3077. What sort of trade discount?—Again, if the exporting people had to sell through a merchant, that merchant required reimbursement, but if they could sell direct to us they could sell at first price instead of second price.

3078. Yes; but you did not buy all your wheat from those particular sources?—No

3079. Were you satisfied that the other wheat you bought was bought better and more to your advantage than it would have been bought if you had bought from other sources?—There were occasions when it was an advantage to buy certain classes of wheat spot. There are changes in the market and so forth.

3080. Would that go, Sir Archibald, for other firms too?—(Sir Archibald Forbes.) Not entirely. I think probably Mr. Gill would agree with me that to some extent it would be a question of opinion and judgment.

3081. The point I am getting at is that broadly the reasons which made Mr. Gill's organisation buy in that way would also apply to other millers who did also the same type of trade?—Yes. I can only speak of my own firm in this connection. We did not go, I think it is right to say, as far as Mr. Gill did in the sense of having an organisation in foreign countries. We found that operating through the normal market channels we had perfectly satisfactory results. Of course, we were buying in large bulk, too, in the same way as Mr. Gill, that is to say, complete cargoes.

Chairman.

3082. May I just ask the Co-operative Wholesale Society whether they were in a position to measure the price of their output in the open market, or were they simply

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selling through their own channels? Were they selling in the open market before the war?—(Mr. Gill.) No; our trade was practically restricted to the Co-operative Societies who are members of the wholesale society, and we were subject to the competition of every other miller in the country, and therefore our price had got to be in line or naturally we would not have got the trade; but we did not seek outside trade, apart from the Co-operative Movement.

Mr. York.

3083. Could you tell me where you consider the controls are now hindering the efficiency of the industry?—(Sir Archibald Forbes.) As I previously said, I think that on the buying side we would feel that there would be a distinct advantage if it were possible—I do not say it is under today's conditions—to have a free choice of wheats again. Then there is another aspect of it, too. I think that concerns the efforts which the milling industry have made to maintain exactly the same efficiency and high standard of working which they tried to do before the war during the currency of this agreement. They have been successful, because naturally they have always been out looking to the point where they would be able to operate in the same way again, and it would be very foolish not to take keen measures to keep costs down, because naturally when you came back to operate under non-control conditions you would be at a disadvantage. But the fact does remain that in theory at least this form of agreement is not very healthy. I say that is so in theory because so far the milling industry has succeeded in avoiding the troubles which might normally be regarded as likely to flow from an agreement of this kind. But that does not mean to say that we like this type of agreement. On the contrary, we would be very pleased indeed to get away from it.

3084. Can you suggest any economies either in the importing and holding of grain or in the distribution of the flour?—Your first point, I think, Sir, concerns the purchase of raw materials?

3085. I meant bringing imported wheat to this country and keeping it in certain silos and warehouses?—You were not referring to the question of bulk buying?

3086. Well, I suppose that does come into it, but I was thinking more in general terms as to where you consider there are any unnecessary extravagances?—Under the present system?

3087. Yes?—(Mr. Read.) I think there are definite cases of what one might call uneconomic handling. Every miller now has to conform to the grist, whereas before the war millers adjusted their grist according to

their particular type of trade and according to their situation. I am a small general miller, and obviously I am more interested in the handling of English wheat. We get a position brought about very often now where at the beginning of the season wheat is sent away from the area where it is grown to meet the requirements of the Ministry, and before the end of the season we are bringing wheat back again into the same area from which we exported it at the beginning, because of this tightness in regard to the control of grist. I think that is the point.

3088. That is in distribution?—Yes, that is in the raw material; and, of course, in relation to the imported wheat there is another problem, and that is the method of keeping wheat. Pre-war we made our arrangements; we knew the flow of wheat coming along; we knew where we were, and we were able to regulate our trade; but now there are occasions when we have to store wheat in uneconomic places because wheat is arriving, and the Ministry has a lot more wheat.

3089. Could you explain exactly what grist is?—That is the term we use to denote the various mixtures of wheat which are going into a mill. We do not make flour out of all one type of wheat at any time.

3090. Do you mean that you get, say, six bags of different sorts of wheat which you pour into the mixer, and then you take the six mixed bags, and at the end those are the grist?—Yes.

3091. And then the grist may be re-distributed without being milled from your mills?—No; English wheat, I said. I may have used the word "grist" inadvertently. At the beginning of the season under existing regulations English wheat is being hauled a good deal uneconomically all over the country. Before the war large millers used very little English wheat; we in the country consumed it and made it into the types of flour required.

3092. So that one economy which perhaps this makes necessary, and which you suggest could be brought into effect, would be the better distribution of home-grown wheat?—And of imported wheat.

3093. Is there any uneconomic process in the distribution of imported wheat between the port and the mill?—The flow is not regular. That is the whole point. Sometimes there would be three or five or six cargoes arriving in London, and that wheat has to be stored in all sorts of places by the Ministry and then redistributed to the mills where it is required; whereas if we were regulating our intake of wheat the shipments would be so regulated that that would all be cut out.

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[Continued.]

3094. But that presupposes that you could order your wheat to arrive when you want it?—Yes. (Mr. Gill.) I should like to add there, if I might, that that raises a very different issue today. I do not think the millers have any control over that. Pre-war we could work to a stock of three or four weeks of imported wheat; we could charter a fleet, and we could move the wheat as we wanted it moved, reasonably, with knowledge in advance, up to two days, when that wheat would be available at the mill, which means that the stock position was very short. Now there is an issue today as to whether the country can afford to be working to a stock position of wheat of three or four weeks. If it cannot, it is bound to lead to some uneconomic storage, because you cannot place the wheat from bulk in the place exactly where you are going to use it. You have got to take into account as to what is the stock of wheat that it is necessary to hold in the country in view of national security. (Sir Archibald Forbes.) The price which has to be paid for such stocking of cargoes has to be taken into account. It is a different position today as compared with pre-war. It is true of every other commodity, of course.

Mr. York.] I could pursue that point for quite a long time, but I think we ought to leave it.

Chairman.

3095. I wonder if we could possibly have a memorandum from you? I am afraid we must bring these proceedings to a close now, but if we could have a memorandum* on the following points it would help the Sub-Committee: First of all, to what extent proposals have already been put forward to the Ministry for the decontrol of milling; secondly, whether that can be effected without the decontrol of the other processes in the handling of wheat; thirdly, the limitations at the present time on the retention of customer goodwill; fourthly, to what extent efficient plant is being penalised by existing arrangements; and possibly a note could be added on the incentives generally and the extent to which services which were made available by the trade before the war are still being made available, whether they are greater or less; also a note on the proportion of un-

* See Annex 11.

economical mills and the optimum capacity of the trade; and any proposals that can be made, if they have not already been made, for decontrol of the trade, would also be welcomed by the Sub-Committee?—Yes. I think we could certainly do that.

3096. If you can think of any other points that you wish to incorporate in the memorandum, of course, by all means do so, but it seems to me that those are the principal points that the Sub-Committee would like to have information on?—Yes.

Mr. Yates.

3097. I put a question as to what headaches you have got. If you have got any you can put them down?—I think that if, as I understand it, you are pressed for time tonight, it would be much more advisable if we tried to put in a memorandum, as you suggest.

Chairman.

3098. You will put it in to us?—Yes. That is what you would like?

3099. Yes. Of course, if you would prefer to come before us again, of course, the Sub-Committee would be delighted, but in any case it might be advisable to put in a memorandum first?—(Mr. Wooler.) I think we will put in a memorandum, and then if you would like to see us we shall be quite pleased to come along to enlarge upon it. We should like to know how long you can give us, because it will entail a certain amount of work.

3100. I will leave that in your hands. We are about to adjourn for the Easter Recess for ten days, and that will give you a margin of three weeks before we could see you again?—(Sir Archibald Forbes.) We should want all that, I think.

3101. We would not see you immediately, because we would wish to consider it?—We will try, I think, to put it in to you as soon as possible. That is what it would come to.

Chairman.] I am much obliged to you, Gentlemen; I am very conscious that you have come a long way and that we have rather rushed our proceedings today, but I would like to thank you for having come here, and for the way in which you have given your evidence.

The witnesses withdrew.

Adjourned till Tuesday next.

TUESDAY, 12TH APRIL, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Viscount Hinchinbrooke.
Mr. Niall Macpherson.

Mr. Yates.
Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. W. R. SINCLAIR, O.B.E., Finance Director, Milk Division, Ministry of Food, called in and examined.

Chairman.

3102. We are obliged to you for the memorandum* and schedules we have before us. I think it will be to everyone's convenience if we take the memorandum on the Milk Division first. I have a few general questions to put. I take it that the total true subsidy is about £37½ million, to which we have got to add about £30½ million in respect of the welfare schemes?—(Mr. Sinclair.) Yes, that is quite correct.

3103. The amount of subsidy, of course, will increase with the increase in the consumption of milk?—Yes, it does tend to increase.

3104. I notice generally from the explanation given that there are three different schemes of milk purchase and distribution, one applying to England and Wales and parts of Scotland, the second applying to the greater part of Scotland covering the three Milk Marketing Boards, and thirdly Northern Ireland. I wonder whether you could explain why we have these three different systems operating?—These arrangements which we are operating are war-time arrangements, and in making changes during the war we sought to disturb the position to the least possible extent. In England and Wales we found it necessary to exercise a greater degree of control owing to the enormous problem of diverting milk from the manufacturer to the liquid market. That is the reason why the Ministry purchases the milk in England and Wales and sells it to the distributors. In the area of the three Scottish Milk Marketing Boards it was found possible to control the movement of milk mainly through the Boards. Where we have marketing schemes outside the areas of the Scottish Boards, the reason is that before the war there was no organised marketing in those areas. In Northern Ireland the position is somewhat similar to the position in the areas of the Scottish Milk Marketing Boards in that it was not necessary to make such great changes as in England.

3105. Can you say, again speaking generally, which system proves the most economical?—It is very difficult to say. Each system is more or less suited to the local conditions, and to some extent takes into account the needs of the producers and the distributors in the area.

* See Annex 12.

3106. Since the end of the war has there been any review of the three systems to determine whether it would be worth while to standardise them?—Various aspects have been reviewed from time to time. What you might term the major items of policy were examined recently by the Committee on Milk Distribution, and its Report is under consideration.

3107. You refer generally to the machinery for fixing prices in consultation with the Agriculture and Health Departments. I wonder whether you could expand that a little and tell the Sub-Committee what the price fixing machinery is?—In considering producers' prices, that is, the prices of the wholesale producers?

3108. Yes?—I am not too familiar with the procedure of fixing agricultural prices as a whole, but as I understand the position there is a global sum of money made available to agriculture, and that sum is then divided between the various commodities. The stage at which the Milk Division of the Ministry of Food becomes interested is where that division takes place, and also at the later stage where the monthly prices are fixed which take into account differences in the levels of production from month to month and the peculiarities between the different regions and countries.

3109. So that the major responsibility lies with the Agriculture Department?—The major responsibility, I think it is correct to say, lies with them.

3110. If we turn to another question, you refer to the temporary wartime production bonus, which Schedule II shows standing at about £2½ million?—Yes.

3111. Again I wonder whether you could expand that a little, its purpose and how temporary it is?—I am not too familiar with the details; the bonus was introduced for the purpose of encouraging smaller producers.

3112. If I may intervene, this again will be mainly the responsibility of the Agricultural Department?—Yes, that is so. The bonus does not take the same form in all areas.

3113. It is a bonus to increase production, and you are not in a position to say what the qualifying word "temporary"

12 April, 1949.]

Mr. E. E. BAILEY, C.B.E., and
Mr. W. R. SINCLAIR, O.B.E.

[Continued.]

signifies?—No more than that it is intended as a temporary bonus, although it has continued beyond the end of the war. The bonus in some areas has also been used for the purpose of giving additional encouragement to winter production, but not generally.

3114. And the responsibility for spreading the bonus, allocating it to the different areas, lies with the Ministry of Agriculture?—It is not quite a question of spreading the bonus; approximately the same sum per gallon is allowed in each of the areas.

3115. It is a flat rate bonus?—No. The original intention was to make available approximately the same sum per gallon; how closely it works out in practice I do not know. There are bound to be differences.

3116. You pay for the services rendered by the Milk Marketing Board what amounts to a management fee?—There is no profit element in it, if that is what you mean.

3117. Yes?—We meet their actual expenses.

3118. Do they submit a budget?—Arrangements differ with the various Boards, but I take it you are speaking about the English Milk Marketing Board at the moment?

3119. Yes?—Our arrangement with them is that we buy the milk from the Board at a price which is sufficient to enable them to pay the producers the guaranteed prices and also to meet the Board's expenses of administration. The Ministry's Internal Audit Department examines the records of the Board and reports on the correctness of their estimates.

3120. Have the expenses remained constant?—There is a tendency for them to increase, mainly owing to the general increase in costs of all kinds.

3121. There has been no greater increase than would be accounted for in that way?—There has been no extraordinary increase.

3122. In paragraph 9 of the memorandum you refer to grants paid to producer-retailers and to cheese makers. I can appreciate the reason for the grant being made to cheese makers, because they are in fact manufacturers, but what is the purpose of the grant to producer-retailers?—The reason is that the producer-retailer sells his milk at a fixed retail price, but that price is not fixed for the purpose of enabling the producer-retailer or any other producer or distributor to get a particular rate of remuneration; the grant is made to enable him to have what we regard as an appropriate rate of remuneration.

3123. Is that following the pre-war pattern?—Before the war the milk prices

were not subsidised as they are now, and there was no need for a grant to producer-retailers, but there was in effect a somewhat similar adjustment through the levy which the producer-retailer paid to the Milk Marketing Board.

3124. Passing on to Scotland, and touching upon the point you have already dealt with, why have the areas of the present Marketing Board not been extended to cover the whole of Scotland? The reason I ask that is that I should have thought at first glance that would have been the simplest thing to have done?—The Milk Marketing Boards represent the producers in their areas, and it would not be possible to extend the area of a Board at present without a vote by the producers in the area of the Board.

3125. Have any steps been taken to ascertain their view?—There have been discussions, but there are numerous difficulties, and at the moment these are being considered in connection with the Williams Report, which deals also with many other matters.

3126. One small point about Northern Ireland. I notice a reference to the fact that there is a different system of grading of premiums. Again, what is the reason for that particular difference?—The reason is that there was a different system in operation before the war, and the pre-war difference has been continued.

3127. It is a continuation of the pre-war practice?—Yes.

3128. Again, passing on to paragraph 16, where you deal with the Milk-in-Schools Scheme, I notice that the full retail price is recovered from the Ministry. Has any consideration been given to any question of rebate on this milk?—The Ministry are at present considering the possibility of introducing a variable margin. The problem was considered during the war, but the change was felt to be impracticable while schools were not in a position to change their suppliers. It was only last year that ordinary consumers were allowed to change their dairymen. A number of difficulties have to be overcome before a variable margin can be introduced.

3129. On the face of it, I suppose there is a case for a variable margin, because supplying schools differs from the normal retail trade?—There is a case for it, although I think it would be wrong to assume—indeed I am sure it would be—that in all cases it would be possible to supply at less cost to the schools than to the household consumer, because we have evidence that in many cases the present margin on school milk is not sufficient.

3130. Does the same consideration apply to the milk supplied under the Welfare Food Services, or is that much more

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comparable to the ordinary retail business?—It is retail distribution.

3131. As to amount, I notice that the Milk-in-Schools Scheme will involve us in an expenditure of about £8½ millions, and the Welfare Food Services in about £22 millions. Can you say how those figures compare with figures for previous years, and whether you have got any estimate for future years?—I am afraid I have not got the figures with me. Would it be in order if we gave them to you in the form of a note?

3132. It would be helpful if you gave us a note.—The Welfare Food Division is primarily concerned with this scheme.

3133. Then a final question on the question of remuneration allowances to depot proprietors, wholesalers and retailers, which are set out in Schedule VII. May we take it generally that the basis of this remuneration follows the general pattern of costings inquiries, with particular reference to the pre-war margin?—Yes, it follows the general pattern.

3134. Are there any particular exceptions to that general pattern now?—Milk costings are probably more intensive than any other costings. There may be numerous minor exceptions, but I cannot think of any major ones.

3135. That is the general pattern. If there are exceptions, I take it that there are exceptional reasons for those exceptions?—Yes.

Mr. Niall Macpherson.

3136. Have you got a figure for the weighted average price in pence per gallon paid to Scotland, to the Scottish Milk Marketing Board? I see the price you give is 28.69d. per gallon for England and Wales throughout the year. I wonder if you have a comparable price for the Scottish Milk Marketing Board?—I doubt if I have, because we receive an estimate from the Scottish Board and I do not think they have worked out that particular figure.

3137. Would such an estimate be made, and would it apply simply to the Scottish Milk Marketing Board or to Scotland as a whole?—One could be worked out for the Scottish Board, and similarly one could be worked out for the whole of Scotland.

3138. It might be advantageous to have both, in actual fact, for the purpose of comparison. You refer to the standardisation of haulage producers and haulage deductions. Does that mean that irrespective of the distance that the milk is marketed the deduction is the same, however remote the farm is?—That is true. One of the main reasons for the change in the deduction was that during the war movements of milk from farms to first destinations had to be

altered very considerably. The change was made for the purpose of enabling us to get the maximum freedom of movement.

3139. That should have meant a reduction, should it not, of transport, very often?—That is so.

3140. In some cases?—This is a reduction in the charge to the producer, which is not the same as the amount paid to the haulier. The main reason for the change was that the producer had to pay a larger transport deduction where his milk went to a depot than the amount which he paid if his milk went straight to the retailer or the wholesaler. As a result of the change, the difference between the two rates was reduced to ½d. and subsequently to ¼d. per gallon.

3141. In both cases the Board provided transport, did they, whether it went to a retailer or a wholesaler or to a depot?—Previously the producer himself was responsible for transport; he either carried the milk himself, or, more commonly, the distributor to whom his milk was sent undertook the collection of the milk and made a charge to the producer. The first stage was that the producer's charges were frozen at the rates in force on a selected date. Later it was found that this was inequitable, where the destination of the milk had to be changed, and the system of standard rates was introduced. I am trying to simplify what really is a very complicated matter.

3142. I do not think we need pursue it, because it is rather of historical interest than anything else?—Yes.

3143. Now, you refer in paragraph 8 to the fact that precautions are taken to avoid duplication of heat treatment claims. What is the nature of those precautions?—A distributor is not allowed to claim the heat treatment allowance on milk which he sells under a description other than "milk for heat treatment," unless he sells the milk by retail.

3144. Milk for heat treatment?—Yes. Again, this is a very complicated arrangement.

3145. Yes. The whole of the heat treatment arrangements seem to be extremely complicated; there are so many different charges?—Yes. The way it works out in practice is that where a retailer, who heat-treats milk and claims the allowance, finds it necessary to buy milk from a wholesaler, he orders the milk as "milk for heat treatment"; the wholesaler who sells the milk as "milk for heat treatment" is then unable to claim allowances for heat-treating the milk.

3146. Who is to say whether the retailer gets his milk heat treated or whether

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he is to be allowed to do it himself?—We have a system of audit.

3147. But who actually says? A retailer may want to do the heat treatment, but it might be more convenient if it were done for him?—A retailer has the option.

3148. What is the basis of this very wide difference between the remuneration shown in Schedule VII, or the remuneration allowance to depot proprietors for transport and all the rest of it, and heat treatment?—Would you care to select any particular rate for the purpose of illustration?

3149. We are talking about heat treatment at the moment. There are 70 million gallons at 2.5d. per gallon, 80 million gallons at 2.25d., and 50 million gallons at 2d. per gallon?—The 2d. rate is the rate for milk supplied by a wholesaler whose premises are equipped with brine cooling equipment, where the milk is not heat treated. The 2½d. is paid where the milk is heat treated but not bottled, and the 2½d. rate where the milk is both heat treated and bottled. The 1½d. rate is a rate paid in exceptional cases where the wholesaler's premises are not properly equipped with brine cooling equipment; you will notice the gallonage is small.

Chairman.

3150. So that the rates are included in the allowance to retailers?—The remuneration is paid on a functional basis.

Mr. Niall Macpherson.

3151. Yes. There are two additional allowances to retailers which differ from the heat treatment allowance to wholesalers?—Yes. The allowances to the wholesalers cover something more than heat treatment. It might also be said that the heat treatment allowance to retailers contains an element of wholesaling, but in our view the cost of providing heat treatment is less when the retailer does it himself than when another dairyman has to handle the milk in order to provide the heat treatment service.

3152. But so far as he knows it then goes straight in the bottles?—That is where the 2½d. is paid.

3153. That is only 70 million gallons. You have got 520 million gallons heat treated by retailers?—Yes.

3154. That is because retailers are more likely to put it straight into bottles, and to encourage retailers to have the option as to whether they shall say whether or not they will do the heat treatment: is that correct?—The best way is obviously to have the retailer doing the whole job himself.

3155. That includes bottling, 1½d. per gallon to retailers?—Yes.

3156. Then what is the reason for the one low of ½d. per gallon?—It is paid mainly on milk supplied in bulk quantities.

3157. Caterers and the like?—Yes.

3158. On paragraph 11 you speak about special features of the milk Estimates and the uncertainties regarding the effect on production of changes in weather conditions and so forth. Does that mean that you do or do not take into account the uncertainties in your Estimates, or does it mean that special features may propitiate your Estimates?—I think both are true. To a large extent it is possible to take account of uncertainties, but not always. There is a tendency for uncertainties to cancel out over a full year.

Mr. Barton.

3159. Have the functions of the Milk Marketing Board altered appreciably from the pre-war functions?—They have been modified under a Statutory Rule and Order, but in practice the Board continue their pre-war operations, though subject to the directions of the Ministry. Of course, the system of pooling the proceeds of milk and paying pool prices to producers has disappeared for the time being.

3160. So that the Ministry have no operative functions at all; your term "buying milk from the Milk Marketing Boards" is nothing more or less than passing the cheque for the deficit?—No, I am sorry; I did not make that quite clear. Many of the functions performed by the Ministry are new functions which are required because of rationing and of the larger demand for milk for liquid consumption. The Ministry has also taken over some of the pre-war functions of the Boards.

3161. Do the Milk Marketing Boards purchase the whole of the milk from the producers with the exception of those producers who are retailers?—In England and Wales, yes.

3162. And do the Milk Marketing Board then allocate it as saleable liquid milk to the various manufacturing processors, or is that a function of the Ministry?—That is the function of the Ministry.

3163. In those circumstances, then, the Ministry not only reimburse the Milk Marketing Board for any loss on saleable liquid milk, but for any loss on processed milk?—The Ministry buys the milk from the Board, so that the subsequent loss is not something the Board has to be reimbursed for, but which the Ministry has to meet itself.

3164. But the Board pay the producers?—That is so.

3165. So that it is not a fact that what the Board receive from the Ministry is the

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difference between the production costs and the selling costs?—No; what the Board receive from the Ministry is a sum sufficient to cover the producer's price plus the expenses of the Board.

3166. The administrative costs?—Yes.

3167. What is the reason for including your School Milk Scheme in the Ministry of Food Estimates rather than in the Estimates of the Ministry of Education?—(Mr. Bailey.) I think that question was asked at an earlier Session, and the answer which I gave was that, having considered the subject, I found it extremely difficult to know when milk ceased to be food and became a subject of health or of education.

Chairman.

3168. It is a matter which has had the attention of the Public Accounts Committee too, and I think they came, after some doubt about it, to a conclusion that for comparative purposes it was best that it should remain as at present?—Yes; and in addition there are obvious administrative conveniences in carrying it on our Vote, since we deal in milk.

Mr. Barton.

3169. You do not carry on your Vote the subsidy for school meals?—No.

3170. What is the difference?—We do not cater.

3171. Is it purely a matter of accountancy?—No; I think there is a difference. We do not provide meals but we do provide milk. We do not provide cooked meals or enter into the retail catering trade. (Mr. Sinclair.) Another reason is that there was a Milk-in-Schools Scheme before the war which the Boards operated. The present scheme is a continuation of their scheme.

Chairman.

3172. On what Vote was it borne then?—I am not quite sure, but I think it was the Agricultural Vote.

Viscount Hinchingsbrooke.

3173. If you will turn to Appendix A, you will see at the bottom there a figure of net trading loss of the Division, including Welfare Schemes, £68 millions. Is that a comparable figure with the figure put into the Civil Estimate for this year of milk, including Milk Welfare Schemes, under Subhead H, Trading Services, net of £86,700,000?—(Mr. Bailey.) Yes.

3174. What is the reason for the increase of £18,700,000 this year? (Mr. Sinclair.) Mainly the increase in producers' prices which followed the removal of the feedingstuffs subsidy.

3175. It is not due to the increased subsidy payable on an increased supply of milk?—To some slight extent that may contribute, but by far the greater proportion of it is due to the increase in producers' prices.

3176. Reverting to the £68 millions in the Estimate for last year, how much of that is purely departmental expenditure and how much of it is subsidy?—The departmental expenditure is shown under the heading of overhead expenses, but possibly the Welfare Foods figure includes overheads.

Chairman.

3177. That is the figure of £2 millions, is it not—Ministry overheads?—£2½ millions for the Milk Division.

Viscount Hinchingsbrooke.

3178. You say that there is some overhead charge?—Perhaps I had better make a correction. It would appear that the £2½ millions covers the Welfare Scheme as well, because I see there are no overheads included in Schedules XI and XII.

3179. So that it costs the taxpayer £2½ millions a year to administer the Milk Scheme as far as the Ministry is responsible for it?—Yes. (Mr. Bailey.) That is so, subject to this, that the allocation of overheads is a somewhat artificial process. For the purpose of these Estimates, the allocation is made upon the basis of turnover, and, as the figures show, the turnover of this Division is a large one. Therefore it might well be that an undue proportion of the Ministry's total overheads are allocated to the Milk Division. In respect of the subsequent Estimate we have corrected that possible anomaly and are now making the allocation of overheads on a more equitable basis, related to the number of staff rather than to turnover. These Estimates do show a heavy charge as the result of the process of allocation. The actual charge or cost of staff engaged in the Milk Division might well be materially less; indeed is, but I think Mr. Sinclair might be able to give you figures of the number of staff employed in the Division. (Mr. Sinclair.) The staff of Milk Finance Division is 11, including myself. With regard to the Milk Division, I imagine the figure is about 50. (Mr. Bailey.) In addition to the cost of that staff, there is some part of the total cost of rationing and controls included in this figure of £2.25 millions.

3180. I think if Mr. Bailey would be good enough to supply it we need something more detailed than that to satisfy us about this expenditure of £2,509,000, because the Estimates do not give it in any detail at all; the Milk Division is wrapped up in the other Divisions. If we could have a paper showing how that £2½ millions is

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made up, it would help us?—I would be very willing to do that, but I think it might be even more illuminating if I were to supply the breakdown of the total administrative charge, including this figure, and then further break down this figure of £2.25.

Chairman.

3181. I take it we do not get much further with the figure of £2½ millions, because we arrived at that by taking the total expenditure and dividing it by the volume of trade undertaken by this Division?—That is exactly so.

Viscount Hinchinbrooke.

3182. What I want to know is the cost in some detail, with a layout of staff and so on, administering the milk supply of the country from the point where the Ministry take it over from the Milk Marketing Board to the point where they release it to licensed retail dairymen, because I gather they are in the process right throughout up to that point?—Those figures could be given with exactitude, that is to say, the actual cost of the Milk Division. What would be difficult to sub-allocate is the total cost of rationing and control throughout the country. The local Food Offices deal with milk at one moment and with another commodity at another. But if it would be helpful to you, I would be most glad to give you the exact cost of the Milk Division.

3183. I think it would, because as I understand it from the chart with which you have been good enough to supply us, you are responsible for supervising what are called No. 1 suppliers, that is, big buyers, and, secondly, wholesale dairymen, together with a number of miscellaneous bodies besides. Is that right?—(Mr. Sinclair.) I think it would be true to say that practically the whole of the £2½ millions is incurred in connection with costs at the later stage of getting the right quantities of milk to the actual consumer.

3184. If we could have a separate paper, that would help. Now, Mr. Sinclair, you said earlier that the Ministry met the Milk Marketing Board's expenses, so that clearly their coverage goes not only towards the retailer's end but towards the farmer's end or supplier's end. To what extent do you submit the Milk Marketing Board's processes to detailed examination?—We do not submit their expenditure to detailed investigation in the Milk Division. We rely upon the Board to draw our attention to new and increased items of expenditure that are of any significance and to obtain our approval to them, and the Ministry's Internal Audit Division checks their accounts after the expenditure is incurred.

Viscount Hinchinbrooke.] I wonder how far we ought to have some details about the operations of the Milk Marketing Board. Public money is only involved to the extent that the Ministry pays their expenses; I mean, apart from the value of the Milk Board. But ought not we to find out how many persons are employed, and also to get some idea of the skeleton formation of the Milk Marketing Board?

Chairman.] I am not sure at the moment whether we have had a figure for the expenses of the Milk Marketing Board. Speaking of England and Wales, perhaps we could have that first, and then it might be helpful if you could let us have a note on the establishment, and perhaps Lord Hinchinbrooke would also like, for the purpose of comparison, the establishment in 1939 and perhaps in 1946?

Viscount Hinchinbrooke.

3185. Yes, I think that would be useful. —I do not have a figure for a full year with me. We could send to the Committee details of the Board's expenses, which include the costs of a number of "producer" services. Generally speaking, Boards have continued their pre-war services on behalf of producers, and have to some extent increased them, in connection with milk recording, for example.

Mr. Niall Macpherson.

3186. Could I ask where the Board's expenses are shown? Presumably they must be shown somewhere here and must come into the total Estimate?—They form part of the price which we pay to the Board.

Mr. York.

3187. Surely the Milk Marketing Board does not charge the Ministry of Food for administering itself on behalf of the producers?—Yes, it does at the moment.

3188. It charges you?—Yes.

Mr. York.] That is the point I was on. We must know that figure.

Viscount Hinchinbrooke.

3189. Yes. One final question. Did I understand you aright, Mr. Sinclair, to say that the Ministry originally came into the milk situation because of the great difficulty of diverting milk which was going into manufacture into milk for liquid consumption?—That is not the reason why the Ministry first came in. The first action of the Ministry of Food during the war in connection with milk was, I think I am right in saying, to advance a sum of money sufficient to enable producers' prices to be increased, as from the 1st January, 1940, by a specified amount per gallon. In other words the Ministry came in as a source of subsidy in the first instance.

3190. Both purposes having been achieved, namely, the price having been

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raised, and the milk diverted from manufacture to liquid consumption, what are the continuing reasons for the Ministry remaining in the business of milk?—There is still a shortage of milk at certain seasons of the year for liquid consumption, and milk is still being subsidised by the Government also the future policy with regard to Milk Marketing Boards and milk distribution generally, is still under consideration in the light of the Lucas and Williams Reports.

3191. The term "Milk Marketing Board" has become a complete misnomer. It is a Milk Supplying Board, actually; it does not market any milk at all?—That is probably a correct statement of the position at present.

3192. And if means could be found for paying a new subsidy would it be possible to put the Milk Marketing Board again into direct relationship with suppliers, wholesalers and dairymen, the Ministry withdrawing from the business of operating the milk trade?—It would be possible in the future.

3193. Have the main suppliers and the wholesale dairymen put up any proposals that they should be enabled to operate freely in relation with the Milk Marketing Board; or, conversely, has the Milk Marketing Board put up any such proposals?—The distributors put up proposals for the formation of a separate statutory authority.

3194. And those proposals are under consideration?—Yes, they are under consideration.

3195. May I put my King Charles's head question, and that is this: What is the incentive that now operates amongst suppliers, wholesalers and dairymen to increase their efficiency and to serve the public better, seeing that they are remunerated on a fixed basis by the Ministry? Are they perfectly free to enter each other's hunting grounds and offer better service?—The consumers have been given freedom to change their dairymen.

3196. Yes, but that is on a lower level, the relation between the actual consumer and the licensed retail dairyman. I am talking about the main supplier?—Are you speaking of the producer or the wholesaler, because similar freedom was given to retailers to change their wholesalers?

3197. Yes; but are the licensed retailers able to buy their milk from which suppliers they like, and are the suppliers able to go out and persuade licensed retailers to come to them by offering them better service?—In the first instance a wholesaler was selected by a retailer. The retailer has been given opportunities of changing his wholesaler, and we have under consideration at the moment the possibility of giving greater freedom in that direction.

Mr. York.] Will you stop me, Mr. Chairman, if I put any question that has been dealt with before?

Mr. Niall Macpherson.

3198. Would it be convenient, and it might be helpful, if I asked one question which I think is still not clear, and that would enable Mr. York to know what has not quite been cleared up? I am still not clear, and I should be much obliged if Mr. Sinclair would clear it up, as to the relationship between the price paid by the Milk Marketing Board, the prices which you say are previously agreed by the Ministry of Agriculture in consultation with the Ministry of Food, and what is paid to the Milk Marketing Board by the Ministry of Food? I take it that in Schedule I the prices referred to there are prices paid by the Ministry of Food to the Milk Marketing Board?—Yes, that is correct.

3199. Would it be possible for us to have the prices that are agreed by the Ministry of Agriculture as being the prices to be paid by the Milk Marketing Board, and could you in the meantime give an indication of what the margin between the two is, i.e., the margin between the prices shown in your Schedule I and the prices paid by the Milk Marketing Boards to the producers?—I have not got with me a note of the margin between them; it varies from time to time.

3200. Do you mean from season to season?—Yes, and from month to month.

3201. The margin varies?—Yes.

3202. Because costs of handling vary as far as the Milk Marketing Boards are concerned?—Yes. Items other than the pure cost of handling do come into it. First, the price paid to the producer. Added to that are the Board's expenses.

3203. Which should be more or less the same from month to month?—They would tend to be the same throughout the year. From that there are deducted the profits from the Board's creameries, which arise mainly in the summer, and the levies charged by the Board to producer-retailers, which depend on the retail sales of producer-retailers, and vary from month to month.

3204. What are those levies, again?—The levies were first imposed by the Board before the war; they are statutory levies, and take account of the sums due to the producer-retailers by way of a quality premium. Their main purpose was to ensure that producer-retailers bore a share of the cost of running the Board, and also (although to a lesser extent than other producers) of the losses incurred on milk sold for manufacture.

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Mr. York.

3205. May I ask whether the Ministry of Food trusts the Milk Marketing Board completely to carry out those transactions, or does it give them detailed supervision?—We do not give them detailed supervision.

3206. Do you give them any supervision at all?—We do not supervise the day to day accounting work, but we agree machinery with the Board, and from the more difficult cases which crop up, and which are submitted to us, we are aware of how things are operating from day to day.

3207. In other words, you say to the Milk Marketing Board: "This is your job. These are the limits of your job. Now, you carry on, and the only thing we require of you is an audit"? Is that roughly the way you carry on the business with them?—I think that is roughly correct. Their sphere of operation is a restricted one.

3208. They have got the limitation of control, which they did not have before the war, but apart from that there is no interference in any sense of that word by the Ministry of Food with the administration of the Milk Marketing Boards, other than the directives which are necessary to direct milk and so on?—I have difficulty in answering that question, because at the moment the Board is carrying out a dual function. It is the representative of the producers, and on behalf of the producers it takes an interest in all movements of milk. On the other hand, it acts as the Ministry's agent in many directions. For example, it acts as our accountant and book-keeper.

3209. I think that the point I was trying to bring out will come out later, but perhaps I can carry on from that. Now, before the war, the Milk Marketing Board used to charge, I have forgotten the exact figure, but was not it something like $\frac{1}{8}$ d. per gallon as a levy on all producers—it was rather less than that?—Yes.

3210. Does the Milk Marketing Board in its accountancy system take any account of that $\frac{1}{8}$ d. deduction?—It would be impossible to arrive at a similar figure today, if that is what you have in mind.

3211. No. I really wanted to know whether in fact it does?—Is your question this, that before the war—

3212. I think I can make it clearer in this way: Does the Milk Marketing Board charge the producer anything for its services?—In effect the pre-war deduction of $\frac{1}{8}$ d. is reflected as a deduction to-day.

3213. It is?—Yes; because the pre-war producers' prices form the basis of the present price. Additions have been made

to prices from time to time to cover increased costs, so that it might be said that if deductions were made from the producers' prices in 1938-39, those same deductions continue to be made.

3214. If I remember rightly, before the war the deduction was a direct deduction from the producer's price, was it not?—What happened then was that the Board collected the proceeds of the milk, and after deducting its expenses arrived at a pool price. Once the pool price was determined, nothing further was deducted except a charge for transport.

3215. Yes. The pool price before the war is equivalent to the total number of gallons multiplied by the price per gallon to-day?—The pool price is equivalent to the present producer's price.

3216. Therefore, surely, is not the situation this, that either directly or indirectly, and I am not quite clear which, the producers are paying towards the cost of the Milk Marketing Board on the one hand, and the Ministry, as you answered a previous question, are paying the Board for the same service on the other hand? Are not there in effect two payments to the Marketing Board?—I think the easiest way would be to put it in this way. Before the war the payments to the Board for milk were sufficient to cover the Board's expenses, plus the producer's price. That is still the position today.

3217. But you said just now that the Ministry paid the Board's expenses?—No, we pay a price which is sufficient to cover the Board's expenses.

3218. There is no direct payment from the Ministry of Food to the Milk Marketing Board to cover its agency services?—No.

3219. I misunderstood your answer before; I think that was the trouble. So that in effect what happens now is that the Milk Marketing Board obtains all its necessary running expenditure by what amounts in effect to a levy on the producer's price?—I do not think that is quite a correct statement, but there was a deduction for expenses in arriving at the 1938-39 pool price, which formed the basis of a series of calculations, in which increases in costs were added to those prices, but that is a matter of historical interest rather than the position as it exists to-day.

3220. But surely if the price you pay to the Milk Marketing Board has got to cover the price that the Milk Marketing Board pays to producers and the cost of running the Milk Marketing Board, then the effect is that the Milk Marketing Board deducts from the price it pays to the producer the amount it costs it to run itself?—Yes. The

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[Continued.]

only difference is that the producer's price is now guaranteed and no deduction is made from the guaranteed price.

Mr. York.] Yes, that is true, but in point of fact what I am trying to bring out is that each in fact pays the Milk Marketing Board.

Mr. Niall Macpherson.

3221. Is it not the margin about which I was already asking? That is what my questions were directed at, the margin between the price which the Ministry pays to the Board and the price which the Board pays to the producer. That was the question I was trying to get at?—Actually there is not much difference between the two prices. (Mr. Bailey.) In theory it must be so.

3222. Yes, that is what I was trying to get at, at any rate, that in theory that is so, and aside from the trading you take into account the profits on the Board's creameries and the levy for the producer-retailer, and what Mr. York is getting at is where the expenses and the cost of running the Boards are borne. That is also what I had in mind. It seemed to me that they were borne theoretically in the margin between the price which the Board pays to the producer and the price which the Ministry pays to the Board?—(Mr. Sinclair.) Yes, they do represent part of that difference.

Chairman.

3223. I do not want to discourage Mr. York, but I would suggest that we are dealing with rather an academic point, because after all the producer now is receiving a subsidised price, and therefore the only point in which we are particularly interested is the point that Lord Hinchinbrooke raised about the expenses of the Milk Marketing Board to-day compared with previous years?—I think I can simplify the comparison. Before the war the consumers paid for the milk, and what they paid covered the Board's expenses. Today, the consumers still pay for the milk but there is a subsidy as well, and the Board's expenditure comes out of one of these pockets.

3224. We can regard the subsidy as including the expenses of the Marketing Board?—Yes.

Mr. York.] I am not sure about that. I am not sure that is so, and that is why I was trying to get that point out.

Chairman.

3225. Perhaps I could put it to Mr. Sinclair to see whether we can get it clear. Would it be proper at the present moment to regard the subsidy as including the

expenses of the Marketing Board, as that was an expense previously borne by the producer?—In so far as the expense has not increased, I think it would probably be truer to say that it comes out of the price paid by the consumer, but where it has increased I feel it is anybody's guess. (Mr. Bailey.) To my mind, the answer to your question is in the affirmative.

3226. That is what I was hoping?—It seems to me that the expenses form part of this margin between the price payable by the Board to the producers and the price payable by the Ministry to the Board, and that the Ministry is paying the expenses of the Board; that those expenses therefore fall into and form part of the subsidy; but that there is no element of double payment of expenses; indeed I feel quite sure that if there had been such an element, even if only in an academic sense, the producers would have raised the point before now. (Mr. Sinclair.) There is no double payment of expenses.

Mr. York.

3227. I am quite sure there is not, but I am still not at all clear about this, for this reason. Supposing, for example, there was no milk ration today, and supposing also that the Ministry of Food decided to hand back to the Milk Marketing Board its proper functions—those are two assumptions—what would happen in the instance I have put? Perhaps I may give an illustration and ask whether it is right or wrong. The Government, through the Ministry of Food, would have to pay the guaranteed price to the producers, and whatever functions the producers decided their Marketing Board should perform, they would have to come out of that price, because it is extra and additionally advantageous to the producers that the Milk Marketing Board should perform these functions for them. Is not that exactly what would happen?—It is something that could happen; it does not happen at the moment.

3228. No; given my two assumptions that there is no rationing and that the Milk Marketing Board is given back its functions?—I do not think rationing affects it. If there were a guaranteed price, then the Board would not be given back its main function, which is the pooling of the proceeds of milk. (Mr. Bailey.) On your hypothesis I think it logically true to say, at any rate, that the Milk Marketing Board's expenses must be met from some source.

Chairman.

3229. They would surely have to ask for a deficiency grant?—Yes; they would either have to get it from the producers

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by way of a deduction from the price which they pay to the producer, or they would have to get it by way of a levy charged upon the producers. The Milk Marketing Board would recoup those expenses either by way of deduction from the price which they paid to the producers, or they would recoup them by way of a levy upon the producers, which is in effect the same thing. They are not two mutually exclusive alternatives; they are aspects of the same thing. But that would in the result, I suggest, lead to a diminution of the guaranteed price.

3230. Or alternatively it would mean a deficiency grant being made to the Board?—Yes, from Government sources.

Chairman.] Yes.

Mr. York.] I think we ought to know exactly where we stand on this matter of the subsidy, so that we can see where it is borne and where it is not borne by the taxpayer.

Chairman.

3231. We did deal with this earlier. The term "subsidy" for our present purposes is used very comprehensively.—(Mr. Bailey.) It is synonymous with the trading loss of the Ministry.

Mr. York.

3232. That is not necessarily a subsidy at all?—It is not necessarily a formal, planned and predetermined subsidy upon particular commodities; it is the sum of trading losses of the Ministry upon individual commodities, upon the totality of the operation.

Mr. York.] May I leave that and go on to margins? Have you dealt with margins fairly fully, Mr. Chairman?

Chairman.] No; we have dealt with that matter in general terms; we have not dealt with it in detail.

Mr. York.

3233. There are, as I see it, seven separate margins now being paid by the Ministry of Food. Might I refer to paragraph 8 of your memorandum, page 2. In the first sentence, is there a misprint there in the third line, where you say that "wholesalers and retailers buying milk direct from the Ministry receive an ex-farm allowance"? Is not that "direct from the farmer"?—(Mr. Sinclair.) No, the Board buys from the farmer and sells to the Ministry.

3234. It is a technical change?—He receives milk direct from the farmer.

3235. He gets an ex-farm allowance?—Yes, that is the position.

3236. Could you say what that ex-farm allowance is supposed to cover?—It covers

the services of receiving the milk from the farm and providing churns. You may remember that before the war the distributor who did not buy milk from a producer had to pay a much higher price. That price differential has been taken away except for the residual $\frac{1}{4}$ d. We felt that there were additional costs incurred by a distributor who received his milk direct from a farm, even although technically it would be difficult to isolate them, and this $\frac{1}{4}$ d. is intended to cover such costs.

3237. Is not the cost of churns, etc., included in the handling and transport allowances?—Are you speaking of the handling and transport allowance paid to depots?

3238. Yes.—The depots obtain the equivalent of the ex-farm allowance whether they receive the milk from the farm or not, the reason being that the depot proprietors were able to show, in 1942, when we introduced this system, that depots had to provide facilities for farm collection, whether the Ministry allowed them to continue receiving milk direct from farms or required them to take milk from other depots, perhaps for manufacture; in other words, the $\frac{1}{4}$ d. forms a part of their basic remuneration.

3239. So that to some extent the handling and transport allowances and the ex-farm allowance are intermingled?—The handling allowance and the ex-farm allowance are intermingled, but on this milk which depots send to the liquid market we pay for transport separately.

3240. You pay the handling allowance and a separate transport allowance?—Yes, because distances vary so enormously that it would be inequitable to have a flat transport allowance.

3241. What is the handling allowance?—Do you mean the actual rates?

3242. Yes. Is there one single rate?—There are two rates now. On the first $1\frac{1}{2}$ million gallons it is 1.45d. and on the remainder of the annual throughput it is 1.1d. per gallon.

3243. Then we get on to the third allowance, which is the depot heat treatment allowance?—That is an additional allowance paid to depots in cases where they heat treat milk and the milk is not subsequently heat treated by a wholesaler or a retailer.

3244. I am coming on to heat treatment, but I want to get the series of allowances first.—Yes.

3245. What would that heat treatment allowance be?— $\frac{1}{4}$ d. per gallon where the milk is heat treated and bottled by the depot proprietor, and $\frac{1}{4}$ d. per gallon where it is heat treated only.

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[Continued.]

3246. The next allowance is a wholesale allowance. Is that 2d. a gallon still?—It is 2d. a gallon in cases where the wholesaler is equipped to brine cool the milk, and where he does not claim to have heat treated it.

3247. 2d. a gallon where it is heat treated?—No. 2½d. a gallon where it is heat treated by the wholesaler, and 2½d. where it is heat treated and bottled by him.

3248. Then, I suppose, quite separately from this chain that you put down in this paragraph, you get manufacturers' rebates, but they do not happen unless the milk goes to a factory?—That is so.

3249. Then the next allowance is the producer-retailer's allowance?—Yes.

3250. How does that grant differ from the margin which the ordinary retailer gets?—It takes account of changes in the remuneration of producers, as well as of changes in the remuneration of distributors. The total remuneration of the producer-retailer is also higher than that of ordinary producers and ordinary retailers. We have maintained the pre-war relationship between them.

3251. Is that the grant of a definite amount?—It varies from month to month. We pay it in the winter months mainly.

3252. What is the average amount per gallon?—It varies very considerably.

3253. Very well; I will leave that for the moment. Now, may I go on from that to heat treatment? I know you have been dealing with it already, but is it not the fact that milk is sometimes heat treated at the depot and subsequently heat treated at the wholesaler's urban depot?—That is so.

3254. How many times, as far as you know, is milk heat treated during its course to the consumer? In other words, what is the maximum number of times it can be heat treated?—I do not think there is any maximum number of times.

3255. Is it sometimes heat treated three or four times?—It may be; I have not heard of any cases.

3256. If it is heat treated more than once, do I understand that the people who are handling it only get one allowance at the beginning?—No, it would be the last one.

3257. But only one?—Yes.

3258. Supposing, for example, a West Country depot heat treats its milk, as I believe practically all of them do before sending it by rail?—Yes.

3259. —would the depot proprietor in London not get any allowance for further heat treatment?—In practice the London distributor would order milk for heat treatment, and we have machinery which pro-

vides that the depot proprietor or other distributor shall not be paid the heat treatment allowance on milk which he sells under the description "milk for heat treatment." The machinery is complicated.

3260. Am I not right in supposing that all the distant milk is in fact heat treated before it starts on its long haul?—I should say very little of it is. The milk is brine cooled at the depot, mainly to ensure that it lasts out the journey in good condition.

3261. It is brine cooled?—Yes. In Scotland it is the practice to heat treat the milk at the depots, but not in England.

3262. I see; but in any case there is no second allowance, whatever happens?—No.

3263. Have there been any differences in the margin paid over the last three or four years?—Very considerable differences.

3264. Have they been all in the general direction of reductions?—No; but I should say that the increases in the margins to milk distributors have been much lower than in most trades.

3265. They have all gone up?—No; I believe there are some distributors who are obtaining less today than they did before the war.

3266. Less in total or less per gallon?—Less in the margins for their services.

3267. I do not quite follow that. You say that some have gone up but some have not?—Could I give an example? Before the war the remuneration to the wholesaler was in accordance with a very long scale of premiums. Today we have only four basic rates of wholesale remuneration. It is almost certain that on many sales wholesalers are today getting less per gallon than they did before the war, although the average earnings of most wholesalers are more per gallon; but it would be very difficult to assess the extent to which this occurs.

3268. Could you say whether the total cost of the margin from the point at which you buy wholesale to the point at which you sell the milk has increased per gallon in the last five years?—It has increased per gallon. There was a Table given in the Williams Report on Milk Distribution. I do not know if you would like to have some of the figures from it?

3269. What I am trying to get at is what the increase in the margin has cost the taxpayer?—This is not an easy question to answer. I think the increase in the producer's price since before the war exceeds the subsidy, and this makes it difficult for me to say whether the increased costs of distribution form part of the subsidy or not.

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3270. To go on to Appendix A, the first line is the cost of purchases in England to producers, £130 millions?—That is the cost to the Ministry, not the cost to the producers.

3271. The amount paid to the producers?—The amount paid to the Board.

3272. Yes; that is the figure that we have already discussed?—Yes.

3273. Plus premiums, and then you get the sterling value of the milk. Is that the value to the milk retailer?—That is the price at which the Ministry sells to the milk distributors.

3274. No, the retailers?—Only where the retailers buy the milk from the Ministry.

3275. It is the level of prices that everybody has to pay who buys milk?—I think in our Estimates we took the ex-farm $\frac{1}{4}$ d. into account at this stage as a matter of convenience.

3276. Therefore the difference between those two figures, what it costs and what you receive, £6 $\frac{3}{4}$ millions, is one part of the subsidy, or is it the whole of the subsidy?—It is part of the subsidy; the whole subsidy is £37 $\frac{1}{2}$ millions.

3277. I see. Then £20 millions is the cost of distribution?—£12 $\frac{1}{2}$ millions is the cost of distribution; the £7 $\frac{1}{2}$ millions is the manufacturing cost.

3278. The cost of actually manufacturing?—It is the subsidy on milk used for manufacture.

3279. So that the total subsidy on milk, £37 $\frac{1}{2}$ millions, is divided as to subsidy to the farmer of £6 millions and subsidy to the consumer of £20 millions roughly, plus Scotland and Northern Ireland?—I think it would be more correct to say that it is a subsidy of £37 $\frac{1}{2}$ millions to the consumer. Would you wish me to split it up between the farmer, the distributor and the manufacturer?

3280. You cannot give us the cost of distribution, can you?—I can give you a figure.

3281. From this Estimate what is it costing the consumer and taxpayer altogether?—That particular figure would have to be worked out separately, because for our Estimates we do not need to calculate the cost of the margin.

3282. No?—But it has been worked out, I can give you the figure if you want it.

3283. But the other part of it—I can see what the retail margin is—is this £37 millions?—I am not quite sure what figure you want. I can give you the total cost of distribution, but it has to be arrived at by means of a separate calculation.

3284. The cost of distribution is (a) the subsidy, and (b) the difference between the price at which the Ministry of Food sells to the retailer and the retail price at which the retailer sells to the consumer?—No; the subsidy includes production items which have nothing whatever to do with distribution.

Chairman.

3285. Can you say how the costs of distribution expressed as a proportion of the retail price compare today with what they were in 1939?—I could give you a figure. There was a Table given in the Report of the Committee on Milk Distribution, Appendix IVa attached to their Report, where they estimated the overall cost of distribution. It is shown to have increased from 11.5d. per gallon in 1938-39 to 13.2d. per gallon in 1946-47; an increase of 15 per cent.

Mr. York.

3286. Why does the Ministry of Food have to pay the National Milk Testing and Advisory Scheme's expenses, as shown in Schedule X?—The Ministry does not pay the expenses of the scheme; in connection with the scheme some testing was done beyond the point at which the milk was received into the distributors' premises. These tests represented only a very small fraction of the total testing under the scheme and by arrangement between the Ministry of Food and the Ministry of Agriculture their cost was borne on the Ministry of Food's Vote.

3287. Is not the testing part of the business part of the distributor's personal business, to test milk?—This was an arrangement made towards the end of the war for dealing with cases in which there were complaints about the quality of milk after it had been accepted by a distributor from the farm.

3288. But why is it the Ministry of Food and not the Ministry of Health? Was not the Ministry of Health in charge of milk, and conditions in depots and wholesale establishments? It struck me as odd that it should be here. It must be either an inspectorate job or a trader's job?—The Ministry of Food has the responsibility, in view of its marketing operations. It was rather the quality of the milk from the marketing point of view, about which complaints were made.

3289. Do you estimate for a greater quantity of milk being produced in the coming year than in the past year?—A greater quantity is expected.

3290. Do you also estimate for a greater payment to be made on account of T.T. premiums?—Yes, we have provided for extra payments.

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[Continued.]

3291. Is that so many gallons increase, or how have you estimated?—I am afraid I just do not recollect how we estimated this particular figure, but it was either based on past experience or on the views of the experts on what was expected for next year. I could let you know later.

3292. Are you averse to allowing that figure to rise, in view of the Treasury letter about Estimates not being allowed to rise?—(Mr. Bailey.) Which figure is this, Mr. York?

Mr. York.] The figure that you have down to pay for T.T. premiums.

Chairman.] It is Schedule III.

Mr. York.

3293. It is also referred to in paragraph 6?—(Mr. Sinclair.) The Ministry of Agriculture are considering the future of T.T. premiums at present.

3294. You see what I mean: you have got the Treasury letter to say that no Estimates are to be exceeded. Now, on the other hand, you have the Ministry of Agriculture saying: "We want everybody to go T.T.", and if the Ministry of Agriculture is listened to the Minister of Food will have trouble with his Estimates. How are you going to get over that trouble?—(Mr. Bailey.) He will not have trouble with his Estimates; trouble might come if you took that as an example of the general problem, because then the subsidy ceiling would be exceeded.

Chairman.

3295. The same difficulty, of course, applies to all other rationed commodities. If the ration is increased the subsidy will increase?—Yes.

Mr. York.

3296. But this is a special case, if I may say so, because it is not so much a question of quantity as of quality. It is national policy, Government policy, I understand, to increase the amount of T.T. milk available. Are we to understand that the Ministry of Food will not put any hindrance in the way of the Ministry of Agriculture exceeding the Ministry of Food's Estimate?—We have heard that the 1949-50 Estimate has taken into account the increase in the supply of T.T. milk. The problem, therefore, would only arise to the extent to which T.T. supplies exceeded the forecast.

3297. You are not worried, in other words?—We have no reason to be worried yet. We have framed the Estimates in relation to the quantity of T.T. milk available. However, if that quantity is exceeded, then

the subsidy on milk will rise, unless there is some offsetting factor—and there may be some offsetting factor; but it would be swallowed up in the whole problem raised by the subsidy ceiling.

3298. Have you any estimate at all of the wastage of school milk?—(Mr. Sinclair.) I am afraid I do not have one. The Welfare Foods Division deal with that aspect, but I doubt if it would be possible for them to provide an estimate.

3299. Is it appreciated that there is a quantity of milk wasted?—It is appreciated that it would be impossible to meet the requirements of the children without wastage, unless you forced the children, for example, to take the full ⅓rd pint. There is bound to be wastage of many kinds in a service of this sort.

3300. Have you considered any way of avoiding wastage?—Various methods have to my knowledge been considered since the scheme started. (Mr. Bailey.) Steps have been taken also by way of circulars from the Ministry of Education to those responsible in the schools for ordering the amounts of milk, and there is under consideration I think at this moment a further circular to the people who are responsible for putting the orders in, to ensure that they bear a closer relation to the amount of consumption expected. But those people cannot estimate exactly. They have to provide milk for the number of children expected to be at school on a certain day, and then some children get sick and fall out and either other children drink the milk or it goes to waste. But, as I say, steps are being taken to curtail waste.

Chairman.

3301. Is there any disadvantage in this regard arising from the fact that this expenditure is the responsibility of the Ministry of Food and not of the Ministry of Education?—No, I think not, because the two Departments collaborate in an effort to prevent all preventable waste. (Mr. Sinclair.) Quite apart from circulars to schools, there are circulars asking food offices to compare the numbers of pupils at individual schools with the quantities of milk supplied.

Mr. Niall Macpherson.

3302. There was one question I omitted to ask and meant to. You speak in paragraph 11 of the difficulty of forecasting the demand for milk for liquid consumption. Has it in fact proved difficult, or is the amount of milk, taking August with August or December with December, and

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[Continued.]

so forth, fairly constant over the past few years, or have there been large variations?—There have been very considerable variations, particularly during last year. The increase towards the end of the year was very much greater than estimated.

3303. Was that due to the extra availability of milk?—Are you speaking about production estimates?

3304. No; I am talking about forecasting the demand?—I am sorry. While milk is rationed the demand depends largely on the amount allowed to the consumer.

3305. Why should there be any difficulty in forecasting demand, then?—Because the demand has to be fitted in with the production programme and the manufacturing programme. If production falls suddenly—and these changes are sudden, because you cannot predict just at what point the weather is going to alter and bring about a seasonal fall—a difficult decision has to be taken with regard to the extent which the allowance should be reduced and the date on which the reduction should come into operation.

3306. It is really a case of forecasting the permitted demand for milk?—Yes.

3307. The question that I particularly wanted to ask was referring to the Report of the Committee on Milk Distribution, Appendix 4B. I see that they brought in the weighted average price received by wholesaler producers in 1938-39, as between the minimum month and the maximum month, at roughly 5d., which is something like 50 per cent. on the minimum price. But if you take the spread as shown in Schedule I as between the minimum price and the maximum price it is 1s. 5½d., which appears to be something like 87½ per cent. as between the minimum and maximum prices; in the one case you have a 50 per cent. spread and in the other 87½ per cent. The question I want to ask is this: Have you any calculation to show how much the increase of, say, a penny or twopence in the price in December will give as regards production of milk?—I do not think it would be possible to calculate a figure. These high winter prices include incentives; they are designed to encourage the farmer so to arrange his calving that the milk is produced in the winter; but that can be arranged over various months of the year. We have found recently that September is becoming a difficult month, because of the altered timing of the calving.

3308. Would it be your intention to increase the price in September more in relation to, say, the price in June than at present, in order to overcome that?—I think if you look at the prices in recent years you will find September prices have been suitably adjusted.

3309. But there is no means of telling what is the optimum spread between June and December?—I think that it would be very difficult to work out. I am not a production expert, but I doubt if the experts could give a figure.

3310. Then the question that follows from that is what is the spread in consumer prices between June and December?—There is no change.

3311. So that the whole of that 1s. 5½d. spread represents subsidy?—Not necessarily; there are losses on milk sold for manufacture during the summer; more milk is produced in the summer and a much larger proportion of the milk supply is manufactured.

3312. I did not mean that if you took that and multiplied by the actual gallonage you would arrive at the total cost of the subsidy. All I meant was that as between those two prices the difference is virtually entirely subsidy on the gallonage receipts in May?—In January, 1949, we estimated to pay 37.5d. per gallon to the Board and to sell milk at 2s. 1½d. That is 25½d. the subsidy being 12d.

Mr. York.

3313. To the public?—Yes.

Mr. Niall Macpherson.

3314. When was that?—That was January, 1949. (Mr. Bailey.) I would like if I might to take up that point Mr. York has just made—a subsidy to the public. I find the greatest difficulty in dividing the Ministry of Food subsidies between consumer subsidies and producer subsidies. One really has to go through a nice metaphysical argument if one is to arrive at any result, and I do not know myself upon which side the balance of argument lies.

Mr. York.

3315. It depends on a world price and if you have not got a world price it is impossible to work out?—It depends on so many factors that you cannot reach certainty as to the nature of a particular subsidy or really any part of it.

Mr. Niall Macpherson.

3316. On the basis of what you have just said, you then cover your receipts in the month of August. Is that right?—(Mr. Sinclair.) Approximately, yes.

3317. So that you are selling at a profit in May, June and July, and in the other months there is a subsidy?—Yes. In so far as milk is sold for liquid consumption; there are the direct payments to distributors to be taken into account as well.

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[Continued.]

Chairman.

3318. I should like to thank Mr. Sinclair for the considerable assistance he has given us this afternoon on a very difficult ques-

tion?—I would like to thank you, Sir, for the helpful way in which the various questions have been put, because it is a complicated subject.

*The Witnesses withdrew.**Adjourned till Thursday, 28th April.*

THURSDAY, 28TH APRIL, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).Mr. Barton.
Mr. Niall Macpherson.Mr. Yates.
Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. L. C. RIXON, Finance Director, Milk Products Division, Ministry of Food, called in and examined.

Chairman.

3319. Before we turn to milk products, I wonder if I could put a general point to Mr. Bailey. Can you say whether there is any prospect of milk being derationed permanently?—(Mr. Bailey.) Certainly no immediate prospect, and I do not think I could answer for my Minister as to the long-term prospect.

3320. I noticed a statement made recently by the Chairman of the Milk Marketing Board, and I wondered whether that was in accord with the Ministry's view?—I personally have seen no evidence to that effect. Of course, if we could reach that happy conclusion, nobody would be more pleased than I.

Mr. York.

3321. The actual margin is very small, is it not, between rationing and derationing?—I would say on the evidence I have seen that I do not think it is as narrow as that. It is the winter, of course, that always causes a problem. The summer supply in a good year is adequate, as the present temporary derationing arrangements show.

Mr. Barton.

3322. Determined by the yield per head?—Yes; but you have such factors as time of calving, weather—especially the winter—the off-take for manufacture, demand and price. I think that is a full list of the factors involved.

3323. May I just follow this up? To what extent does the import policy of the division affect it?—If you are speaking of liquid milk, as I think you are, imports do not form any substantial factor in the picture.

3324. At the moment?—Yes.

3325. But is it likely to?—Not very likely.

Mr. Yates.

3326. What about milk powder?—Milk powder and condensed milk have their relation to the total consumption of milk in liquid form; but that is a subject on which perhaps Mr. Rixon might be able to answer more effectively. As far, however, as imports of liquid milk as such are concerned, it is a very difficult commodity to handle and a very costly one to transport from a distance, say, from Holland or from other countries on the western seaboard of Europe.

Mr. Barton.

3327. I only raise that point because the Chairman of the Milk Marketing Board in his statement seemed to have an underlying fear of import competition with home producers. I do not know whether I have misread his statement or not, but I certainly got that impression?—I do not think that there is any present fear of that or any immediate contemplation of it.

Chairman.

3328. We are much obliged. We will now turn to milk products.* As far as milk products generally are concerned, I gather that they bear a subsidy of £35½ million?—(Mr. Rixon.) In the year under review, that was the estimated subsidy, yes.

3329. That the Ministry is the sole importer, with the small exception to which our attention is drawn in the first paragraph of the memorandum?—That is so.

3330. Is there any particular reason for that exception?—Yes, because the milk

* See Annex 13.

powder for infant feeding which is excepted is milk powder of a quality appropriate for that purpose and is imported by the infant food manufacturers in this country who are associated with manufacturers in the southern Dominions.

3331. These materials are imported under bulk contracts, by and large?—Principally, yes.

3332. It is plain from Schedule B that New Zealand is our most substantial customer, but we are also trading in appreciable amounts with Australia and Canada, and apart from the Dominions we have a substantial trade with Denmark?—Yes.

3333. Have there been any difficulties arising regarding our trade with Denmark, generally speaking?—Speaking generally, there have been no difficulties in that trade, apart from prolonged negotiations as to price.

3334. Have those prolonged negotiations affected the supply position in this country?—No.

3335. They have not compelled us to go to other markets?—No.

3336. Are there any difficulties which you would attribute to the fact that we are bulk purchasing?—I am not aware of any difficulties in this method of purchase from the countries from which the Milk Products Division is purchasing.

3337. In the case of Denmark is the form of bulk purchase desired by that country?—I think, generally, that it is so. There is a Butter and Cheese Export Committee, which always had some measure of control over the export of butter and cheese from Denmark.

3338. Lastly, on the question of bulk purchase, I take it we can assume that in the case of Denmark bulk purchasing is part of the general trade negotiations with Denmark?—It is one part of the over-all trade negotiations, yes.

3339. If we turn to home products, then, the Ministry is the sole purchaser, with certain minor exceptions?—Yes, very minor exceptions.

Mr. Niall Macpherson.

3340. May I pursue the question of whether or not we lost any supplies or whether or not the bulk purchase programme reacted on the supplies available? In that connection, could I also ask this question: whether we lost, in your opinion, any supplies because of a difference of opinion as to price, taking the contracts in force at the time separately or new contracts under negotiation—in other words, could we have obtained more than we did obtain? Of course, this is aside from the question of whether we did want to obtain more than we in fact obtained? There are two separate questions. First, could we have obtained, and, secondly, did we actually

want to?—Yes. There has only been one break in the flow of supplies of butter from Denmark; that was for a period not exceeding three months, I think at the end of 1947, when one contract was terminated and a fresh contract had not been negotiated. That was during a period of low production in Denmark; and it is extremely unlikely that any material supplies would have been forthcoming, even if we had had a continuing contract.

3341. Is it in fact the practice to wait until one contract terminates before negotiating a new one?—It is not generally the practice.

3342. In that case, had negotiations opened in advance of the termination of the old contract?—Yes, quite definitely.

3343. They had?—Yes.

3344. But they continued over a considerable period?—That is so.

3345. And in that particular case, in that intervening period, we were losing supplies. There was a gap?—There was a gap, as I think I stated before, of not more than three months in supplies flowing into this country. To some extent, I think when the new contract was placed we picked up a certain quantity of those supplies which had been retained in Denmark, but we may have lost a small quantity.

3346. Broadly speaking, then, you got as much from Denmark as you wanted to get?—I would go no further than saying that we got as much from Denmark as we could get at a price which was not unreasonable.

Mr. Niall Macpherson.] I see. I think we can leave it at that.

Mr. Yates

3347. I wanted to know whether we were importing all the milk powder that could be imported from, say New Zealand for manufacturing purposes?—Yes; I think, broadly speaking, we are purchasing the total available quantities of milk powder from New Zealand that New Zealand does not wish to reserve for sale to other markets.

3348. But my information is that large cocoa and chocolate manufacturers would be able to take greater imports, with permission. Is that so?—That, Sir, I think is in the future—they would hope to obtain.

3349. No. My information is that if it was left to private manufacturers to obtain supplies, say, of milk powder for manufacturing purposes, they could obtain those supplies. That is why I am most anxious to find out whether that is true, because my information is that they were not permitted to import more. The dollar question does not arise here. Ultimately the question of derationing would mean that manufacturers would have more milk; but that surely would be a serious question,

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would it not?—In New Zealand, the New Zealand Government, and now the New Zealand Marketing Commission, have taken over control of all milk powder for export.

3350. The New Zealand Government?—Yes, and now the New Zealand Marketing Commission. I am not aware that there is any free quantity of milk powder which might be purchased by manufacturers other than the Ministry of Food at a price comparable with that for which the Ministry of Food purchase powder.

3351. The amount imported from New Zealand is very small, is it not, according to this Schedule? Milk powder is only 0.5 in Schedule B?—Yes.

3352. I was anxious to know whether that might have been higher or whether you could have obtained a greater quantity, but you say that you could not?—The answer to your question is that we could not obtain a material increase in the quantity of milk powder that we purchase from New Zealand.

3353. But in the future you think it may be possible to obtain more?—We are at present negotiating with New Zealand with that object in view.

Mr. York

3354. May I go on with the purchases from Denmark? Could you say from whom we buy? With whom does the Government contract?—We contract with an agency of the Danish Government, the Butter Export Committee.

3355. We do not contract direct with the producers' co-operative organisation?—Not an individual organisation, no.

3356. There is a Government organisation which co-ordinates the export activities of the local co-operatives?—That is not quite true. The organisation, the Butter Export Committee, is not a Government organisation; but the contract is effected with them as the agency of the Danish Government.

3357. But it is not an agency of the Danish Government?—It was formed before the war by the exporters.

3358. That is what I thought. The Danish Government has now stepped in in some way—at least, that is what I understood?—Yes, as a party.

3359. A party to the contract?—Yes, in conjunction with the Butter Export Committee.

Mr. York.] I am not quite sure that I am clear on that.

Mr. Niall Macpherson.

3360. May I ask this question, then, with regard to the enforcement of a contract? Would it be possible for the British Government to enforce the contract against the

exporting organisation?—I do not think this contract would be more enforceable than any contract with other foreign governments, that is to say, that I do not think it is more enforceable because it is with the Butter Export Committee as well as the Danish Government than it would be were it only with the Danish Government.

Mr. York.] That was not quite the answer I was anticipating. If it was the Danish Butter Export Committee, surely the contract would be enforceable.

Mr. Niall Macpherson.

3361. If the courts would entertain it, but the question is whether the Danish courts would entertain it?—Yes; and, of course, another question is whether the Danish Government would allow it.

3362. But surely that could not enter into it?—The Danish Government have always been a party.

3363. They have been a party to these contracts?—Yes, to these negotiations and heads of agreement.

Chairman.

3364. Do these contracts take a form in which they would be enforceable?—No, they take the form of heads of agreement.

3365. There would be no binding obligation to supply the amount?—The heads of agreement contain the obligation, in so many words, to supply a fixed proportion of the exportable surplus.

Mr. Barton.

3366. Is there any penalty clause in the agreement?—No, Sir.

Mr. York.

3367. Could you say from what organisation we buy butter and cheese in New Zealand?—Yes. We buy butter and cheese in New Zealand from now the New Zealand Marketing Commission, formerly the New Zealand Government.

3368. It is the same thing with a different name?—A different set-up.

3369. I wonder who controls the Commission—the Government or the creameries in New Zealand?—The control of the Commission is vested in nominees of the Government and of the producers, the Chairman being a New Zealand civil servant.

Mr. Barton.

3370. Is it a corporate body?—No, a statutory body.

Mr. York.

3371. I go back to price now. You said that, if I understood the answer correctly, we got all the stuff we could at a reasonable

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price; that was not quite what you said. I think you said that we got all the supplies at "a not unreasonable price" when we were discussing whether we got all the supplies that we could have done from Denmark?—Yes.

3372. What exactly did you mean by a "not unreasonable price," and was the price ever unreasonable compared with some other countries which made the supplies less than they otherwise would have been?—It was more than unreasonable as compared with supplies from other countries. Denmark is the highest costed supplier of butter; and it was unreasonable in relation to the price we had then been paying to Denmark.

3373. It was not a question of cost of production which you were dealing with; it was only a case of comparing costs with other sources of supply?—It was not a question of cost of production.

3374. I see. But was not it a fact that the Danish prices which were offered to us in 1947—which was when this controversy arose?—Yes.

3375. Was it not a fact that the prices they were offering to us were higher because of certain difficulties which the Danes were having over buying the raw materials to produce the butter?—In the early part of 1947 (and I think also in 1946) the Danes were having difficulties in connection with their purchases of feeding-stuffs. We in fact had to increase the price we paid to Denmark on account of that factor. It did not enter into the negotiations at the end of 1947, during which there was this temporary lapse in the flow of supplies.

3376. When the temporary lapse came to an end the Danes agreed to come down in their demands and we agreed to increase our offers. Is that it?—Yes.

3377. And a compromise was reached?—Yes, a compromise was reached.

3378. When the compromise was reached would we have been able to obtain greater supplies if we had been prepared to offer a higher price?—The answer to that question is that we could have obtained a greater proportion of the exportable surplus had we been prepared to pay a far higher price. (Mr. Bailey.) A "fancy" price, in the words of the Minister at the time.

3379. A fancy price compared with other countries?—(Mr. Rixon.) Yes, fancy prices which were then being paid to Denmark by certain European countries for small quantities of butter.

3380. Would you express an opinion as to whether you think, supposing certain large firms in this country, multiple firms or co-operatives, had been allowed to buy from Denmark, they would have been

able to buy because of their larger throughput, and therefore lower overhead costs per pound and sale at fixed retail prices?—Butter is a very heavily subsidised article.

3381. Was the difference between what the Government paid and the price which the Danes would have given us this extra supply for so great that it could not have been absorbed in the cheaper wholesale and retail organization of the larger distributive organizations?—I hardly think I am in a position to estimate the value of those two items; but in considering the cost of these butter supplies the Ministry had to take into account, not only the cost of purchasing supplies from Denmark, but the reaction on the cost of our supplies from our other sources and, in particular, the southern Dominions.

3382. In other words, they bought it all over the world and then averaged it out?—No. I think you rather misunderstood me. (Mr. Bailey.) Perhaps I could offer an answer to Mr. York. As Mr. Rixon said, the retail price of butter in this country is very heavily subsidised indeed, and therefore the multiples, of which Mr. York spoke, could not buy at the Danish price and sell within the price structure in this country without a very heavy subsidy from the Government.

Chairman.

3383. Would you agree with these two observations, that if there were any substantial buying of Danish butter at fancy prices it would react on world prices, and that if there were any such substantial buying for consumption in this country it would, of course, reflect itself in the food subsidies?—(Mr. Rixon.) Any substantial buying of Danish produce at fancy prices would react directly on the cost of supplies from the southern Dominions and also, of course, on the subsidy.

Mr. Niall Macpherson.

3384. One is tempted to ask in that case why the price is not published?—(Mr. Bailey.) I think the price is well known.

Chairman.

3385. Notwithstanding the endeavours of the Ministry of Food. Now can you say whether Danish butter is supplied direct to B.A.O.R.?—(Mr. Rixon.) It has been in the past.

3386. It is not shipped to this country and then shipped again to Germany?—Not by the Ministry of Food, and not, to my knowledge, by anyone.

Mr. Niall Macpherson.

3387. Except in the case of the Control Commission, of course?—The Control Commission have bought supplies direct from Denmark.

Chairman.

3388. Regarding the commodities for which your Division is responsible, we can assume, can we, that they are stored in private stores for which agents receive management fees?—Butter is stored in cold stores which come under the jurisdiction of our Cold Storage Division.

3389. About which we have previously taken evidence?—Yes. Cheese is stored in commercial cool-air stores for which commercial rates are paid. Condensed milk and milk powder are stored in buffer depots largely and in the factories of producers in this country.

3390. As far as cheese is concerned, was this the arrangement regarding factors, that one-third of the margin should go to the individual factor and the other two-thirds into the pool made by the trade itself?—Yes.

3391. Was it imposed upon them?—It was a voluntary arrangement by the trade.

3392. And it has continued?—It is still continuing.

3393. By agreement with the trade?—Yes.

Mr. Niall Macpherson.

3394. Was it made before the war?—No, after control started.

3395. About 1940?—Yes.

Chairman.

3396. Again regarding butter and cheese, I have noted that since July 1946, individual members have resumed their trading activities. In view of that, is there any very good purpose served in preserving the Butter and Cheese Association?—The trade desire to preserve it themselves for the purpose of the equalization of earnings scheme.

3397. You have got a similar attitude to that taken by the cheese factors?—Yes. It is a convenience to the Ministry, but it is preserved because the trade wish to preserve it.

3398. May we assume that you probably wish to preserve it for as long as rationing continues?—Yes.

3399. Turning to another association, the Milk Powder Pool, I notice that a maximum has been set regarding their remuneration. What is the position in regard to that maximum: Do they always receive the maximum?—They have received that maximum commission except for the first year of the operations of the pool.

3400. Have they made any representations about the fact that they have continuously received the maximum; in other words, that a limit has been put upon it?—They have made approaches to the Ministry from time to time.

3401. Notwithstanding that protest, you are satisfied that that represents an overall

fair remuneration?—Yes, I think that is a true statement. A maximum was placed on the commission or remuneration to the Milk Powder Pool because of the anticipation of supplies of milk powder from the United States under lease-lend.

Mr. Niall Macpherson.

3402. Before you leave that, I have looked up in the Monthly Digest of Statistics, the figures of the average monthly consumption. It seems to have varied from an average of 690 tons in 1934-1938 to a peak of 2,001 tons in 1945, dropping back to 1,150 tons in 1948. I am not a mathematician, but my calculation is that the £45,000 for the rest would in fact roughly correspond to 24,000 tons. Is that right?—Yes, approximately 24,000 tons.

3403. In that case, it has only once been reached, and on other occasions it is far below—the remuneration would be far below?—Yes. The figures you quote relate to what type of milk powder?

3404. I was only taking them from the Monthly Digest of Statistics.—Milk powder includes invalid foods, animal feeding, for manufacture into infant foods, and many other uses.

3405. Do you happen to know the figures to which I am referring? To what particular use would those figures refer that I have taken from the Monthly Digest of Statistics?—I do not know, but if I could hazard a guess I would say infant foods.

Chairman.

3406. I am now going to turn to yet another association, the Condensed Milk Pool. I gather that that is a different form of association and that it is really a trade association formed to effect economies for the benefit of the members of the association?—Yes—formed to effect economies for the benefit of the association, and in which the Ministry is participating.

3407. And it has been successful in effecting economies. But the point I have in mind is this—and I appreciate your difficulties—how successful has the Ministry been in determining an economy at the point at which it has been made?—We have maintained a continuous examination of the accounts of this organisation, and as the expenses of the organisation have appeared to be reducing from time to time we have negotiated reductions, under which the Ministry takes back on the whole the greater share of the economies effected.

3408. If I can now turn to another scheme, the Combined Milk and Milk Products Throughput Scheme, I have read carefully paragraph 10 and I hope I have understood it correctly, but I think it would help the Sub-Committee, notwithstanding that—it would certainly help me—if you could explain the scheme a little more fully?—Yes. The reason for the existence

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of the scheme is the variation in the present throughput of milk products as a whole and of individual manufacturers as compared with the position at the beginning of control. The overall throughput of milk products has dropped considerably. This drop has not been spread evenly as between different manufacturers; some, in fact, have shown an increase in throughput, others a considerable decrease. In order that the operation of one average price shall not react too much to the advantage of one manufacturer as compared with another manufacturer, at the request of the trade, and in collaboration with the trade, we agreed to participate in this scheme. The scheme provides that a depot manufacturing in excess of its datum year—that is, the quantity of milk—shall pay a sum calculated according to that excess into a trust fund. Conversely, a manufacturer having a reduced throughput will, on that reduced throughput, receive a contribution from the fund.

Mr. Barton.

3409. Who are the trustees?—The trustees?

3410. Yes. This is a scheme entered into between the Ministry, the trustees (whoever they may be) and the trade?—Yes. The trustees comprise a partner in a firm of chartered accountants, and two partners in firms of solicitors.

Mr. Yates.

3411. Where are the figures for this?—The figures are shown in the document. The Ministry's estimated contribution for the year under review was £300,000.

3412. The Ministry's contribution?—Yes; that is the Ministry's contribution to the fund.

Chairman.

3413. It appears in Schedule D, does it not?—Yes.

Mr. Yates.

3414. How much has been paid out?—That represents the amount, or an estimate of the amount, which will be paid out.

3415. I thought you said that others also contributed to this?—That is the net amount; that represents the balance of participation in the scheme by receiving manufacturers, less contributions to the scheme by contributing manufacturers.

Mr. Niall Macpherson.

3416. You could say this, that manufacturers are being paid for the milk they do not make and the cheese they do not make—virtually?—The Ministry is not financially affected by the amount that is paid to this fund, in so far as contributions to the fund are added to the cost on which the Ministry's buying price for produce is based. Participation in the scheme is deducted from the costs. So that if the Ministry pays a sum

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to the fund it gains that benefit in the basic price it is paying for produce.

Mr. Barton.

3417. What are the functions of the trustees? Do they function as arbitrators in case of dispute between the Ministry and the trade or between individuals in the trade who require, in certain circumstances, to pay into the fund?—They administer the scheme; they collect monies due and pay out monies due.

3418. But what happens in the case of dispute? Are the rules so clearly defined that there can be no dispute?—The rules are very clearly defined. There is a right of appeal first to the trustees and from the trustees to the Minister. Appeals have been made.

3419. So that the trustees' function is a managing and accountancy function?—Very largely so, yes.

Chairman.

3420. Could not this scheme have been left to the trade to organise themselves and bear the expenses themselves?—The scheme is, of course, largely left to the trade, in that the organization is not carried out by the Ministry; but the expenses of running the scheme are very small.

Mr. Barton.

3421. What is the real purpose of the scheme, if the Ministry have got to meet it anyhow in the price paid for the commodity?—The purpose of the scheme is to correct the incidence of the fixed charges arising from these variations in throughput; it provides for the manufacturer who is manufacturing much less than his datum receiving a contribution to his overhead costs.

3422. Unconditionally—or is governed by the supplies available? That is to say, if supplies were available, his throughput would be higher?—Yes, and he would receive no contribution.

Mr. Yates.

3423. Is it intended to pay compensation to manufacturers of milk products for having to give up their machinery?—It is definitely not intended to be a compensation scheme.

Mr. Niall Macpherson.] It is an equalization rather.

Chairman.

3424. This is an equalization scheme, following a rather different pattern from schemes about which we have already had evidence. I wondered why it had taken this particular pattern, and whether there were any special reasons applying in this instance?—The special reasons are the great variations which have taken place as

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between individual manufacturers by reason of the variations as compared with 1940 in the supplies of milk.

Mr. Niall Macpherson.

3425. To what extent are they due to the long period during which these manufacturers' plant stands idle during the winter as compared with what they did before the war, that is to say, standing idle because they rely almost entirely on summer milk producing for their manufacturing processes—or, rather, the tinning plant stands idle?—The manufacture of milk products, as always, is seasonal; there is always a certain amount of capacity which is not used in the winter months, and there has probably been some more during the war years.

3426. That applies since the war?—Yes. I think the position is perhaps improving.

3427. You mean it has improved and looks as if it is going to improve further. What do you mean by "perhaps improving"?—Is improving slightly—at a slow rate.

Chairman.

3428. As far as this scheme is concerned, the fluctuations referred to are yearly fluctuations?—Yes, not seasonal.

Mr. Barton.

3429. Is there not another point? I do not know whether it is the Ministry or the Milk Marketing Board or some other body which determines the flow of liquid milk to the processing factories?—The Ministry directs the milk; that is one of the factors.

Mr. Yates.

3430. May I pursue this? Take a firm like Cadbury's that have four depots in the country that were used absolutely for manufacturing purposes; they are not used at all now for manufacturing purposes; they are used as depots for the Ministry. I understand that they are not affected by this at all, in which case I do not understand the real purpose of this scheme?—The scheme is only applicable to those milk products which are acquired by the Ministry, because in effect it is an adjustment of the Ministry's buying price for those milk products.

3431. So that manufacturing plant lying idle that was used previously for the manufacture of milk products and which has not been taken over by the Ministry is outside this altogether; therefore their loss must be very much greater?—I think the case to which you are referring is the manufacture of chocolate crumb. That is not a milk product which the Ministry acquires.

3432. What I am trying to find out is this, that in regard to the manufacture of milk chocolate, that has ceased, and the Ministry has refused to permit milk to be used for the manufacture of milk choco-

late; therefore that machinery is idle for manufacturing purposes; but the depot through which the milk goes is taken over more or less by the Ministry, is it not, and this scheme does not offer any kind of adjustment at all of this type, and therefore—I do not know whether a better case can be made out for these other people—the fund is not a fair one?—The fund is set up for the correction of the price which the Ministry is paying for the milk products which it acquires and is in no sense a compensation scheme to manufacturers of other products.

3433. But we are giving it to the manufacturers?—We are only giving them money through this fund, which we are taking back in the price we pay for the product.

Mr. Niall Macpherson.

3434. I do not follow that. Do you mean deducted from the price you pay? Surely not?—In fixing our buying price for milk products we negotiate on the basis of the cost of production. Manufacturers who have suffered a reduction in throughput will receive a contribution from the fund, and the amount of that contribution is deducted from the costs and thus reduces the price the Ministry pays.

3435. Or would otherwise have had to pay?—Yes. That receipt from the fund is part of the deficit on the fund, and therefore falls to be met by the Ministry, so that what the Ministry obtains in the form of a benefit from its buying price it pays into the fund.

3436. It is one way of giving a subsidy, in fact?—No.

3437. It is not really giving a subsidy; it is one way in which a subsidy is incurred. Let us put it in that way?—It is an alternative to paying a differential price to the various manufacturers. We pay one average price, and then adjust the inequalities arising from the variations in throughput by means of the fund.

3438. The other alternative you mentioned, that is, of paying a differential price, would be virtually the cost plus method of working?—Yes.

3439. Is there a definite advantage in the method you have chosen over the cost plus method of working?—Yes.

3440. In what way?—Because an average price will discourage inefficiency.

(Division.)

Chairman.

3441. Perhaps we could resume by turning to the much simpler case of cheese processing. In this case there has been a concentration scheme, but as far as agreed margins are concerned do they make an allowance for the maintenance costs of closed down units?—The margin paid to

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the Associated Cheese Processors Ltd. does include provision for maintenance of closed units.

3442. In other words, 15 factories?—Yes.

3443. What is the likelihood of those 15 being employed again within a reasonable future?—That matter is now being considered within the Ministry. During the war years, and up to the present time, the operating factories have been engaged only on the processing of cheese for the Services and the processing of damaged and salvaged cheese. Any cheese other than damaged or salvaged cheese which is issued for this purpose in the future would be cheese otherwise fit for the ration, so that there are very great difficulties in the resumption of this trade generally by the processing industry.

Mr. Barton.

3444. Do I understand from that, then, that no home-produced liquid milk is being processed for cheese?—No, Sir. The cheese processing referred to here is the processing of cheese already made, into another article.

Mr. Yates.

3445. What is that other article?—Cheese in another form. One is hard cheese and the other is cheese which has been heated and to which an emulsifying agent is added. I think that is the distinction.

Chairman.

3446. We are not to take it, are we, that the Services only receive this form of cheese?—The processing done for the Services was in connection with sound hard cheese in tins, mainly for use abroad where the normal hard cheese in crates and boxes could not be used. (Mr. Bailey.) Some people prefer processed cheese; I do not know why, but they do.

Mr. Yates.

3447. Does it go further as the result of processing, so that the quantity of cheese is increased thereby?—(Mr. Rixon.) To a small extent by the addition of minor ingredients the outturn is greater than the net quantity of cheese originally used.

Mr. Barton.

3448. What is the basis of declaring a plant redundant at the present time? Is it where plants have been engaged in the making of special cheese, or was it because of geographical position in regard to the flow of liquid milk? What determined which plants should be closed down?—When the concentration scheme came into operation the circumstances in which certain firms were retained as operating units were geographical location and capacity.

Mr. Niall Macpherson.

3449. It was done by the Association itself, not by the Government?—By the

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Association in conjunction with the Government.

(Division.)

Mr. Niall Macpherson.

3450. Might I refer again to the method of calculating costs of production, with particular reference to the agreed margins? In calculating these costs of production, are there any conditions laid down as to the acceptable charges, for example, in rates for labour. I was thinking of in particular?—The Ministry reserves the right to reject or to reduce any item of cost, and from time to time has exercised that right.

3451. Would it relate to rates of labour? Perhaps I had better tell you why I am asking this question. Obviously, when you get a seasonal trade of this kind it is very difficult to get labour, which is the limiting factor on throughput, and you have to compensate for this difficulty in actually getting labour in some cases?—Yes.

3452. But is there any limit to the acceptable charge for labour entering into the costs?—There is no established limit, and we have so far not had to eliminate any item of labour cost.

3453. With regard to establishing the agreed margins of profit, you have referred once or twice to agreed margins. What form does that agreement take?—These are unit margins for profit. They were negotiated at the beginning of control in 1940, were based on pre-war experience, and have not been, with, I think, one minor exception, adjusted since; they have not been increased. They are unit cost margins, and consequently the amount of profit received by the industry has been reduced because of the reduction in throughput.

3454. Were they acceptable at the time they were arranged, or were they prescribed rather than agreed?—They were accepted by the industry, they were not prescribed without negotiation.

3455. They might be prescribed with negotiation?—They were not prescribed.

3456. It would not, of course, follow that they are still acceptable. Are you getting any complaints, both as regard the margins and as regards the total profit? From time to time we get applications with regard to profit margins on individual lines or commodities, but we reject all applications relating to the total amount of profit.

3457. On the question of the calculation of remuneration for factors, this, you say, was on the basis of costings in the pre-war period. How is the remuneration calculated? Is it commission on what is bought?—A unit rate on what is purchased through the factors.

3458. Has that amount increased or decreased—in other words, is there more cheese being collected now in the country or less?—Less.

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3459. The factors appear to be operating in a dual capacity; they operate to purchase, and then they operate to distribute within the Butter and Cheese Association Ltd.: is that right?—To some extent some operate in both.

3460. Have many of the buyers dropped out—the buying factors, or have they tended to drop since the beginning of the war?—None of the operating factors has dropped out during the war.

3461. They do not appear to have an Association other than the Butter and Cheese Association Ltd.?—No.

3462. As buyers there is no Association?—Not a working Association. There is an Association for consultation.

3463. They are employed individually as agents for purchasing?—Yes.

3464. Whereas the Butter and Cheese Association Ltd. up to July, 1946, was employed as an Association?—As a corporate body it was employed as an agent.

3465. And subsequently it also is being employed through its members individually. Is that right?—Yes.

3466. Now, you say that they now act as sub-agents of BACAL?—Yes; the agency is still with the Association, the individuals acting as sub-agents.

Mr. Yates.

3467. In the paragraph dealing with condensed milk I notice that the last statement there is that “sub-standard condensed milk is sold direct by the Division to manufacturers”. What is that sub-standard condensed milk?—Returns from the trade—burst or blown.

3468. Does that represent very much?—A few hundred tons per annum; it is a very small quantity.

3469. Coming now to milk powder, I notice in paragraph 6 dealing with milk powder for animal feeding purposes that it is sold at a subsidised price. What is that powder used for in the main?—For the manufacture of calf starter.

3470. For the feeding of calves?—Yes.

3471. Have you any reasonable guarantee that it is used for that purpose? I suppose that farmers could use milk?—They receive milk powder for the manufacture of calf starter on permits issued by another Division of the Ministry, the Animal Feeding Stuffs Division.

Mr. Niall Macpherson.

3472. May I clear that point up? It does not actually go to the farmers direct, does it?—It goes to the compound manufacturers, the calf starter manufacturers.

Mr. Yates.

3473. It goes to the manufacturers, and they sell this calf meal or whatever it is to the farmer?—Yes.

3474. Suppose they do not use that milk for that purpose, is there any guarantee that they use that milk for the feeding of calves and not just as milk?—I should think that provision for control of the use of milk is made by our Milk Division. It would, of course, be illegal to do so.

3475. What is the quantity of milk, or rather what is the proportion of milk, used for the manufacture of cheese. Have you any idea of that?—I am afraid I could not give you that figure, or an estimate of that figure, without referring back to the quantity of cheese manufactured in this country, which is about 20,000 tons.

3476. Yes; but I am thinking of how much you would take, say, from the quantity of liquid milk for use as cheese—whether it was ten days' consumption, or twenty days', or whatever it was, in the year. Have you worked out those figures at all?—No, I have not those figures in relation to the total supply of milk.

3477. But as to the amount of milk that is going to cheese, have you no idea as to whether it is a twentieth part of the milk in the country?—No. I am concerned, of course, with milk for manufacture. I would not like to hazard a guess as to what proportion milk manufactured into cheese bears to the whole milk supplies of this country.

3478. I should like to know something about this, because the Minister of Food in the House of Commons has said the amount of the subsidy on cheese is very high, 2s. a lb. or so—I cannot remember the exact figure—but I wondered how much milk we were using for cheese, or how much we could use, or what is the cost?—The cost of the subsidy on milk used for the manufacture of cheese in this country is borne, of course, by our Milk Division. (Mr. Bailey.) There are two elements in the subsidy on cheese: one is the subsidy on milk going into the manufacture of cheese, that is to say, the milk is sold for manufacturing purposes at a price less than its cost; then there is another element in the final price of cheese, in the retail price. (Mr. Rixon.) A much smaller element.

3479. I have only got the figure per lb., which the Minister, I think, gave in the House of Commons; it was just over 2s. a lb., for Scotland at any rate, for the subsidy on cheese?—(Mr. Bailey.) On home manufactured cheese?

3480. Yes?—That figure includes both elements of the subsidy.

3481. And you cannot say how much milk we are using for cheese? You have those figures, I suppose, in the Ministry?—(Mr. Rixon.) The milk we are using for

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[Continued.]

the manufacture of cheese, but not as a proportion of the total, but I think I can give you the milk we are using for the manufacture of cheese as a figure. (Mr. Bailey.) It is being worked out.

3482. You say that home-produced products are purchased ex creamery. What does that mean?—(Mr. Rixon.) We pay a price which includes costs up to the point of delivery at the factory door, and we acquire ownership in the product from that point.

3483. Is that what it means, "ex creamery"?—Yes.

3484. In cheese processing do you use still more milk apart from the milk that has already gone into the manufacture?—No milk is used in the processing of cheese.

3485. What is the milk that goes into condensed milk—is that skimmed milk?—There are both full cream condensed milk and skimmed condensed milk.

Mr. York.

3486. May I ask you first of all about paragraph 7 in your memorandum? Have we got all the bulk contracts, with the exception of Denmark which we have already discussed, fulfilled?—With the exception of the contracts with Canada for the purchase of cheese.

3487. Was that something to do with currency difficulties or production difficulties?—No; the agreement with Canada was in the form of heads of agreement, and the quantities inserted in the heads of agreement were not supplied by Canada through production difficulties in that country.

3488. Have you any evidence to show that the fixed margins which obtain in all these products are maintaining unnecessarily high costs?—I do not quite follow.

3489. In all this various processing and agency business within this section of the Ministry you have a series of fixed margins for various services rendered?—Yes.

3490. Have you any evidence that makes you believe that these fixed margins are maintaining unnecessarily high costs of the service?—The evidence we have is to the contrary.

3491. The evidence being in the form of complaints?—Yes, in the form of applications for upwards adjustments of such margins and in the light of increasing costs of which we are aware.

3492. If you had no fixed margins, do you consider that the more efficient firms would be able to render their services or do their processing at a lower figure than that allowed for in the margins?—(Mr. Bailey.) I think, if I may intervene, one needs to break the question down a little. There are distributors' margins and there

are manufacturers' margins. Distributors' margins are gross margins; that is to say, they are such a sum as is appropriate to cover both their costs and their profit, those two elements not being separately identified. The manufacturer's margin is on a different footing: it is a sum which takes account both of costs and of the element of profit, each of them separately identifiable and identified. It may be an average margin, in which case anyone with costs below the average makes more than the average element of profit, and to that extent efficiency will have its due reward; so also will the distributors, because their margin is a gross margin, and the more they can carve out of that margin by way of profit the lower their costs will be and the more efficient they are. The case which I think you were contemplating is the case, and could only be the case, of individual margins based upon individual costs with a fixed element of profit—that is the cost plus system, and it is something we do not engage in wherever we can avoid it.

3493. So far as you are aware, the firms which are very efficient are not making an unreasonable amount of profit?—We check the operation of our margins, as I have explained before, by an examination of the overall trading results of representative concerns, by a sample costings investigation; and in so far as undue or excessive profits appear from that investigation we would seek to correct the margin and reduce it.

3494. You say you would, but do you mean you do?—We do wherever we can. It is a process of hard bargaining and negotiation, and ultimately, in some contexts, of imposition.

3495. With individual firms or with the trade generally?—With the trade Associations.

3496. Under this paragraph 10, would you say that the arrangement of the Trust Fund and the equalisation based upon throughput tends to keep redundant depots or firms alive?—(Mr. Rixon.) It is a condition of the participation in the scheme that the depot maintains its plant in readiness for manufacture and is in fact prepared to manufacture. There are only a few very small cases where no manufacture takes place at all.

3497. Supposing this arrangement were not in force, and I suppose we must assume also that the fixed margins were not in force, have you any evidence to offer that any of these organisations or firms would in fact be out of business? In other words, is the scheme keeping in business those who would normally go out of business for one reason or another?—It is not, of course, a compensation scheme, and as it is only an adjustment of the Ministry's buying price the scheme cannot encourage the continued existence of a firm which otherwise would go out of business.

3498. To pass on to paragraph 12, to what extent does the recent removal of the feeding stuffs subsidy affect the Estimates? Have you allowed for that reduction in the feeding stuffs subsidy in your Estimates?—The reduction in the subsidy took place after the end of the year under review, and did not affect this year. This is the year 1948-49.

3499. I thought that it took place in March; it came into effect in March, did it not?—It came into effect as regards milk powder on the 1st April.

3500. It does not affect this Estimate?—No.

3501. But it affects your 1949-50 Estimates?—Yes.

3502. Do all these trusts and limited companies cost the Ministry of Food anything to run?—With the exception of the combined milk and milk products throughput scheme, no costs are borne by the Ministry, apart from the unit margins paid to the organisations.

3503. Turning to Schedule A, I am a little bit uncertain as to the way in which you have allocated the expenses and charges as between the various commodities. This point, I think, is really dealt with in Schedule D. Taking the total throughput or supply, for instance, of cheese and condensed milk, although we have a higher throughput for cheese and for condensed milk, yet the overheads and charges for condensed milk are higher than for cheese?—That is because the Division's share of the Ministry of Food's general overheads—you are referring to that particular item, I assume—is based on the sales value of the commodities.

3504. It is in proportion, is it, to the total sales value?—Subject only to the part which is related to the overhead expenses of buffer depots, which is allocated according to the usage made of buffer depots.

3505. I do not quite understand why condensed milk expenses and charges total £1.5 million with a throughput of 110,000 tons, whereas milk powder expenses and charges total £1.3 million with a throughput of 56,000 tons. I suppose it is really only a matter of accountancy?—It is a reflection of the actual position of expenses.

3506. One further question. It struck me as very odd that there is a duty charge on butter, cheese and condensed milk; that is Schedule C. Why exactly is there a duty charge?—That is a Customs duty.

3507. So that you get a subsidy on the one hand and Customs on the other. Is that not rather a waste of money and of book-keeping?—(Mr. Bailey.) It has often been said that it is taking money out of one pocket and putting it into another, but for the purpose of the fiscal accounts it has been thought proper to carry on the Ministry of Food's account as part of the subsidy all items such as Customs duty and

Excise duty, since they form part of the cost of sales; but it will be within the recollection of the Sub-Committee that in his recent Budget the Chancellor made various corrections for that situation, so that the subsidy account of the Ministry of Food is affected, and there is a reduction in it by reason of the remission of certain Customs duties. It is not, however, a net saving to the Exchequer; the Exchequer loses something on the swings, while we gain something on the roundabouts.

3508. Surely all these items of revenue on the one hand and subsidy on the other means more book-keeping. Is there not a certain amount of saving possible in the labour involved in that various work?—There are two separate operations involved, one a revenue operation and the other a Ministry of Food trading operation. They must be kept separate where the two elements coincide, otherwise there would be confusion in the accounts, but I do not think it leads to material expenditure of accounting effort.

3509. Not in this particular small case, but over the whole range of the Ministry's activities on which duty or Custom is paid is not there any possibility of economies in man-power and man-hours by cutting out all these double entries?—The economy would be in the Customs staff, presumably, if certain Customs duties were eliminated; but those Customs duties, of course, exist for their own reasons. You will notice that in Schedule C the duty is upon imports other than of Empire origin.

Chairman.

3510. A final question to Mr. Rixon on margins. The Condensed Milk Pool, I take it, is an association which does not act as an agent for the Ministry. In the case of the Pool the margins originally fixed have been reduced in the light of economies effected from time to time. Is there anything of particular significance in that factor?—(Mr. Rixon.) No, I do not think there is anything of any particular significance. The Condensed Milk Pool is an organisation which handles the actual deliveries of the commodity; hence there is more scope for economy in transport charges, insurances and such like expenses.

3511. Could it be fairly argued that this form of Association is more likely to lead to economy than other Associations we have been dealing with?—(Mr. Bailey.) If I may say so, I think the question is a little tendentious.

Mr. Niall Macpherson.

3512. May I put just one further question before we conclude, to make quite certain that the Sub-Committee does understand what is meant by the word "margin" in each case? I think Mr. Bailey said that broadly the distributors' margin included the cost of distribution besides the profit?—Yes, they are gross margins.

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[Continued.]

3513. Does that also apply to collecting agents?—(Mr. Rixon.) Yes.

3514. So that the collecting agent is in the position of having less to collect and therefore less to cover both as to profit and as to costs. To what extent have you received representations that costs have increased, or at any rate have not diminished in the same proportion as to what is being collected?—We have received representations from time to time that increasing costs justify a review of the gross margin, but the Ministry has so far not conceded that point.

3515. On any grounds?—On any item. (Mr. Bailey.) The grounds would be such as emerged from a close examination of the case put forward.

3516. I see. The broad ground would be that the remaining profit was still adequate remuneration?—Yes.

3517. Then, finally, the margin on the manufacturing side: did I understand you to say that that was a net margin in that case?—(Mr. Rixon.) Yes, that is a net margin for profit.

Chairman.

3518. Before we adjourn, may I once again thank the Departmental officials for the assistance they have given us? I am very happy to say that, and although it has become customary to thank them, I do not want them to think that it is formal. We very sincerely appreciate the assistance you are giving us in this rather complicated inquiry.—(Mr. Bailey.) Thank you, Sir.

The Witnesses withdrew.

Adjourned till Wednesday next.

WEDNESDAY, 4TH MAY, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.
Viscount Hinchinbrooke.

Mr. Niall Macpherson.
Mr. Yates.
Mr. Yorke.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. A. BLAIN, Finance Director, Sugar Division, Ministry of Food, called in and examined.

Chairman.

3519. This afternoon we will begin our inquiries by looking into the Sugar Estimates. I wonder if Mr. Blain could tell us in the first place what is the amount of the sugar subsidy?—(Mr. Blain.) For which year, Mr. Chairman?

3520. For the current year.—For 1948-49?

3521. Yes. I am sorry; I should have made it clear; I mean as far as the Estimates are concerned.—As far as the Estimates are concerned, it was £21,281,000.

3522. In other words, it is the final figure in the third column in Schedule A?—Yes.

3523. We are, I am sure, much obliged for the memorandum,* which appears to me at any rate to set out the position very clearly. From that it appears that the Sugar Division is responsible for the purchase and importation of all raw sugar?—Yes.

3524. That in the case of Commonwealth countries there is an undertaking that all the exportable surplus until 1952 shall be exported to this country?—Yes.

3525. What machinery is there to enforce that understanding?—(Mr. Bailey.)

I do not think there is any machinery for the enforcement of that undertaking. On the other side there is, of course, the incentive provided in the price offered for the production; in other words, there is an incentive to produce as much as possible, but no machinery to enforce maximum production.

3526. I wondered whether, as this understanding covers the period up to 1952 there was in fact anything more than a broad understanding to export the surplus to this country?—No, I think not. (Mr. Blain.) I think there is no further machinery.

3527. As far as price is concerned, that is the subject of annual review?—Yes.

3528. Is it possible to compare that price with a world price?—The question of a world price is very difficult, Mr. Chairman. If we take the Cuban price as being the world price for sugar, we find that it is the price at which they are prepared to sell the balance of their sugar when they have got a preference from America for the bulk of their export. What people frequently refer to as the world price is the price at which the Cubans are prepared to sell anything they have left.

* See Annex 14.

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[Continued.]

3529. How does the price we pay for sugar from Commonwealth countries compare with the Cuban price?—It is higher.

3530. How does it compare with the other Cuban prices, the prices the Cubans obtain from the United States?—I should say it compares favourably, though I am not quite sure what the United States price is.

3531. As far as our purchases from Cuba go, I gather from the memorandum that they are individual purchases on separate account?—Yes, and generally speaking at a lower price than the Empire price.

3532. But in the case of other foreign supplies, in some cases again we buy the exportable surplus, but in this case only of each crop?—Yes, of each crop.

3533. Why should the Division continue as the sole purchaser of sugar?—The commitment to the Colonies to buy up their sugar until 1952 would seem to make it necessary for the Government to purchase. We are being pressed to extend it for ten years. If it were left to the trade to purchase we should have to stipulate that they took all they could from the Empire, and I think that the machinery would be rather difficult to control.

3534. I gathered, though I may be wrong, from your earlier reply, that in the case of the Commonwealth sugar-producing countries those countries have not set up any exporting agency to control the export of sugar?—They sell to us through London brokers.

3535. Yes; but what I have in mind is this, that if on one side of the bargain the exporting country gives an undertaking to export all the surplus produce to this country, yet it has not found it necessary to set up any governmental agency to ensure that, I should have thought on the face of it would be equally possible for the importing country to give a similar assurance and operating in a similar manner to the exporting country?—(Mr. Bailey.) I think we are agreed that that, theoretically speaking, is a possibility.

3536. The Ministry feel, however, to assure the exporters that the undertaking will be fulfilled that this system should continue?—I think it is not only that, but the necessity to control supplies and thereby feed the channels of distribution.

3537. But if I may just intervene on that point, could you not control all supplies through a system of import licences?—Not so easily; you cannot count upon your supplies with the same certainty as you can when you have all the buying in your own hands. You cannot count upon the rate at which they will come in; you cannot, therefore, so easily plan your distribution; in other words, meet your ration.

3538. But if there is not a shortage of sugar, in other words, if there is no overall difficulty in ensuring the continuance of the ration, might not it be argued that such a system could be disadvantageous in some respects as far as price and such-like were concerned, and that if that be the only advantage it would be more than offset?—Then the balance of payments question comes in. Sugar from Commonwealth sources or from non-dollar sources is not in such supply as to meet the whole requirements of the country; the balance of those requirements has to be met from dollar sources, and that introduces several complications.

3539. That was a factor obtaining in the case of a previous commodity into which we inquired?—Yes.

Mr. Niall Macpherson.

3540. If a country like the United States of America can undertake to take the surplus of production within its own country, would it not be equally possible for the Government in this country to buy the surplus of production in the Colonies after the private interests in this country had purchased all that they could, or would?—The two cases are not quite comparable, the case of the United States which you have mentioned and the case of the Colonies and the Empire. The latter are under separate jurisdiction, of course.

3541. Yes, I agree the cases are not wholly comparable, but surely it is a possible means of dealing with the thing. Does the Ministry of Food really accept that the only way in which it can be certain of taking the whole of this exportable surplus is to take it all itself, and not just the surplus?—No; I do not think I have ever contended that in this Sub-Committee; indeed, I named on an earlier occasion three possibilities, and I think that was one of them.

3542. Yes?—It is, however, a more complicated way of dealing with it, whatever the other advantages.

Mr. Yates.

3543. On the point that Mr. Macpherson has just raised, I cannot quite understand why it would not be possible to allow the private trade to function, and also control the amount that was imported from dollar areas?—I do not think I said it was impossible to allow the trade to function; I said it was more complicated.

3544. But I gather that the Chairman's question was: Why is it necessary for this to be controlled when there is more or less a good supply in the world?—I gave one answer, which I think is the substantive answer, and that is that through the medium of Government purchases you have a greater certainty of supply; you are able to plan your distribution ahead,

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[Continued.]

your stock programme and your ration, better than you could possibly do if there were a multitude of private traders importing under private licence, each one of those transactions being reported as the commodity comes in. You see the point I am trying to make?

3545. Yes. So that the point you are making is when you say that involves import licences that would be complicating the issue: is that it?—Yes. If the Government is responsible for meeting the ration, for honouring it, then there are, I should have thought, fairly obvious conveniences in having the supply, the purchase or the procurement, in its own hands. I do not exclude, however, the theoretical possibility of other means, of private trade, being used to serve the same purpose. All I say about it is that it would be a much more complex operation.

Viscount Hinchinbrooke.

3546. The domestic ration comes out of home production, does it not?—In part.

3547. Could not you satisfy the domestic ration out of home production and out of importation from a country where special Governmental difficulties do not arise by means of a private trading system, and collecting sugar under some Governmental controlling device or company from countries which are on a dollar basis, and supply wholesale manufacturers with that?—I should think that could be done. Many things could be done, but some things or some ways are more administratively convenient than some others. On the system you have just propounded there would be the necessity of marrying the varying intakes at some point or other and planning the programme ahead on that basis, a much more complicated basis than the present. That is what I suggest.

Mr. Corlett.

3548. On that same point Mr. Bailey, it looks as though the West Indian Government or the Australian Government have nothing to do with this matter at all; there is no Governmental agency involved in these sales. I am talking about the Commonwealth?—(Mr. Blain.) The price is arranged with the Commonwealth Government.

3549. That is all?—Yes.

3550. They set up no agency?—No.

3551. I thought you said that various producers were represented by London brokers?—We deal with brokers, yes.

3552. What have these Governments to do with that?—(Mr. Bailey.) We negotiate with those Governments an overall price.

3553. Before you approach the brokers?—Yes.

3554. So that the brokers have not a completely free hand, then?—No; they merely offer the parcels as they come forward.

Chairman.

3555. They are really procuring agents?—Yes.

Mr. Corlett.

3556. I thought it was merely a matter as between you and these brokers?—No, it is not a matter of negotiation on price with each broker for each parcel; it is a matter of buying from the broker on a standard form of contract at the overall price which is fixed with the Colonial or Commonwealth Government.

3557. And yet these brokers represent the various producers, but they do not represent the Government selling agency?—The overseas Government is not the seller; the producer is the seller. He sells to us through his broker and we buy from the broker.

3558. Supposing the prices that they could get in the Commonwealth were sufficiently high to absorb all that they had to sell, there would be no exports at all?—Theoretically that must be true, I think, and that happens in some cases; the local consumption goes up and the exportable surplus goes down, but in respect of some Commonwealth countries at least domestic rations have been kept down in order to maximise the exportable surplus.

3559. Is there any possibility of that happening, cutting down domestic rations in order that they might export to us?—It has happened in the case of many commodities (I am going rather wider than sugar at the moment) but it is a matter which it is difficult to insist upon. If you take the butter ration in New Zealand, it is clamped down in order to maximise exports of butter to this country, that is to say, the exportable surplus.

3560. There might be no surplus at all; it might not be worth anything except the paper the contract is written on?—It is open to any country to consume its own production in the last resort.

3561. Have we any guarantee—we have not, I believe, in the case of the Argentine—that the prices that were paid were passed on to the producers?—That is rather a complicated question in the case of sugar, and perhaps Mr. Blain would answer it. My recollection is this, that in negotiating the price certain parts of it are allocated for special purposes, such as price stabilisation, rehabilitation, welfare and the like, and the balance only is what goes to the producer; we then have negotiations over that balance as well as the other elements which form part of the price.

3562. I have read your statement too literally. The producers are represented in London by brokers; then I thought it was bound to go to the producers if they were represented by brokers, that there

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[Continued.]

could not be any possibility of the producers being denied any increased price if they were represented by brokers?—It is not a question of denial of any part of the price. These prices which are negotiated with the Colonial Governments are prices acceptable to the producer or to their Association, and they themselves negotiate or settle or agree with their Governments how the price shall be disposed of.

3563. If they were producers working from their side through brokers, I cannot see why we could not have ordinary private purchasing here. That is my difficulty?—(Mr. Blain.) As you say, the payment is made to brokers on behalf of the producers. There is then a tax levy by the Government on the producers, I think through the producers' Association, of the amount which is to go to rehabilitation, price stabilisation, welfare and so on, and we are informed of what part of the price is to be taken in that way to encourage production in future.

3564. You say that there is a producers' Association; that is in each of the Commonwealth countries, not in all countries?—No, I am speaking of the Colonies at the moment; it all goes to producers in the case of Australia, for instance, but I am speaking of the Colonies. They have this price stabilisation fund. The full price goes to the producers in countries other than the Colonies.

Mr. Barton.

3565. The contract is made between the Government as the sole buyer and the brokers?—(Mr. Bailey.) Yes.

3566. Is the contract enforceable? Are there any penalty clauses?—(Mr. Blain.) Yes. (Mr. Bailey.) It is an ordinary commercial contract.

Mr. York.

3567. Are they enforceable?—Yes.

Mr. Barton.

3568. With regard to the contract made with the brokers, then, in the event of any breakdown the brokers would be responsible?—(Mr. Blain.) Acting as agents for principals.

3569. The principals would be responsible?—The principals would be responsible.

3570. And the price is fixed by the Colonial Government, who buy at the price fixed by that Colonial Government, not by the brokers or the producer?—(Mr. Bailey.) Fixed in negotiation.

3571. What is the purpose of the brokers, then? Why cannot we buy direct from the Colonial producers?—(Mr. Blain.) That is accepted in the trade and had been trade

practice for many years, and there is no reason for disturbing it. We do not pay any commission to the brokers; they are paid entirely by the producers.

3572. Is this a labour of love on the part of the brokers, then?—They receive their commission from the producers.

3573. It obviously goes on to the cost of the sugar. What useful purpose do the brokers serve? That is the point.—(Mr. Bailey.) As a convenient point from which to buy the sugar.

3574. It is just a matter of convenience?—It is a continuation of the pre-war trade practice.

3575. Is there any insuperable obstacle to buying direct from the producers and cutting the brokers out?—(Mr. Blain.) That would mean handling the sugar documents. I think it is convenient to us to have the brokers handling documents and invoices and they do quite a lot of work in that respect. We do not pay them for it.

Mr. Niall Macpherson.

3576. The brokers are presumably in direct touch, are they not, with the various sugar plantations?—Yes.

3577. They presumably have expert knowledge of that?—Yes.

3578. Are they regionalised; in other words, do certain brokers deal with certain regions?—Certain producers?

3579. Yes; do they act as selling agents for those producers or for the brokers, properly speaking?—No, they are selling agents.

3580. For specific producers?—Yes.

3581. So that it is really a matter for the convenience of selling on the producers' part as much as the convenience of buying on the purchasers' part?—Yes.

3582. Otherwise they might have to come to London themselves and sell their sugar?—Yes. (Mr. Bailey.) Perhaps I might add that the brokers do serve the purpose of searching out every saleable parcel of sugar and offering it to the Ministry of Food. They have a direct incentive to do so, and in that sense they render us a very considerable service.

3583. And even if we cut out the brokers as far as this country is concerned, I suppose they would go on broking for other countries as well. We might cut them out as far as the Colonies are concerned, I suppose, but it would be very difficult indeed to cut them out as far as foreign countries were concerned?—Much more difficult.

3584. Because they can say how they wish to deal?—Yes.

3585. Is it possible to say what is the proportion of the world export of sugar that we take? Have you got that figure

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[Continued.]

in your mind at all?—(Mr. Blain.) I am afraid I could not give you that now.

3586. Can you give the Sub-Committee an idea at all?—I am afraid I do not know the total world export figure.

Mr. Yates.

3587. Is it available?—(Mr. Bailey.) Yes.

Mr. Niall Macpherson.

3588. Do you know what the American imports from Cuba are, roughly?—In tonnage, I am afraid not.

3589. Would they be more than ours on the average?—Most certainly, considerably more.

3590. Would they be more than our total imports?—I think so, yes. (Mr. Bailey.) Our total imports are about 2 million tons. (Mr. Blain.) I think American imports must be considerably more than that.

3591. With regard to the question of incentive to Commonwealth countries, what incentive existed before the war to sell to this country?—(Mr. Bailey.) The preference duty.

3592. What was the amount?—(Mr. Blain.) 3s. 9d. a cwt.

3593. Who got the benefit of that preference?—The producer.

3594. Is the incentive as great now or is it less?—It is the same, 3s. 9d. a cwt.

3595. Is the difference between the price at which we purchase from the Colonies and the price at which we purchase from other places 3s. 9d.?—Yes. The preference is an element in Colonial prices.

Chairman.] Perhaps, to get this clear, do they enjoy that preference at the moment apart from any other consideration?

Mr. Niall Macpherson.

3596. Or, to get the question right: Do we enjoy the preference?—They enjoy the preference.

3597. That is to say that the preference is returned to them in price; the difference in price is 3s. 9d.?—Yes.

3598. That is the landed price?—Yes, but it includes only pre-war freight and insurance.

3599. That is so, is it?—Yes.

Mr. Barton.

3600. Is that 3s. 9d. over and above the agreed price which has already been agreed with the Colonial Government?—It is included in the price which is agreed with the Colonial Government.

Mr. Niall Macpherson.] That is the full benefit of the preference; the Colonial Government get the full benefit of the preference, and also the price differential in their favour. Is that the situation?

Mr. Corlett.] I am not quite sure what you mean by the price differential.

Mr. Niall Macpherson.] We have been told already that there is a price differential between the price at which we are buying from the Commonwealth and the world price.

Mr. Corlett.] I see.

Mr. Niall Macpherson.

3601. The question I am asking is whether the Imperial preference is additional to that differential?—(Mr. Bailey.) We pay a certain price to the Colonial seller and we pay another price to the foreign seller. Then when that sugar comes in it is customed, and we pay the Customs duty. Now, how to relate that to the question you are asking. I think we could discuss for some time.

3602. The point is this, that I am informed that the practice of the trade was to return the preference to the seller before the war; the preference was returned *in toto*, and thus they got the benefit of that preference. Does that operate today?—They get it in a different way; I think they get it in the increased price that we pay for that sugar.

3603. How does this price differential compare with the preference?—The difference between the two prices is more than the preference. The Cuban price is about 22s. 3d. and the Colonial price is 27s. 3d. (Mr. Blain.) But the 22s. 3d. is f.o.b. You have to add freight and insurance to that to compare with the Commonwealth price, which is a c.i.f. price.

3604. The 27s. 3d. is a c.i.f. price?—Yes, on a pre-war freight and insurance basis.

3605. What would the freight amount to on the average? What would be the true comparison between the c.i.f. prices then?—We generally add about 1s., and the probable c.i.f. price in the Commonwealth is about 1s. a cwt. more than the Cuban price, plus excess cost of freight over pre-war.

3606. You say the difference is 1s.?—It varies, because the Cuban price is varying continually, whereas the Commonwealth price is fixed for a year.

Chairman.] Surely in all cases the producer must get the benefit of the preference?

Mr. Corlett.] What is the purpose of the preference?

Mr. Niall Macpherson.

3607. It is to allow the producer from the Colony to charge more than the producer elsewhere and be able to land at the same price. That is the primary purpose?—(Mr. Bailey.) Yes; or, putting it the other way round, it is to enable the buyer in this country to pay more.

3608. Then we have got it down to this, that between the c.i.f. prices at the present time there is only 1s. difference. Now,

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where does the Imperial preference come in?—(Mr. Blain.) On top of that price we pay difference of freight and insurance in the Commonwealth; the 27s. 3d. price includes only pre-war rates of freight and insurance.

Mr. Barton.

3609. Is it possible to give us a comparable figure between that supplied by the Colonies and that supplied by other sources?—May I submit a paper on that?

Chairman.] Yes.

Mr. Niall Macpherson.

3610. What we are mainly concerned with, and what we are working towards, obviously, is whether the incentive in itself would be sufficient to encourage the shipment on the one hand of all West Indian sugar to this country, and on the other hand to encourage the purchase by private buyers in this country of all the exportable surplus without the intervention of the Government?—Yes.

Mr. Niall Macpherson.] That was where I was moving to.

Viscount Hinchinbrooke.

3611. Is there any sugar exporting country in the world where the price at which sugar is sold to other countries is higher than the price at which we buy; that is to say, is the preferential rate on sugar effective in getting the entire crop for this country?—(Mr. Blain.) I know of none, but I should like to put that in my paper, if I may.

Mr. Barton.] We are in difficulty here in that the original purpose of the preference was to make the Dominion and Colonial stuff cheaper to the British consumer; that was the original purpose of the preference. Now that we can get a standard price it is difficult to see where the advantage comes in; it cannot be to the consumer. How is that advantage given to the producer? That is the point, surely, we want to get at.

Mr. York.] Surely, Mr. Chairman, if there is a settled price in this country and there is an agreement to buy the whole of the exportable surplus of the Colonies, there cannot be any incentive in any preference—it would be a physical impossibility.

Chairman.] The question has been addressed to me. I am not giving evidence.

Mr. York.] I am trying to clear up this difficulty.

Chairman.

3612. I think the point which the Subcommittee have in mind must now be clear to Mr. Blain, and if he could let us have a short paper giving the facts it would be helpful?—Certainly.

Mr. Corlett.

3613. I come back to my first question. On that same point, when I asked whether it was done directly between your Division and the brokers, you said, No, it was a Government price, and I am wondering if the Government price includes the preference or takes account of it?—(Mr. Bailey.) I think that is perfectly true—it takes account of it. In the negotiations with the Commonwealth producers, the extent of this preferential rate of duty must play a very great part, and I dare say the Colonial producers use that for all it is worth in getting the best price they can for the forthcoming year's production. They also, I am sure, pay in aid the current price being paid for, maybe, Cuban sugar, and start their demand from that price plus the preference, with all equalising factors in respect of c.i.f. and f.o.b. thrown in.

3614. So that although the brokers represent the producers, the Government themselves take into account in fixing the price the preference before there is any deal at all?—I do not go as far as to say they take it arithmetically into account, but that forms one of the counters in the negotiations, and I rather think it lies on the producer's side. I really think that that is about as much as you will get from the facts set out in the paper put before you.

Mr. Niall Macpherson.

3615. Did we in fact in the two or three years before the war take all the exportable surplus, or were there exportable surpluses unsold, if I may put it in that way, in the Colonies?—(Mr. Blain.) I am afraid I cannot answer that question. I can put that in the paper.

3616. Then I think it was Mr. Bailey who said that he thought there was a greater certainty of supply if the Government purchased. Is there any reason for lack of confidence that supplies would be available just now or would not be available. I mean, if the thing is certain already, why do you have to make certain?—(Mr. Bailey.) What I said was rather this, that if the Government buys it has under its own control its buying and shipment programme, it owns the goods when they are landed down, it can put the raw sugar through the refinery at its own rate, it can take into stock from the refiners and can issue against the ration: all the factors, therefore, in the operation from procurement to distribution are under its own control. That is a simpler form of operation than one where traders intervene to buy, under import licences, a quantity at their discretion.

3617. Would it be true to say that in buying you would have to consult two things: first, the normal seasonal time to buy, the best time to buy, and, secondly,

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the capacity of the factories in this country to deal with what is bought?—Yes.

3618. That being so, is it not clear that the factories would do that quite well without the intervention of the Government in their own interests?—You have named only two of the factors that have to be taken into account. It may be that those factors are under the control of the refiners.

Chairman.

3619. I wonder if it is within your knowledge whether those factors apply to petroleum, as to whether the same decision has been arrived at in that case?—It is not within my knowledge, but I see the pertinence of the question.

Mr. Niall Macpherson.

3620. Reverting to the subject of purchasing through sugar brokers, I think Mr. Blain said that selling agencies exist in Cuba?—(Mr. Blain.) There is a Sugar Producers' Association in Cuba, but we do not contract with them.

3621. And there is also an export organisation or Commission in Australia—is that right—doing the same thing?—We agree prices with the Government. There is an Association of producers, but we deal on individual contracts with the brokers in the ordinary way.

3622. Does the same apply in the West Indies? Is there an organisation there?—Yes, there is an organisation there.

3623. But again contracts are with individual plantations?—With the brokers again; we contract with the brokers.

3624. Who buys there? Is that arranged with the Association?—Yes, with the Government and West India Committee.

Mr. Barton.

3625. Does the whole of the exportable surplus in each of those instances come through the producers' Association, or do they come from individual planters? Does the producers' Association in any case perform a function?—They perform a function—allocation as between the various producers.

Mr. York.

3626. How can there be any allocation, if the whole surplus is bought, as between one producer and another?—(Mr. Bailey.) It can be a production allocation only.

3627. You give a production allocation to various firms?—We do not.

3628. No, but the Association does?—Yes.

3629. That is what you mean by allocation?—Yes.

3630. It is not the allocation of produce but allocation of area planting?—I dare say it takes that form, but I do not think we inquire too closely—at least not on the financial side—into how production is allocated between producers.

Mr. Niall Macpherson.

3631. Are there differences in quality in the sugar imported? Is it bought by quality?—(Mr. Blain.) Yes, it is bought on the basis of a certain polarisation of 96°, with a price adjustment for variation up or down in the quality of sugar.

3632. Is that a regular practice that has existed for a long time?—Yes, before the war.

3633. Who determines what the quality of sugar is, and when is it determined?—It is determined on arrival. The broker is there representing the seller, generally at a refinery, while the sugar is in bond; there is a representative of the Customs there and a representative also of the Sugar Association, and they take samples and agree the quality of the sugar.

3634. What is the Sugar Association?—The Sugar Association is a body that functioned before the war; it does not function to a very great extent, I think, now, and it really only comes in in this way under contract, because it would have power of arbitration on these contracts, which would be governed by the rules of the Sugar Association.

Chairman.

3635. Whom would they be representing?—They are a general body. (Mr. Bailey) The sugar buyers in this country.

Mr. Niall Macpherson.

3636. By arrangement with the Ministry—is that what it comes to?—(Mr. Blain.) It is not a wartime arrangement at all; this was going on long before the war.

Chairman.

3637. Who are the sugar buyers?—The Ministry.

3638. Again I ask the question: Whom does the Association represent?—(Mr. Bailey.) I think it is a body comparable with the Corn Trade Association and the Timber Trade Association, which settle the form of contract and are available for the purpose of arbitration in cases of dispute, and represent other interests as well.

3639. How is the Association financed?—(Mr. Blain.) The Ministry is not represented on it. May I put in a paper on that?

Chairman.] Yes.

Mr. Niall Macpherson.

3640. The Ministry are quite satisfied not to be represented on this? Does it involve analysis, and who does the analysis—the refiner?—It is done alongside refinery.

3641. You are quite satisfied with this arrangement?—It is all arranged by a representative both of the refiners and of the brokers, and it is laid down in the rules of this Association. It is done exactly as it was done pre-war. That is agreeable to both seller and purchaser.

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Mr. York.

3642. I am not absolutely clear yet about the way in which we obtain or purchase foreign sugar. Could you say who exactly buys and who sells the sugar in San Domingo and Haiti?—The Ministry enters into agreement with the Association of Sugar Producers.

3643. But how does the Ministry do that?—Through the Director of Sugar.

3644. The Director of Sugar negotiates personally with the growers in Haiti and San Domingo?—Yes.

3645. Would the same thing apply in the other countries concerned, Cuba and Mexico?—Yes; the only difference being, of course, that they are individual purchases in the case of Cuba. There would probably be an offer from the brokers in the case of Cuba that we could get so much Cuban sugar.

3646. The Director of the Sugar Division negotiates with a plantation in Cuba?—It would be with individuals through brokers.

3647. But who in fact does the negotiations?—The Director of Sugar.

3648. Himself?—He handles it, yes.

3649. Is he an expert in buying sugar?—Yes.

3650. He is a pre-war sugar broker, is he?—Yes.

3651. And he is competent to buy on this fringe of the world market?—Yes. (Mr. Bailey.) None more competent. His name is Sir William Rook.

Mr. York.] And his job, then, is to find out if there is a world market. Is that it?

(Division.)

Mr. York.

3652. The question I was about to ask was: How does your buyer find out what the world price is, as the basis of his negotiations with the foreign seller?—(Mr. Blain.) The brokers keep him informed of the New York market.

3653. There is an active market in New York?—Yes.

Mr. York.] I did not understand that.

Mr. Niall Macpherson.

3654. Before you leave that, may I ask this? I understood you to say that the world price, such as we now had, was a price that was paid after America had bought her requirements. If the market is in New York, how does that fit in? Is there a buying season for America, and after that an exportable surplus to the rest of the world?—I was thinking more of the world price at which we are able to buy surplus sugar from Cuba; America buys her requirements from Cuba at world price plus a preference.

3655. What, for instance, is the quotation on the New York Sugar Market to-day?—I do not know what the quotation on the New York Sugar Market is today. We can buy Cubans to-day at about 4 cents to 4.05 cents. I think that would be the market price.

Mr. York.

3656. My next question is this. I am not quite sure which part of the discussion it falls into, but as I see it the Ministry of Food or the consumer in this country has to pay for these services rendered by the Ministry of Food, (a) the overhead costs of the Sugar Division, and (b) the overhead costs of the importing firms and brokers, or what you like?—No, we pay nothing to the brokers.

3657. You say "we." Who is that?—The Ministry.

3658. But surely their costs are included in the price—that must be so. They do not do it for nothing?—I suppose it may be included in the price.

3659. Therefore it does seem to me that the consumer of sugar or the taxpayer at the present time, while there is a subsidy, is having to pay both the pre-war overhead costs of the services and in addition the overhead costs of the Sugar Division of the Ministry of Food?—(Mr. Bailey.) Surely the answer to that is this, that if the brokers did not have the organisation which they have, we should have to have that organisation and would have to pay the overheads in respect of it.

3660. Yes; but the point I was making was that they already have this organisation, and in addition to that organisation we also have to pay for the Ministry of Food's overhead charges?—I think that is true enough.

3661. So that the net effect on our total costs of purchase and distribution—I think we have to include them both—is that it is rather higher by reason of the fact that the Ministry of Food are operating?—They are indeed; but the Ministry of Food also runs the whole of the rationing system of the country, including the rationing of sugar; and some part, I should think, but no allocable part, of those overheads is due to that activity.

3662. There is still the residual which is chargeable to the fact that they are involved in this business of importing?—Yes, there is a residual amount against which might be set the extra cost that the country might have to pay for its sugar if buyers were competing with each other in the markets overseas.

3663. You are presupposing there is a world shortage of sugar?—Presupposing at least that there is a world shortage of sterling sugar.

3664. But if there was a world surplus of any sugar, that part which was surplus

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to dollar requirements would become automatically a sterling market?—I am afraid I do not follow the argument. Dollar sugar is dollar sugar.

3665. Not if it cannot be sold in dollar markets?—I do not see owners of dollar sugar selling it for sterling.

3666. You mean that they would rather not sell it than sell it for sterling?—I do not think that situation has yet arisen, that there is such a surplus of sugar in the world that great quantities of it are lying unused or unsold.

3667. But I understood earlier on that you said that the Americans buy a certain amount of this dollar sugar and that the remainder was surplus and that we bought that surplus?—A surplus to the American market.

3668. Not surplus to the dollar market?—Not surplus to the world market.

3669. No; that is the point I am trying to understand. If the dollar market does not want this surplus dollar sugar, then surely the sellers of that sugar will want to sell it somewhere?—Yes; but I say that situation has not yet arisen.

Mr. Niall Macpherson.

3670. Is there not some danger of its arising? On the 18th March Dr. Summer-skill indicated that our purchases of Cuban sugar this year would be some 5½ million hundredweights, whereas in 1948 they were nearly 16 million hundredweights, and in 1947 they were over 22 million hundredweights.—It may happen that there is a world surplus of sugar some time in the future, and particularly a surplus of dollar sugar.

Mr. York.

3671. I can take it definitely to-day that there is no surplus of dollar sugar?—No. There is no surplus, and the price shows that.

Mr. Barton.

3672. Is the whole of our imports of sugar cane sugar?—(Mr. Blain.) Yes.

3673. What happens to the residuals? Have we any part in them, or do they just go where the planter sells them?—The molasses?

3674. Yes, things like that.—As far as imported sugar is concerned, that goes through the Molasses Control of the Board of Trade.

3675. What about the residue that is used for making Essex board and things like that?—We do not deal with that.

Chairman.] In the case of home-produced sugar, the entire production of raw sugar from the British Sugar Corporation is purchased by the Division?—Yes.

3676. At a price based on the average cost of imported sugar?—Yes.

3677. But the raw sugar is sold at the "free-alongside refinery" price to the refineries?—Yes.

3678. That is described as a fixed price that has operated throughout the period of control. By that is an absolutely fixed price meant, or is it meant that there is a permanent basis of calculation?—It is a fixed price, according to the different degrees and quality of polarisation which I mentioned before. It is on the basis of a standard quality of 96° polarisation.

3679. And the refiners sell at prices controlled by the Maximum Price Orders?—Yes.

3680. The refiner renders an account for the difference between the prices?—Yes.

3681. Then he separately receives his remuneration?—Yes.

3682. That remuneration being based on costings investigations and so on, based on his pre-war position?—Yes, they have their standard remuneration which is based on pre-war. There is a fixed price at which we sell to the refineries and they have a fixed notional income on which they account to us for the actual selling price of domestic or manufacturing sugar, and over and above that we make them each month a payment to compensate for additional costs since pre-war.

3683. What is the purpose of making that last adjustment a monthly adjustment?—It varies according to the price of items like jute bags—they may vary from month to month; and it would affect the incidence of additional costs.

3684. For the purpose of sugar refining, the British Sugar Corporation is treated like any other refinery?—Yes.

3685. And that is the purpose of the double purchase, if I may so describe it, by the Ministry?—Yes.

3686. The Corporation received the deficiency payment under the Sugar Industry Act of 1942?—Yes.

3687. Which at present amounts to £3 millions?—Yes.

3688. Can you say what it has been in previous years? If not, I will not press the matter. It was only to put it on record for the convenience of any reader of the Minutes of Evidence.—I can give the actual figure for 1947-48, which is £569,007.

3689. What is the reason for the increase from that figure to the present estimated £3 millions?—This Estimate is for 1948-49. We do not know the actual figure for that year yet. The figure I have given you is for 1947-48.

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3690. What is the explanation of the difference between £569,000 and £3 millions?—We do not know yet. The £3 millions is in respect of the year 1948-49. We do not know what the deficiency payment for 1948-49 will be. (Mr. Bailey.) The differences are due to differences in acreage planted, yield, and the sugar content of the beet; then there is the outturn of the raw sugar from the processing of the beet, and all of those are factors. Then there are the effects of weather and other imponderables when the Estimates are being made before the season has even opened.

3691. In short, the differences are accounted for by two factors, that when the amount of sugar beet is expected to be larger there are some imponderables which may or may not cause the Estimate to be a close Estimate?—Yes, and the sugar content of the beet has a very important influence upon the financial outturn.

Mr. York.

3692. May I just pursue that? I do not see how that difference can account for the estimated deficiency of £3 millions, being six times the actual figure for the year before. In the case of 1947-48, which was, as far as I remember, a good crop year, the sugar content from a tonnage point of view amounts to one pound per ton, and in the case of 1948-49 it amounts to six pounds?—(Mr. Blain.) There was a considerable increase in the cost of beet, and any reduction in the average imported cost of sugar would reduce the payment we make to the Corporation for their raw sugar, apart from the question of extraction.

Mr. Corlett.

3693. There must be a fundamental change for it to be six times as great?—(Mr. Bailey.) It is astonishing how this amount varies. If there is a good year, then the deficiency payment falls very sharply; if there is a bad year it goes up equally sharply.

Chairman.

3694. Could we get a comparison in this way? Could you tell the Sub-Committee what the Estimate was for the previous year?—(Mr. Blain.) The Estimate for 1947-48?

3695. Yes.—We had various Estimates. The first Estimate was £750,000, which was not very far from the final figure. We then had another Estimate which went up as high as £2½ millions.

Mr. Corlett.

3696. Have you ever had a deficiency payment of anything like £3 millions made in any one year?—It was £4 millions in 1945-46, but it has been tending to come down ever since, as the price paid for the Corporation's sugar has increased until 1948-49, when it has decreased.

Chairman.

3697. This is a straightforward deficiency payment?—Yes, taking account of the fixed rate of interest on capital allowed by the Treasury, and we approve the amount of depreciation.

Mr. Corlett.

3698. Was it under the 1942 Act, that £4 millions?—Yes, under the 1942 Act. I did not give you the figure for 1946-47 as regards deficiency payment, which was £2,750,000 approximately.

Mr. York.

3699. Could I ask this? In the Trading Account does the re-export of sugar bear any loss, or is it a very profitable transaction?—Very profitable.

3700. Have you got the figure of consumption in 1948 on which this Estimate is based?—(Mr. Bailey.) I think that figure was put in in writing at an earlier stage.—(Mr. Blain.) The home consumption was 917,000 tons for domestic purposes and 700,000 tons for manufacturing.

3701. Turning to page 2 of your memorandum, referring to the refiners' remuneration, is this a cost plus basis of remuneration?—Remuneration is a fixed margin per cwt. (Mr. Bailey.) I think it depends on what you mean by cost plus. It usually means cost plus a percentage on cost. This is not that form of remuneration. It is cost plus a unit margin per cwt.

Mr. Corlett.

3702. The same as flour?—It is rather different from flour, in that flour depends upon the individual costs. This depends upon average costs.

3703. With regard to the unit?—In regard to the unit it is the same.

Chairman.] It is a fact that this average cost distinguishes it from what is usually meant by cost plus?

Mr. Niall Macpherson.

3704. Is not it the difference between the fixed price at which sugar is sold to the refiners and the fixed notional selling price less their manufacturing costs? Is not that what their remuneration would be?—The working of that formula, into which I would not venture to enter, is this, that the refiners come out of it with their pre-war unit margin per cwt. of sugar refined.

Mr. York.

3705. I think I understand it: that the profit is fixed all the time but the costs may vary?—Costs move, and they move on an average basis rather than on their individual bases.

3706. Then, as regards the British Sugar Corporation, I am not quite sure how the Ministry does this complicated process of

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buying the raw sugar and selling it to the Corporation, because the process is continuous?—(Mr. Blain.) In actual fact it is done by means of a surcharge, which is the difference between the fixed figure which we agree on the basis of imported sugar that we are to pay for their raw material, and we have a fixed price at which we are going to sell it back to them, and we give them a surcharge on the difference.

3707. But I do not see how you work out the raw sugar, because they do not in fact weigh the raw sugar, as far as I remember; the beet goes in at one end and the refined sugar comes out at the other end?—The raw sugar comes out; they do the refining separately. There is a separate process of production of white sugar. During the campaign they are producing raw and white sugar, and they then refine raws after the campaign.

3708. When I saw it they were packing it at the other end into lb. cartons?—That was their ordinary refining process.

3709. Anyway they do in fact weigh the raw sugar?—Yes.

3710. And the cost is based upon that?—Yes.

3711. One further question about subsidy. I understand from Schedule A that the subsidy is roughly one-third of the cost price, that is £21 millions, as against £66 millions, cost of sales?—Yes.

3712. If the cost of sales were reduced by one-third, would that eliminate the subsidy?—Yes, it must.

3713. And that could be brought about by rather more than a one-third reduction in the price at which we buy our sugar?—The average price of sugar, including home-grown.

3714. If it were the average price for sugar, it would be one-third?—Yes, provided selling prices were maintained.

3715. On imported only it would be rather more than one-third?—Yes.

3716. Could you explain one further thing to me? On your Schedule C, I do not understand why cash requirements are added to the receipts from sales?—May I point out at this stage that there was a transposition of figures there? It should be £14,896,000. The figures have been transposed there, but it adds up to the same total. Receipts should be £43,914,000.

3717. The total Estimate is £58 millions?—Yes.

3718. But the total net cash requirements amount to only £15 millions?—Because we shall collect £43,896,000 direct. (Mr. Bailey.) The final figure is the figure of total payments, not of cash requirements.

3719. The only cash you are asking for is £14,800,000?—Yes.

3720. The total cash you handle is £58 millions?—The total cash we pay is

£58 millions. It is a question of payments less receipts. We require cash for the difference. (Mr. Blain.) £14 millions. (Mr. Bailey.) The figures might have been put the other way round, net cash requirements, and then under that the estimated total payments, so much in the way of receipts, from sales, proceeds, and so much net cash requirements.

Mr. Yates.

3721. On page 2, under Sales and Home Distribution, sugar is sold for manufacturing purposes and is sold at an economic price, and that price is later stated to be 59s. 2d. per cwt.?—(Mr. Blain.) Yes.

3722. How is that price fixed? Do we make a profit, and if so what is the profit?—At the moment we are making a profit. If you include the change in Customs duties, we are making a profit of 1.63d. per lb. Prior to that we were making a profit of $\frac{1}{2}$ d.

3723. Who decides that, or how is that price fixed?—It is laid down by Order, and it is fixed on the cost of the sugar.

3724. But that does not seem to me to be very much; we are not making very much on it?—(Mr. Bailey.) We are making a considerable amount, since the elimination of the import duties, but for the purpose of this Estimate it was intended that sugar for manufacturing purposes be sold on a no profit no loss basis. You cannot always break absolutely even when you try to sell on that basis. In general when we try to sell on that basis we break, as I have said before, a little better than even. The elimination of the import duty has produced a somewhat different set of circumstances in this current financial year. The determination of the level of prices at which we sell a particular commodity is part of the total subsidy policy. That would be settled in the headquarters of the Ministry.

Chairman.

3725. It is a general rule that when you work on a no-profit basis you find when you look at the results in retrospect you have come out better than you thought?—Usually, as a matter of fact, that is so, as a result of prudent budgeting, though occasionally we have made unexpected small losses, but on an average we come out, as I say, better but not very much better than that. The extent to which we can do better merely goes in relief of the total subsidy burden.

Mr. Yates.

3726. The amount of sugar for manufacturing process is 700,000 tons which is a very big proportion of the total amount of sugar used—I mean it is 700,000 tons as against 917,000 tons?—Yes, 700,000 tons for manufacturing purposes against 917,000 tons for domestic consumption.

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3727. What I am anxious to find out is whether that is bearing a fair share of the Ministry of Food costs and whether that price shows it?—I think you can feel confident that it is doing so in this current financial year and in fact it did so in the year 1948-49. Indeed, some might say that it bore more than its fair share.

3728. I suppose if manufacturers could get the sugar they would be willing to pay more than this price which is just an economic price?—In the present financial year of account it is more than an economic price and it may be that manufacturers would pay no more than we are charging them.

3729. With regard to that figure of 700,000 tons for manufacturing purposes, how does that compare with the amount used for manufacturing purposes pre-war?—It varies from industry to industry. Some of them are getting 55 per cent. and some of them 65 per cent. of their pre-war usage. For instance, the soft drinks industry is only getting 65 per cent., but, as I say, it varies from industry to industry.

3730. Are there any figures available which would give the proportion of sugar for manufacturing as against domestic purposes?—In this current year the total under the two heads has been given.

3731. Yes, but I am speaking of pre-war?—(Mr. Blain.) Compared with pre-war?

3732. Yes?—I think it would be very difficult to give the pre-war figure.

3733. What is this figure of 1,617,000; is that the total of our pre-war consumption altogether?—The total consumption pre-war was 2,150,000 tons.

3734. You do not know what the manufacturing figure is?—No, I am afraid we do not know. It is very difficult to get records of pre-war manufacturing usage.

3735. On commissions on Schedule B, page 2, I notice that the brokers handling the distribution of this sugar receive a commission at the rate of 1½d. per hundred-weight. Do we pay that?—No, we only pay on direct consumption sugar; that is the only brokerage we pay, on the very small quantity which comes in, which is not to be refined, and which is consumed in its original condition.

Viscount Hinchinbrooke.

3736. May I ask some general questions? Is the total world production of sugar, including British home production, higher or lower than before the war, taking 1938?—(Mr. Blain.) It must be lower than before the war because the Java production was very considerable.

3737. You do not know about what percentage it is now compared with, say, 1938?

—No. (Mr. Bailey.) That figure could be supplied to you, of course.

3738. On the consumption side is the British consumption of sugar for all purposes lower or higher than it was before the war?—(Mr. Blain.) It is lower, home consumption.

3739. By what percentage?—The present figure is approximately 1,800,000 as against 2,150,000 pre-war.

3740. That is about 20 per cent. down?—About 10 per cent. down.

Mr. Niall Macpherson.

3741. Is that last year's consumption, because that does not correspond with the figures which Dr. Summerskill gave me in March?—It is varying all the time.

Viscount Hinchinbrooke.

3742. Putting that percentage decrease in world production against the percentage decrease in world consumption, is it the case that Britain is obtaining a lower or a smaller fraction of the world's sugar production than before the war?—I am afraid I cannot answer that with regard to pre-war figures.

3743. Perhaps you could put that in your note?—(Mr. Bailey.) The fact of the matter is that she is obtaining as much as she can afford to buy.

3744. Yes, I was going on to ask about factors which limit our obtaining a due share, if we are not getting our due share, and it seems to me we are not. When the buying seasons begins does the Ministry put in a purchase order for sugar based upon the ration and upon the supplies required for manufacturing?—(Mr. Blain.) Yes; the ration plus the sugar required for manufacturing purposes, plus the importing colonies. There are certain colonies which import from us and we are responsible for supplying them. The sugar is purchased on the basis of supplying those needs.

3745. So that purchase, therefore, is limited by the existing ration and the existing consumption by manufacturers?—(Mr. Bailey.) No, a view is taken of the probable course of the ration in relation to the supplies available; in other words, the Ministry has a target before it in respect both of supplies and of consumption and it seeks to match one with the other. It is not necessarily, however, the consumption of a past period.

3746. Is *carte blanche* given to overseas purchasers to get as much as they possibly can?—No, it would be quite impracticable to do so. They would have to draw heavily on dollar sources if they could buy all that could be consumed in the country.

3747. So that the present important factors are the dollar shortage and increasing sugar supply?—Yes.

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Mr. E. E. BAILEY, C.B.E., and Mr. A. BLAIN.

[Continued.]

3748. Could I ask some questions about paragraphs 5 and 6? It says there that the cost of raw sugar purchased by the Ministry is arrived at by applying in the case of Commonwealth supplies the price fixed by the annual review of prices. Could we stop there and ask what the annual review of prices is?—(Mr. Blain.) New prices are agreed for the Commonwealth each year for that crop.

Chairman.

3749. Upon that point is there an agreed formula on which all these prices are based?—That is the purchase price of Commonwealth sugar.

3750. Yes.—There is no special formula.

Mr. Niall Macpherson.

3751. Is it the same for all supplies?—Yes, for all of them.

3752. Including Mauritius?—Yes.

Viscount Hinchinbrooke.

3753. It says that that annual review of prices is applied to the quantity which it is estimated will be available for export from various sources. That does not look as if even in the soft currency countries like the Empire the determining factor would be the maximum quantity available at any price; it looks as if price rather determines what is bought?—(Mr. Bailey.) Surely the process of reasoning behind that is as follows, that first the Sugar Division estimates what is the maximum quantity it can get from Commonwealth sources, that is to say, what is going to be the exportable surplus from each country of supply, and then it applies to that the price which has been fixed and negotiated in respect of that year.

3754. Is it not true to say that if the price was raised and so act as an incentive to the Commonwealth producers to raise production by fixing a price in relation to what is estimated will be available, you are just accepting the status quo, are you not?—No, this is a process of financial estimation which is described here. There are two elements in it. One is the Director of the Sugar Division's estimate as to the amount available by way of exportable surplus from the countries of supply and the other is the price which he has fixed for that supply in negotiation with the Commonwealth sources. Then by a process of multiplication he arrives at the cost of that quantity of sugar. It may not in the event be the quantity of sugar that is received, although it will, in the event, be the price that is paid per ton for the sugar; it is a pure estimation. But on your major question, which was, I think: "Could not more sugar be drawn out from these sources of supply by paying more for it?" that would be a question, surely, of production as well as incentive.

3755. If you were to release the trade to buy privately in competition, would not

they be able to go to Australia and to other soft currency countries and make contracts with individual producers, offering them specially favourable prices for specially selected qualities of sugar, and thus stimulate production?—The result on the subsidy would be obvious.

3756. Of course, it depends on the selling price at home?—Yes, indeed it does.

3757. The subsidy would remain the same?—If you raised the price.

3758. Anyhow, paragraphs 5 and 6 are not really related to the production price so much as to what is the basis taken for Estimates in the accounts?—Yes.

3759. Does Mr. Blain know how many grades of sugar are now sold on the British market compared to pre-war brands or qualities of sugar?—(Mr. Blain.) Granulated and the various others?

3760. Yes.—We have seven different grades in our prices, but in addition to that there are various speciality sugars which are not included in the Order at all. If you were going through the different brands there would be quite a number.

3761. There are not so many now as there were before the war?—No; we have got back to some of them.

3762. What is the difficulty about marketing an increasing variety of sugar?—The first point really is that they are limited by the ration. We are trying to make available cube sugar and special sugar, we are gradually getting back to it.

3763. Has anybody in the trade asked that certain brands of sugar should come off the ration and be sold freely at free prices in order to get back a little diversity into the market?—They do periodically ask for that, but we are not in a position to allow anything except the brands that they manufactured before the war. In certain zones we do let them, provided that they do not sell at higher premiums over pre-war than granulated now bears to the pre-war figure.

3764. Now that sweet rationing has ended, is the Ministry considering any proposal for marketing certain categories of sugar, like icing sugar or block cube sugar, off the ration?—Not off the ration.

Viscount Hinchinbrooke.] It is being considered?

Mr. Yates.

3765. Not sold off the ration?—No.

Viscount Hinchinbrooke.

3766. No proposals of that sort are being considered, of selling them off the ration?—No, we could not.

3767. What are the limitations and what are the difficulties?—To include it in the ration?

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[Continued.]

3768. No, to sell them off the ration?—No.

Mr. Yates.

3769. Sold off the ration?—No.

Viscount Hinchinbrooke.

3770. Sold off the ration?—No.

Mr. York.

3771. Is that to caterers?—It forms part of the permit.

Viscount Hinchinbrooke.

3772. What I am trying to get at is whether it is off the domestic ration?—No.

3773. Just one final question about exports of sugar from this country, which I see amounted in November, 1948, to 290,000 tons. To whom does that go, and why do we export sugar when we are so short of it?—We export to importing Colonies, and we also commenced at the end of 1947 hard currency exports, special dollar earning exports. They go to various hard currency areas. (Mr. Bailey.) We are in fact exporting our manufacturing skill in this sense, that we are importing raw sugar, converting it into refined sugar and exporting it for hard currency. We are also exporting it to British Colonies which otherwise would buy refined sugar it might be from a hard currency source.

Mr. Corlett.

3774. On that question of payment for exportable surpluses from Commonwealth sources, it seems to me clear you fix a price irrespective of the amount?—Yes.

3775. And it might be great or very small, but it does not affect the price?—(Mr. Bailey.) There is no sliding scale; in fact the greater the amount, within certain limits which are not likely to be reached for some years to come, the better pleased we would be; it would relieve us of the necessity to spend dollars on sugar.

3776. Might that price that you are fixing with the Government Department be higher than the home price or might it be lower, or would it be the same?—(Mr. Blain.) Would the price vary?

3777. If there is a high price locally for sugar and we are offering a lower price for the exportable surplus, there is not likely to be any exportable surplus?—(Mr. Bailey.) Except to the extent that there is a limit to the capacity for consumption in the territory concerned.

3778. Yes. I am coming back to the Argentine question, where I believe we are paying a lower price?—Yes on the exportable surplus contracts it is always possible that a high local price will limit the amount of the exportable surplus, and in

that respect exportable surplus contracts are perhaps open to some criticism; but it would be difficult to convert these sugar contracts into tonnage contracts.

Chairman.

3779. A low world price would have the same effect, of encouraging domestic consumption?—Yes.

3780. If I may just pursue that, in fact that did occur in pre-war years in some of the producing countries?—Yes; it has occurred in Canada in respect of bacon, for instance; but if you did have a tonnage contract I do not know that you would be any better off.

Mr. Corlett.

3781. Except that I can see that when you fix a firm contract you do get a lower price than the commodity is sold for in the producing country. You really say: "We will take your exportable surplus," but surely it is hard to define or to fix the price that you pay for that. How does the producing country agree to any sort of price other than the price that is ruling in the country—It first demands a price; it makes its demand, and that is based on its cost of production or alleged cost of production, and what it considers to be a due profit. That is countered by a price related to other factors, such as the price ruling on dollar markets. There is a process of negotiation and in the end a figure is reached in between the two, having regard to all the factors urged on both sides. It is, in the case of the Colonies, such a price as will encourage production.

3782. It seems to me such an indefinite arrangement?—Whenever you have a buying and a selling operation it is an indefinite arrangement. You have a bargain struck.

3783. Yes; but I can see that they themselves know what they are going to produce to satisfy home demands, and I should have thought that the exportable surplus would be offered at that same price?—Not in the case of these sugar producing Colonies; the local consumption there is a small part of the total crop. The major part of the crop is produced for export.

3784. Have we any figures which would help us to realise whether we are buying below the local price or buying above the local price?—They could certainly be got for you. (Mr. Blain.) We can find out what the local price is.

3785. So that we could know whether we are paying more than they are paying locally, therefore perhaps to some extent depriving the local people of this sugar for themselves, whether the producers are exporting to us sugar that they really ought to be selling to their home consumers?—

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[Continued.]

I believe the position of these Colonial producers is that before the war they were selling at a very great loss, and that was really why there was so much distress, and we are being pressed to do all we can to increase the price and to encourage them in every way.

3786. In regard to the Argentine we have this complaint, that the home consumer is suffering and that the home producer is suffering?—(Mr. Bailey.) I do not think he is suffering from a lack of meat to consume at his table.

3787. No. I mean the price he is paying.—I think he eats 5 lb of meat a week.

3788. But the price was very heavy?—The local price is a subsidised price.

3789. Because if we do anything to affect the producer and to make him disinclined to produce, we are not going to get any exportable surplus at all?—We take very great care to see that the producer gets a price which acts as an incentive to maximum production.

Chairman.

3790. Is there any rationing scheme in any of these producing countries?—(Mr. Blain.) I do not think so.

Mr. Corlett.

3791. I am wondering how you take these steps?—(Mr. Bailey.) The producer's interest is watched most carefully by the Colonial Office and by the Commonwealth Relations Office. I think that is the effective answer to your point.

Mr. Niall Macpherson. And that, I suppose, is also an effective answer to what sanction there is to make certain that all the exportable surplus in fact comes to this country or to nominees of this country.

Mr. Corlett.] I should like to see figures of these prices.

Mr. Niall Macpherson.

3792. The Colonial Governments rather than the Colonial Office?—Yes. I think that is so, although it is not so over the whole field. There are some commodities where restrictions as to export destinations were imposed during the war, which have been lifted since the war, like Malayan oil, for instance.

Mr. Corlett.

3793. I see you mention that there are Government-owned stores erected prior to the war at certain British Sugar Corporation factories; it is Schedule B, the second page, Rent and Rates of Government Stores, £35,000?—Yes.

3794. Those are entirely for Government storage purposes, are they; they are not for British Corporation storage?—(Mr. Blain.) They are for storing sugar for the British Corporation.

3795. Do they pay anything for that storage, because you pay the local rates, I see?—Yes, we pay the rent.

3796. And you provide the building?—Yes, it is for raw sugar. There is a certain amount of refined sugar which is held there, but it is to our order in any case. (Mr. Bailey.) It must be either our sugar or sugar of the British Sugar Corporation held there for our purposes.

3797. Yes; but it is your affair if you have bought it; you have to pay the rent; but suppose you are storing it for them, do they pay nothing?—(Mr. Blain.) No, they would pay that, and it would come through the deficiency payment in that case. This is something we do ourselves.

3798. You provide the storage for them free?—Yes.

Chairman.

3799. If there were a rental, I suppose we might expect it to increase the £100,000 also referred to in Schedule B, where excess costs are shown?—Yes, for carrying higher stocks than pre-war.

Chairman.] Yes.

Mr. Corlett.

3800. When you come to make up your deficiency payment, is it the approved expenditure or any expenditure that they put before you?—(Mr. Bailey.) It is on a very closely scrutinised expenditure, examined by professional accountants on our behalf, and every year the details of the accounts are closely scrutinised by the Public Accounts Committee.

3801. It is not approved expenditure to start with?—Pre-approved?

3802. Yes?—No, we do not sit in judgment on every proposal of the British Sugar Corporation to incur expenditure.

Chairman.

3803. I may be wrong, but my impression is that the eye of the Public Accounts Committee has been a little critical on occasion?—It has criticised or has examined, shall I say, the rate of interest, the reasonable rate of interest, allowed by the Treasury on capital employed.

3804. But not on the question that Mr. Corlett has raised?—No. Apart from this question of the rate of interest, I do not remember of recent years any paragraph in the Report of the Public Accounts Committee on that point.

Mr. Corlett.

3805. I am taking my analogy from the Ministry of Education, because when they make a deficiency payment they only make it on approved expenditure?—This is a trading operation, and it would be difficult to put it on a basis of prior approval.

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[Continued.]

3806. What you do is very carefully to scrutinise expenditure, you then meet the deficiency that you have approved, and it is an approved deficiency?—Yes.

3807. On this question of the price that you charge for sugar for manufacturing, you say it is an economic price of 59s. 2d. per cwt. When you say "economic price," what exactly does "economic price" mean?—A price sufficient to cover costs.

3808. What costs?—The costs of the Ministry of purchase and administration, that is to say, the average cost of sales.

3809. How do you manage to separate that from the domestic consumption?—The average cost of sales?

3810. How can you strike a fair balance between your overhead charges for domestic and manufacturing consumption and find an economic price?—(Mr. Blain.) We take the actual cost of the sugar, the refining costs, and we come to a figure which, as I say, cannot be exactly an economic price, but it is virtually an economic price.

3811. I can see you quite easily finding an economic price if we were only concerned with manufacturing purposes, but you have the added complication of domestic purposes?—Yes.

Mr. Niall Macpherson.

3812. Is not the answer to that that any firm must cost its product, and if you take cost plus and fix a margin, that represents what you call the economic price?—Yes.

Mr. Corlett.

3813. You have no difficulty in finding that figure?—No.

3814. Because you have your own overheads apart from the firm altogether?—It is an average cost, all the costs we have over the whole field.

Mr. Corlett.] I can easily see an individual firm fixing its costs, but what I am concerned about is the cost of the Ministry which is also involved in this; they are double costs, not only manufacturing but domestic, and I do not know how they can be separated.

Mr. Niall Macpherson.] Is there not the element of the Ministry's overheads in this economic price?

Mr. Corlett.

3815. Yes?—Yes, there is really, because we do not actually say that the total cost comes to 59s. 2d., therefore that is the price for manufacturing sugar. We were slightly over it; now we are considerably under it, but it is rather an estimate; it does not mean the exact cost.

3816. I wanted to see what you put into that for your own costs?—Yes; it still shows a profit.

Mr. Niall Macpherson.

3817. Pursuing that, is that just a fortuitous margin that happens to arise just now and may turn into a loss at any time? That is not what you mean by your cost?—No.

3818. There is an allowance for it?—Yes.

3819. That is a fixed sum agreed by the Treasury as an allowance for Civil Service?—That is fixed by headquarters.

Mr. Corlett.] I still have that difficulty in taking the two things together, domestic and manufacturing.

Mr. Niall Macpherson.] I should think you could tell us what the overhead cost is in a percentage of the on-cost for the Sugar Division.

Mr. Corlett.

3820. Seven-sixteenths or something of the kind. The proportions seems to be 7 to 9, so that I took seven-sixteenths?—I think we do on the figures given.

Mr. Niall Macpherson.

3821. You would also have delivery costs which I understand you carry too?—Yes.

3822. As we are now so well advanced in the year it would be possible, I take it, to let us see how in fact your Estimates worked out, and how they corresponded with reality. Would it be possible to do that, and then to let us have alongside these estimated figures the actual totals?—(Mr. Bailey.) That will be provided in two publications very shortly to come out, first the Appropriation Account of the Ministry, and secondly the Trading Account of the Ministry.

3823. I was wondering if as a matter of convenience it would be possible to submit to the Sub-Committee the actual results against the estimates in exactly the same form?—That will be in those two House of Commons publications.

3824. Will they be in exactly the same form?—No, they will show the actual out-turn against each item; it is Subhead H.

Mr. Niall Macpherson.] I think it would be helpful to see how closely they correspond.

Chairman.

3825. Might I endeavour to be helpful in this way? Is there anything relating to these particular estimates that makes it appear that they are exceptional?—No. The estimate was, of course, revised in the sense that a supplementary estimate was put in and the figures of the revised estimate will be set against the actual out-turn in the published Appropriation Account of the Ministry, which will give the final figure, though not detailed figures.

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[Continued.]

The Trading Accounts of the Ministry which are on another basis, however, are also published. I say that those Accounts are on another basis because they are on an income and expenditure basis, whereas these figures are on a cash basis.

Mr. Niall Macpherson.

3826. To see how they turn out in reality as compared with the estimate?—I rather doubt whether those figures could be supplied. I regret to say I was misleading the Sub-Committee a moment ago. The Accounts which will be published relate to the year 1947-48. This is the year 1948-49 and the Accounts for 1948-49 are not yet completed and will not be completed for some months, of course. We are now just past the end of 1948-49, and while the cash figures you would like to see could be worked out it would mean a very considerable expenditure of time and labour.

3827. They would not come out in the normal process of routine for some time to come?—No.

Chairman.

3828. I do not think we ought to press that further unless there were some exceptional feature about these particular estimates?—The exceptional feature was the supplementary estimate of £50 million.

Mr. Niall Macpherson.

3829. There are two special points I want to ask about. The first is with regard to the supplement that is paid in respect of operating costs, the additional sugar tonnage costs and the adjustment of £2 million and £400,000 respectively. Do those items include any profit element? I am referring to the second page of Schedule B?—(Mr. Blain.) No, they are definitely payments made to account for the actual increased cost.

3830. What steps are taken to ensure they do not include any profit?—We have audit certificates of the actual costs showing exactly the cost of this packing in bags and the special payment is related to the actual certified additional cost of packing, without any element of profit.

3831. With regard to the export price, who effects the export sales?—Is it the refiners themselves, and if so do they sell through brokers or how do they sell?—Export is made by the refiners with the exception of a few of the importing colonies to whom I referred before where it is done by the Ministry.

3832. Have they got their own agents abroad or how do they sell?—The refiners sell through a broker acting for an agent abroad.

3833. There is no world market for refined sugar?—No.

3834. Was there before the war?—I should like to put that in also, if I may.

3835. How are the refiners remunerated for their export sales?—They are remunerated on the same basis. We do not allow them to take a greater profit than they get on their home trade. But apart from putting a ceiling on prices at which they can sell we leave it to them. In actual fact they generally have to sell at probably rather less.

3836. You are putting a ceiling against yourselves in that case?—The point was we do not want them to sell at just any price. They are really controlled by the market. I am thinking of hard currency sales in particular.

3837. I see that there are big sales to Switzerland, which seems to be one of the biggest markets?—We do indicate the maximum margin that they may take on sales.

3838. But that is not quite the same as what you said before. You said that you only allowed them to take the same margin as they get on the home sales?—Yes, the equivalent of that, which is the maximum in fact.

3839. They may sell at lower than that if they like?—Yes. At the moment it is more than ever necessary with the seller's market disappearing gradually.

3840. So that they may take less than their fixed margin but not take more?—Yes.

3841. And if they get more then they account to the Ministry?—Perhaps I ought to explain how we work this. It is done on a replacement basis.

3842. May I have an answer to that? If they get more then they account to the Ministry; if they get a higher profit than the normal home profit then that surplus is accounted for to the Ministry?—It has never arisen.

3843. They have never managed to get a higher profit on export sales than they get on the home market?—No.

Mr. Barton.

3844. Is there a surcharge levied on refiners' export sales?—It is done by the replacement on raw sugar. We buy the sugar at whatever price we can from Cuba. That is the cheapest sugar we can get. We then sell to the refiners raw sugar on replacement of their certified refined sales to desirable destinations in hard currency countries.

Mr. Corlett.

3845. What has that got to do with the price which he gets?—Because we surcharge the refiners in respect of these prices. We normally charge 16s. 3d. per hundredweight. We then collect the surcharge from them on the difference of the replacement on the raw sugar.

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[Continued.]

Mr. Barton.

3846. That covers the subsidy on that amount of sugar?—Yes.

Mr. Corlett.

3847. I do not know how that meets Mr. Macpherson's point about what happens if there is a further profit made and who gets it?—It has never arisen.

Mr. Niall Macpherson.

3848. Yes, that does meet the point, thank you. I have heard of things called sugar certificates. Is that system still in force, and what is it? As I understand it it was a system by which we allowed the colonies a rebate on a fixed amount of tonnage imports per annum?—Yes, it is based on one-third of the tonnage they exported in 1939-40.

3849. To this country?—Yes.

3850. Who is "they"?—The colonies. We pay the value of certificates to make up to them what they would otherwise have obtained from the preference by exports to the United Kingdom; where we have had direct shipments made to foreign destinations and they would otherwise lose that preference.

3851. I wonder if Mr. Blain could explain this phrase regarding the price at which the Ministry buys; what is called the entire campaign production. I suppose that is the raw sugar?—Yes.

3852. You say in paragraph 4 of page 2 of the principal document under the heading "British Sugar Corporation" the Ministry "buys the entire campaign production of raw sugar from the Corporation," and then I do not understand this phrase, "adjusted by a calculation to give effect to the difference between Customs duty levied on imported sugar and the Excise duty levied on home grown sugar".—The calculation is made on the average cost of imported sugar plus duty, and a deduction is made of the excise duty so that they have in effect the average cost of the imported raw sugar plus the benefit of the difference between the excise and the full customs duty.

3853. Of the excise duty?—Yes, that was 14s. 7d.

*(Division.)**Mr. Niall Macpherson.*

3854. Could I ask Mr. Blain to explain again what he was saying with regard to the price at which the Ministry buys from the Sugar Corporation?—Yes. We take the average cost of imports and we then add on the customs duty on imported sugar.

3855. With or without imperial preference?—We include the preference. We take the full cost of the duty and then we take off the excise duty which gives them the benefit of the difference between the full customs duty and the excise duty.

Mr. Barton.

3856. On home grown sugar do you anticipate a deficiency for estimating purposes of £6 a ton in each financial year?—In our estimates we start from the previous deficiency payment and endeavour to adjust that. We take the standard production of 500,000 tons and we try to adjust the previous year's deficiency payment with any known differences. We cannot, of course, tell. Our original estimates are made before even the previous campaign is completed. I have figures here where one estimate was made on the deficiency payment of two years previous to the one that we were actually trying to estimate.

3857. Was there not a flat rate subsidy laid down in the 1936 Act?—We had a rate of assistance originally there which was calculated in a different way altogether; it was a rate of assistance agreed in advance of the year in question.

3858. Have you any idea what the annual subsidy worked out at before the war under the 1936 Act?—The actual figure I have not got with me now, but I can, of course, produce it.

3859. The estimated figure this year for subsidy factor will be £4,974,000. Am I correct in that?—For 1949-50?

3860. No, for 1948-49?—We have there estimated £3 millions, I think.

3861. What is your figure in Schedule A in the last column?—That is the bulk molasses price adjustment.

3862. That is £600,000?—That is a special payment.

3863. I am not referring to that. In the last column there you have got a net figure of £4,974,000?—Yes.

3864. That is for home-grown sugar. Is that the subsidy paid to the British Sugar Corporation?—No.

Mr. Barton.] What is the difference between £3 millions and £4,974,000, then.

Mr. Niall Macpherson.] Does the £3 millions go into cost of sales?

Chairman.] Perhaps we had better have Mr. Blain's reply first.

Mr. Barton.

3865. In Schedule A you have got estimated loss on sales of home-grown sugar, £7,300,000?—Yes.

3866. From that you make a deduction of £3,607,000, which leaves a net figure of £3,693,000. To that you add expenses as outlined in Schedule B, which makes the net figure of subsidy £4,974,000. My point is that on home-grown sugar you have only £3 millions paid to the British Sugar Corporation. What is the difference?—(*Mr. Bailey.*) The £3 millions paid to the British Sugar Corporation is not synonymous with the subsidy or trading loss on home-grown sugar.

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[Continued.]

Chairman.

3867. I think that perhaps it would help Mr. Barton if you explained the final figures in the last column.—(Mr. Blain.) The final figures in the last column, the £18,165,000, represent what we estimate we shall pay to the Corporation for home-grown beet sugar. Of that proportion we estimate that we shall sell 500,000 tons at a price of £10,865,000.

3868. Which gives you a figure of £7,300,000; and then we have the deductions below?—It is the total proportion of the subsidy on sugar generally which is allocated to home-grown.

Mr. Barton.

3869. Does that include the £3 millions, the deficiency amount to the British Sugar Corporation?—No, it does not include the £3 millions.

3870. So that on home-grown sugar there is a subsidy, not of £4,974,000, but of £7,974,000?—Yes, on home-grown sugar there would be, because the £3 millions is a separate payment altogether. (Mr. Bailey.) I should explain, perhaps, that the Estimates being on a cash basis are not quite comparable with the subsidy figures, which are on an income and expenditure basis. In the Estimates there is a special Subhead for the deficiency payment to the British Sugar Corporation; it is Subhead E. Then there is Subhead H, which is the Trading Subhead, and sugar is one of the items in that Subhead; so that for the purpose of the cash Estimates the Division's cash requirements are exclusive of the cash requirements in respect of the deficiency payment to the British Sugar Corporation. On the other hand, when we prepare our Trading Accounts we, I think, put into the Sugar Division's Trading Account the deficiency payment to the British Sugar Corporation, as part of the sugar subsidy.

Mr. Barton.

3871. That will bring the home-grown sugar on to a subsidy factor of close on £8 million?—If you can relate cash figures to income and expenditure figures as simply as that.

3872. May I go back to my original question, because I am not quite sure? On the deficiency payment you have included in your Estimate a figure of £3 million, as you say?—Yes.

3873. That is on an estimated supply of 500,000 tons?—(Mr. Blain.) Yes.

3874. Is that a payment that is required by the 1942 Act?—It is an endeavour to estimate what the payment required by that Act will be.

3875. And, as Mr. Bailey says, it is not included in these estimated figures. Can we have figures for the pre-war years under the 1936 Act?—Yes, I will produce those.

3876. With regard to this £600,000 pulp and molasses price adjustment payable, is that accounted for under the £3 million deficiency payment?—Yes, the credit is.

3877. I take it that these form the basis of cattle feeding products?—Yes. It is because there is a controlled price. They do not get a reasonable trading price for their pulp and molasses by-products, but we make that up to them, and it is not taken into account in the deficiency payment estimate, but in the general subsidy estimate.

3878. But on what basis is that figure arrived at, because pulp and molasses are the by-products or the residuals, surely, of the refining process. First of all, the creation of the raw sugar leaves you with the beet pulp?—Yes, it is from the raw sugar.

3879. Then in the refining process you get molasses?—Yes.

3880. That is in the manufacturing process?—Yes.

3881. It is a residual from their processing?—Yes.

3882. Why pay them an additional £600,000?—Because they do not get a fair commercial price for their pulp and molasses. It is controlled owing to the Ministry of Agriculture having laid down that we must keep these feeding prices down. The price has come down, as you possibly know, and the payments will not be anything like that again. (Mr. Bailey.) Molasses is part of the feeding stuffs ration, and it has to be sold by the British Sugar Corporation at a subsidised price which is less than its economic price. To relieve them of the loss involved in that operation, they are paid this molasses pulp adjustment.

3883. So that in effect it is part of your feeding stuffs subsidy?—Yes, and it relieves *pro tanto* the deficiency payment.

Chairman.

3884. We have not touched upon the question of the distribution of sugar?—Before you do that, I should like to correct what I said earlier in respect of the Trading Account of the Ministry. I said, I think, that the British Sugar Corporation deficiency payment appeared in the Sugar Division's Trading Account; in point of fact, looking at the Account, I find it does not. It is brought in in the Consolidated Profit and Loss Account of the Ministry.

3885. I am much obliged for that correction. I was just about to say that we have not dealt with the distribution of sugar, and it does not seem to be dealt with in the paper before us. I hesitate, in fact I am reluctant, to embark upon such an inquiry at this stage today. I wondered whether you could let us have a short paper on it, unless (in which case I do not think it would assist us very materially) it follows the

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[Continued.]

pattern of distribution that we have come to regard as rather the general pattern?—Are you thinking of costs of distribution mainly?

3886. Yes?—It does follow the ordinary pattern of margins.

3887. In other words, there are Wholesale Association margins based on pre-war margins?—Yes.

Mr. Niall Macpherson.

3888. Is not this rather a special feature, though, in regard to the system of the distribution of sugar?—In what respect?

3889. In that I understand there is one large organisation that distributes down to

retailers for the account of wholesalers—is not that so—instead of distributing to the wholesaler, he himself distributes?—(Mr. Blain.) There is that arrangement by which we have direct buyers. They pay more ex refinery than wholesalers.

Chairman.

3890. Perhaps the best course to pursue is for you not to provide us with a note on distribution generally, but a note upon the point which Mr. Macpherson has mentioned?—Yes.

Chairman.] I should like to thank you very much for the assistance you have given us.

The witnesses withdrew.

Adjourned till Tuesday next.

TUESDAY, 10TH MAY, 1949.

Members present:

MR. FREDERICK WILLEY (Chairman).

Mr. Corlett.
Mr. Niall Macpherson.

Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. L. G. COVELL, Finance Director, Tea Division, Ministry of Food, called in and examined.

Chairman.

3891. Before we turn to tea, Mr. Bailey, I have one or two general questions, of which I think you have been forewarned, arising from the evidence we took last time about sugar. The first question is: How far are we succeeding in becoming independent of dollar sugar?—(Mr. Bailey.) During the current year, that is the calendar year, we will import 396,000 tons of dollar raw sugar, but 300,000 tons of that is in respect of an equivalent tonnage of Empire sugar sent to Canada for which dollars are paid. It may, therefore, be said that we are only 96,000 tons of raw sugar, costing about £2.5 millions in dollars, short of independence of dollar sugar, on an estimated total consumption of 2.03 million tons, of which 1.622 million tons is imported. That, of course, is all on the basis of current consumption. On that same basis we should be independent of dollar sugar next year.

3892. Thank you very much?—That, I repeat, is on the basis of current consumption and not on the basis of derationed consumption.

Chairman. Yes.

Mr. Niall Macpherson.

3893. Is that on the basis of a slightly increased production of sugar in non-dollar

areas or in sterling areas?—Yes. There is an expected increase in sugar production there.

Chairman.

3894. Do you remember that last time I asked about the subsidy on sugar? What will be the real subsidy, that is, after making allowance for what in effect is a rebate on Customs and Excise?—During this current financial year we calculate that the Sugar Division's accounts will show a trading surplus of £8.2 millions. I could give the breakdown of that if it is of interest to the Sub-Committee; but that is an estimated figure after taking account of the remission of Customs duties.

3895. If we consider only home-produced sugar separately, what is the position regarding that sugar for subsidy purposes?—I think that question makes it necessary for me to give you the breakdown of the £8.2 millions estimated trading surplus.

3896. Yes?—That figure is made up of two elements: a loss on domestic sugar, that is, the sugar which goes into domestic consumption, of £6.7 millions, and a profit on manufacturing sugar of £16.9 millions, the net surplus being, as I have already said, £8.2 millions. The respective proportions of

the total consumption as between manufacturing sugar and domestic sugar are: domestic sugar, 1,085 million tons, and manufacturing sugar, 0,950 million tons, making a total consumption of 2,035 million tons. It will be seen that the total consumption is split more or less equally between manufacturing sugar and domestic sugar. For that reason the deficiency payment made to the British Sugar Corporation has been, for the purpose of these figures, split equally between manufacturing and domestic sugar, since the respective tonnages are approximately equal and home grown sugar may be used for either purpose. Now, to come to your question as to what is the amount, or the proportion, I think it is, of the total subsidy on sugar enjoyed by home produced beet sugar, that involves a somewhat metaphysical calculation. 540,000 tons out of the total consumption of 2,035 million tons is home grown, and the loss, in other words the subsidy, on home grown sugar, is made up of the following elements: the deficiency payment, which represents the difference between the price paid for home grown sugar and the price of imported sugar, is £2.65 millions. To that you must add a proportion of the loss on domestic sugar, which is £2.17 millions, making a total loss of £4.82 millions. Then you must deduct a proportion of the profit on manufacturing sugar which is £4.56 millions, and you reach a net loss of £0.26 millions. The proportions that I have mentioned are taken according to the relevant figures of production and consumption.

3897. That final figure is disregarding the £3 millions paid to the Corporation?—No, it takes that into account, but at the figure of £2.56 millions, which is the currently estimated figure for the deficiency payment.

3898. Yes, it comes in when you make the adjustment for the overall loss on the domestic sugar?—Yes, it is the first item in that calculation. It might, therefore, be argued, on the figures I have given, that there is a net surplus on imported sugar of £8.45 millions, and a net loss on home grown sugar of £0.26 millions, and that the difference between the two is the figure of £8.2 millions, the net surplus on home produced and imported sugar; but I myself doubt the worth of the calculation which I have just made. It might be simpler to say that the loss on home grown sugar is for practical purposes the amount of the deficiency payment.

Mr. York.

3899. I do not quite follow that. Why should you say that the subsidy on home-grown sugar is the deficiency payment? Why do you think that is a truer estimation?—I do not think it is necessarily truer, but simpler; that was the word I used. As I say, I am not wholly satisfied that the calculations that I have given the Sub-Committee are absolutely true either. They are certainly much more complicated.

Chairman.

3900. A final inquiry about sugar, Mr. Bailey, is what, if it be possible, would you estimate as a realistic figure for the cost of the sugar ration?—It is not possible to give a firm estimate of the cost of the sugar ration; the fact that sugar is rationed is not the only reason for the existence of the Sugar Division, and it would be quite impossible to say what part of the administrative costs of the Division is due to sugar rationing; some of the costs are costs of local and divisional Food Offices, and it would be impossible, as I have said before, I think, to allocate the time of a clerk, for instance, as between one activity and another, or for that matter the time of a senior officer.

Mr. York.] Perhaps I could ask this question, and at the same time give Mr. Bailey these figures. (*Handing a document to the Witness.*) I want to ask a question about the expense ratio of the Sugar Division compared with the Tea Division. I have taken in my calculation the cost of sales of tea and of sugar, and I have also taken the expenses of the Tea Division and of the Sugar Division, and I have expressed the expenses as a percentage of the cost of sales. Can you explain any reason why the expenses ratio on tea is 3.9 per cent. and on sugar is 11.1 per cent.? I cannot guarantee that my figures are accurate, but I think they are fairly accurate.

Mr. Niall Macpherson.] Could I ask for a little elucidation? What is the expenses ratio based on?

Mr. York.] It is based on the figure given in the Appendix, Schedule A, at the bottom, where you see Expenses £2,348,000 and Cost of Sales £59 millions. There seems to be a very vast difference between the two.

Chairman.

3901. Perhaps, Mr. Bailey, it would be fairer and more helpful if, having allowed Mr. York to give notice of that inquiry, we could deal with it when we next meet?—Yes, I should be very happy to do that. The general principle of the Ministry is to allocate what we call our general overhead expenses according to turnover, that is, the turnover of the respective Divisions; at least, that was the general principle in the year of the Estimates with which we have been dealing. We have since changed that principle because it leads to a certain amount of inequity, not, however, an inequity of the magnitude that Mr. York's figures seem to bring out; but I think that those figures must be capable of some gloss, and I should like to take time to apply it.

Chairman.] I think we are much obliged to Mr. York for calling attention to those percentages, and we will afford you an opportunity of giving an explanation next time.

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Mr. Niall Macpherson.

3902. Could I raise one point about the difference in the overheads, the proportion of Ministry of Food overheads? Is that directly related to turnover; in other words, is it calculated in direct relationship to turnover?—For the year of the Estimates with which we are concerned it was calculated in relation to turnover; it is now calculated on a different basis, since turnover, it is presently thought at the Ministry, is not the fairest way of allocating general overheads.

3903. Some products needing much more work in relation to the actual value?—The actual number of staff employed and overhead costs of that character. That is now the present basis of allocation, staff employed; but that in turn has been found to be productive of inequities, which are in course of being corrected as time goes on. But it is very difficult indeed to find a really equitable basis of allocating these overheads. We think we are on a better basis now than we were in earlier years, but only time will show. Time will show in this sense, that, given time, Divisions will raise points on the allocations, some of them will even protest, and so we will correct the anomalies.

3904. May I take up one observation that Mr. Bailey made and ask what are the other reasons for the existence of the Sugar Division, just summarising it? You said that rationing is not the only reason?—Procurement is one, of course. There are the administration of distribution, planning of distribution policy and so on. That might be considered to be, perhaps, an aspect of rationing, but in a narrower sense it is not; it is dealing with the British Sugar Corporation and its accounts; advising the Minister on his general sugar policy; dealing with Parliamentary Questions, and all the other incidents of trading in the Governmental form. That in itself, of course, involves a certain cost, for instance a certain expenditure on staff.

3905. If I remember rightly, there were a lot of Parliamentary Questions before the war regarding sugar. Would it be possible to state what the cost of the Division before the war was? I take it it was in the Ministry of Agriculture then?—That was concerned, I think, only with the British Sugar Corporation and the beet sugar subsidy, not with imported sugar; but with regard to the total supplies of sugar in the country, I have no figures of what it cost the Ministry of Agriculture to administer the relevant Act before the war, nor, I think, could I break down the cost of the Sugar Division to show what that particular operation costs today.

Chairman.

3906. Now perhaps we can give Mr. Covell an opportunity to start batting. Mr.

Covell, we understand that you are the Finance Director of the Tea Division?—(Mr. Covell.) Yes, that is correct, Sir.

3907. Why do we have tea rationing?—The supplies which we are able to buy annually are insufficient to meet consumption in this country.

3908. How does the present consumption compare with pre-war consumption?—The pre-war consumption in this country was approximately 440 million lb. a year; at the present time, that is, in the financial year 1948-49, we are allocating for a consumption of approximately 415 million lb.

3909. What are the prospects of increased future supplies?—In the comparatively near future they are quite good, because Indonesia is again beginning to play its part in the world production of tea. Perhaps, in order to illustrate the importance of Indonesia, I might say that prior to the war, in 1939, she exported something like 160 million lbs. of tea out of the total world exports of approximately 900 million lbs.; Japan also was a factor in tea production, with about 50 million lbs. exported, and Japan is also beginning to play its part again.

3910. Thank you very much. What is the full subsidy borne by tea at present?—On the basis of these Estimates?

3911. Yes?—We show an estimated net loss of £9,189,000.

3912. Again, following upon the Budget proposals, if you have a remission of duties, what effect will that have?—That makes no effect at all on the financial year of which these Estimates form part.

3913. I mean taking a forward view?—(Mr. Bailey.) I think those figures could be given on a rough and ready basis. Our practice in the Ministry of Food is to bring out monthly a document which shows, for the financial year then current, the likely outturn of subsidies, and I have before me one of very recent date, the calculation being taken as at the 31st March—they are always a little in arrear—and tea before the remission of the duties (Mr. Covell will correct me if I am wrong on this) was estimated to produce a deficit, or to incur a subsidy, of £21.97 million. But that figure, as I said, did not take into account the remission of duties, and the remission of the duty is expected to reduce that figure by £8 millions, leaving an estimated subsidy for the current financial year of £14 millions approximately.

3914. You mentioned the new sources of supply from which we can anticipate again benefiting. What effect will that have upon price? Do you anticipate any change?—(Mr. Covell.) That should tend

* See Annex 15.

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to make the current costs of buying tea lower. We consider that we have reached the peak in prices.

3915. In fact today we are mainly purchasing from the two Indian Dominions and Ceylon?—Yes.

3916. And the system of purchase is one of annual contracts with the individual producing estates?—Yes.

3917. Is that following the pre-war pattern?—No; the pre-war pattern of marketing and distributing tea was by means of markets which were established in London principally, and in Calcutta, Colombo, Batavia and Amsterdam. There the teas came forward on producers' account and they were put up for auction. There were to some extent small private sales, private treaty sales, which only the larger firms usually would have undertaken.

3918. What has happened to those tea markets?—Colombo reopened at the beginning of 1947, Calcutta shortly followed suit, Batavia reopened last year, and Amsterdam has opened within the last few months. London is still closed.

3919. How far have those developments affected our system of purchase?—They are of fundamental effect, because between the years 1943 and 1946 the Ministry of Food was buying exportable surpluses from India, Ceylon and East Africa, and distributing under C.F.B. (Combined Food Board), or I.E.F.C. (International Emergency Food Committee), arrangements to other tea consuming countries; so that the decision of India and Ceylon to withdraw from the I.E.F.C. arrangements meant that the majority of the other consuming countries had to go into the open market to buy teas that they required. We in fact reverted to the 1939-42 pattern and continued to buy direct from the producers' estates. (Mr. Bailey.) For our own account only. (Mr. Covell.) Yes, for our own account mainly.

3920. How do our prices compare with market prices?—During 1947 our prices were appreciably below the markets of both Colombo and Calcutta. During 1948 we were just a shade above, on our average buying, the Colombo price, but we were appreciably below that of Calcutta.

3921. Are we, in view of those facts, suffering any disadvantage now in purchasing outside the market?—That is a rather hypothetical question, because it would not be possible for us to purchase on those markets the great volume and weight of tea that we require. Was your question framed really in this way: Are we actually higher?

3922. No, I really had in mind supply, whether we were having any difficulties regarding supply, because the producers will have had an opportunity of learning that

whatever benefit they may have had from our arrangements with them, the price has been less than the price they might have obtained in the market?—Well, in fact producers immediately realised in 1947 in, for instance, Ceylon, when the Ceylon market opened and tea was fetching something like three rupees a lb. as compared with our price of under two, that it was more profitable for them to sell on the auction market than it was to tender their tea to the Ministry of Food; but if every producer attempts to secure that advantage, the fact is that he wrecks his own arrangements, because without the United Kingdom consumption of tea there is no world market.

Mr. Corlett.

3923. Might he be sending better qualities to the Calcutta market?—It is quite possible he would, although the Ministry of Food contracts require that every producer who participates shall give a run of the crop, that is to say, a certain proportion of his monthly manufacture, so that it is still possible for him to sell two-thirds, or any other proportion, in fact, of his output to the Ministry of Food, and to sell the balance in the local market; but what we would not permit is for him to pick out the best and the most attractive qualities and send them to the other markets and give us the residue.

3924. How would you prevent that?—The contract lays down that there must be this run of the crop, or crop percentage. Perhaps I could explain the arrangement. A producer says: "I am prepared to offer 100,000 lbs. of tea," and the terms on which that offer is accepted are that he shall give to us what we call basic grades as a due proportion of each month's manufacture. The grade percentages are specified, and from that we get each month's deliveries. If that is not forthcoming, then, of course, there is an inquiry.

3925. I am still puzzled as to how you do it?—Take an estate producing 100,000 lbs. of tea. They may say: "We will give the Ministry of Food 50,000 lbs. out of the 100,000 lbs." That is an estate which in the pre-war period, which is what we call our basic period, would have manufactured certain grades—I do not know whether you would like to know the names—but there are Broken Orange Pekoe, Broken Pekoe, Pekoe, Fannings, and so on, and Dust. That was specified as their basic years' manufacture records of which we maintain, so that there might be 10 per cent. of one grade, 15 per cent. of another, and so on; and in tendering 50,000 lbs. to the Ministry of Food he says: "I undertake to give X per cent. of such and such a grade, Y per cent. of this and Z per cent., of that," and the invoices as they come forward are recorded, and due account is taken at the

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[Continued.]

end of the contract year to see how the performance has been carried out. Does that meet the difficulty?

3926. No. What is disturbing me is this, that private buyers can go into the Calcutta open market, the producer knows what is going on, and he can secure the best grades because he is prepared to pay for them?—Yes, exactly; that is so.

3927. Which means that we shall be left with the residual?—No.

Chairman.

3928. Am I right in this, that the point you have made, Mr. Covell, is that under the terms of our contract the proportion of the various grades is fixed?—Yes.

Mr. Corlett.] But I am wondering how it is enforced.

Mr. Niall Macpherson.

3929. Who checks it on arrival?—There are the invoices which are tendered to the Tea Controllers in India, Ceylon and so on, and they keep records, invoice by invoice and grade by grade, and due account is given of the performance under each contract.

3930. It is controlled in India; they control the contracts there, not on this side?—No, generally it is in India, although when questions arise they are referred over here for attention.

Chairman.

3931. Has the provision for allowance for the increased cost of production always been part of the method by which we have purchased?—Yes, since 1940.

Mr. York.

3932. Are we on a falling market to-day?—Yes, there is a falling tea market in the main centres. That needs qualification, because there was a falling market from January to April in Colombo, and on the announcement of the Ministry of Food contract the market jumped by 2d. and 3d. a lb. on the next sale.

3933. Then the point that I was not clear about when you were discussing the Ministry's contract was this, that on a falling market are we not likely to have to pay considerably more for our tea on our firm contracts than we would have if we were able to buy in the open market?—I think it is fair to say that; of course, the open market buyer is still liable to make a loss on a falling market.

3934. I was wondering where the advantage was to the taxpayer on the contracts with these estates when the market is falling from its peak?—(Mr. Bailey.) For one thing, as I think Mr. Covell has said, we could not buy the weight and volume of river tea that we require through the open market.

Mr. York.] That is the point I am getting at. I cannot quite understand that.

Mr. Niall Macpherson.

3935. Meaning the Ministry of Food by "we," not the country; for instance, if individual buyers went in they could buy?—No, the Calcutta market or the Colombo market are not so highly organised that they could handle the volume and weight of tea that would have to come forward to meet our demands. If the London market were open things might be different.

Mr. York.

3936. I see?—But the warehousing facilities and transport facilities for Colombo and Calcutta in particular are not adequate for dealing with this weight of tea, 300 million lbs. from India and 150 million lbs. in Ceylon, that we buy.

3937. The objection, then, is physical and not commercial?—Yes, I think it is physical. (Mr. Covell.) It might be commercial, because there might be a very big disadvantage to one buyer as compared with another. As soon as one buyer with such purchasing power raised his finger, then that would start over-bidding, and he might be taken for a fine dance; it would be very difficult for one individual buyer to go into the market.

3938. That presupposes one buyer, but obviously the Ministry would have a number of buyers?—Yes. This would have to be very carefully arranged, otherwise they are bidding against each other.

Mr. Corlett.

3939. Why should you have a number of buyers? Would there be any advantage, or would it be better to have one buyer?—Both are bad, I think, in given circumstances. For instance, in the Calcutta market they handle something like 100 million to 120 million lbs. a year. If it were possible for a further 300 million lbs. to be put out into the market, there are a fair number of people who would have orders for 120 millions that they already have, and I do not think that one man coming in there with an order for 300 million lbs. would stand a chance. He would be well known after the first sale; you can depend upon that.

Mr. York.

3940. You would have to change your man?—Yes.

3941. But were there not, before the war, several large concerns—I am thinking particularly of the Co-operative Wholesale Society and Liptons—who we know were buying in large quantities?—On the London market, of course, there were something like 390 primary wholesalers who were accustomed to buying on the London

market. It is true that that included Lyons, Brooke Bonds, the Co-operative and so on; but in many of these arrangements in a well-organised market such as London was, there was a gentleman's agreement between the bigger buyers; they were accustomed to dividing parcels up; they knew the value to which they were prepared to go, and you had three or four people dealing with the same parcel, which they divided up.

3942. There was a ring?—No, not a ring.

Mr. Niall Macpherson.

3943. I do not know whether Mr. Covell mentioned what the present world consumption is, but what proportion are we consuming of the present world production, which is 415 million lbs? What does that represent?—Taking that figure of 415 million lbs., it is rather difficult to know exactly what total world consumption is, because there has been a stocking up between these two or three years. The other consuming countries were on an allocation, and when that came to an end it was very difficult to know how much they were buying for current requirements and how much for stocking up; but we would regard the current export demand as being of the order of about 800 million lb., so that we are getting just over 50 per cent. in this current year.

3944. If there has been a good deal of stocking up, then I presume that we may be getting quite near the point where we shall be able to get our full quantity; in fact we seem to be only 7 to 8 per cent. short now?—Yes, that is a fair statement; we are getting near to the position when we shall be able to buy our full quantity, or our full requirements.

3945. Is there any indication as to what were the profits made by the London tea market before the war?—The profits made by the market?

3946. Yes?—The London tea market was actually organised by the Tea Brokers' Association of London. They provided facilities for producers to bring their teas home and to have them sold.

3947. There was foreign exchange earned in that way by the different tea markets?—Yes; but it is very difficult to say what it amounted to.

Chairman.

3948. What invisibles did they earn?—There were a number. I would not like you to ask me to suggest figures, because we have no means of arriving at them, but there were a number of very real advantages; for instance, foreign exchange, the freight that was earned by bringing the tea to this market, and the very substantial exports which were effected by the London tea trade. Then there were the

warehousing charges that were received on the teas which came here and which went out again. Then there was insurance. There was also, of course, a lot of tea which was exported packeted and blended and so on. Money was earned for those services, which added to the profits.

Mr. Niall Macpherson.

3949. Do I understand, then, from your observations, that the Ministry of Food would be only too glad to be rid of the handling of tea?—I think, given adequate supplies, the Ministry of Food would be glad—that is my impression—to decontrol tea; they would be glad to be rid of it. (Mr. Bailey.) May I add this by way of qualification of what Mr. Covell has just said, that whilst the Ministry of Food would undoubtedly like to see the London tea market restored for the reasons that are given, that could only be done in conditions which would ensure the full supply of the country's requirements, and also in conditions, although this is not an insuperable difficulty at all, which would enable the subsidy on tea to be injected in a practical and satisfactory manner. That is a matter of some practical difficulty but you would have the market operating as a free market.

3950. Following upon that, would it be possible, or would it be easy to state—I have worked some of them out—what the actual subsidy is per lb. on tea at the moment?—Yes, we have that at all times. (Mr. Covell.) On the last figure, it is about 7½d. per lb.; if we have a loss of £14 million per annum the subsidy is about 7¾d.

Mr. Corlett.

3951. Is that affected by the rebate now?—That is the net figure after taking that into account.

Mr. Niall Macpherson.

3952. What was the pre-war per capita consumption of tea?—About 2.9 oz. per head.

3953. Per week?—Yes.

Mr. Corlett.

3954. What is it now?—2 oz. It is 2. something, something, because people over 70 get a 3 oz. ration.

3955. On this question of purchasing, have you first to obtain the approval of the Indian Government or the Pakistan Government before you approach the producers?—Yes, and the Ceylon Government as well. It has been the practice.

3956. You must approach the Government concerned?—Yes.

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[Continued.]

3957. Have they a special Department in each case to deal with this kind of thing?—Yes; it falls in Ceylon under the Ministry of Agriculture and Commerce, in India the Ministry of Commerce and External Affairs, and in Pakistan I do not quite remember, but there is a Department dealing with it.

3958. On your point with regard to approaching them, that is for either price or quantity or both?—Both.

3959. So that before you see the producers you first fix with the Governments of those countries the amount you are allowed to take and the price you shall pay?—Yes. You say, before we approach the producers. You will appreciate the negotiations to start with are of a telescopic variety; they are going on with all parties, perhaps, at the same time.

3960. Yes; but there is an overriding figure both in regard to the amount and in regard to the price?—Yes.

3961. That is fixed by the Government?—Yes.

3962. Then, having fixed it, you, of course, go to the producers?—Yes, having cleared the way first with the Government concerned.

3963. I see that you have a Tea Controller for India. Is he for India or is he for us?—Under the Tea Regulation Scheme in pre-war days the Indian, Ceylon and Indonesian Governments arranged legislation to conduct the Regulation Scheme; it meant that licences for export had to be issued, and an Act was brought in in each country to implement the legal machinery, and the officer appointed in India was Tea Commissioner.

3964. Is he appointed by the Indian Government?—Yes. That was a pre-war arrangement. When war broke out, the United Kingdom sought to make these contracts, or sought to secure these supplies, and the Government of India and the Government of Ceylon nominated individuals in both cases who would act for the Ministry of Food in arranging contracts. The Tea Controller for India acted for the Ministry of Food in relation to his duties there; similarly in Colombo it is a Tea Commissioner.

3965. So that the phrase is literally correct. He is a Tea Controller for India?—Yes, that is his official title.

3966. Because I see in the next paragraph you say: "The Ministry reimburses the Government of India for the cost," and so on?—Yes.

3967. You have no say in his appointment?—No, not really, I suppose.

Chairman.

3968. It is a nomination which we accept?—Yes, we accept it.

Mr. Corlett.

3969. Because you see here in paragraph 4 on the first page of the memorandum you say that they are "directly employed by the Ministry in each country of production." They are not directly employed by you, are they?—We pay his salary.

3970. Or do you, as you say, reimburse the Government of India "for the cost of and expenses incurred by these organisations"?—Both. In Ceylon we actually pay funds into the administration account of the Tea Commissioner, out of which he draws his salary, the salaries of his staff, and his expenses. In India we found it more satisfactory for these matters to be dealt with by Government of India account, and we merely reimburse at a later date the funds which have been expended on our behalf.

3971. Yes; but if he were in your employment you would have more say in regard to his expenses?—His accounts are audited; we do vet the accounts that are produced to us; auditors on our behalf seek to show that they are correctly used, and so on, and we do in fact authorise the salary scales. We obtain Treasury sanction to pay salaries to the higher level people.

3972. I am puzzled over this phrase, "Tea Controllers or Commissioners who are directly employed by the Ministry"?—They are our servants.

3973. Could you dismiss them?—I am perfectly certain we could, though it might not be politic to do so.

3974. When I look at Schedule D, where you say: "The Ministry reimburses the Government of India for the cost of and expenses incurred by these organisations," you are only able to control by audit?—Yes, it is correct to say that that is a mere accounting convenience; it would cost us a lot more, possibly, if we did it in some other way; we would have to employ, in fact, an Accounting Officer as well as a Tea Controller.

3975. I can quite realise it is better for you to have somebody on the spot to do the job with the good will of the producing Government, than to set up machinery of your own, only I wanted to ask you that question, if it is cheaper?—Yes, I think it is. Mr. Bailey has just reminded me that he is performing certain duties for the Government of India, and by virtue of that we bear only two-thirds of the cost of his salary.

Mr. Corlett.] I was going to ask about overheads.

Mr. Niall Macpherson.

3976. I take it that as he existed before the war, or before the duties he is now performing were imposed upon him, he must have other duties in connection with the Government of India?—Yes.

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3977. What are those? Does he control the tea gardens in general?—No; he controls licensing and the distribution and allocation of fertilisers.

3978. Does he control labour?—No; but he is called in in an advisory capacity by the Government of India at times.

3979. He is a member really of the Government of India, working with them and performing certain duties on behalf of the Ministry of Food?—Yes. I would say here that he is two-thirds a Ministry of Food man and to a lesser degree, say one-third, a Government of India man. Actually the Tea Controller for India is an Indian civil servant. He was appointed, that is, the present holder of the office, in 1942, and he has held the office ever since.

Mr. Corlett.

3980. Does any question of dual loyalties ever arise?—I do not think it does.

3981. Nor would it in the case of members of his staff?—No.

3982. It is all on these first four words: "The Tea Controller for India"?—That is a mere title, Sir.

3983. It is rather more than that, is it not?—No. As a matter of fact he has retired from Indian Government Service now.

3984. Does he also deal with Pakistan?—An arrangement was made last year. By a change of title he is the Tea Agent for the United Kingdom as far as the Pakistan Government is concerned.

3985. It is rather interesting to find that they would have the same Controller for the two separate Dominions. I should have thought that each one would have wanted his own, because, although I am not good on geography, you say that there is an Assistant Tea Controller with staff at a place called Coonoor. Is that in Pakistan or India?—That is in Southern India.

3986. Is there not an establishment in Pakistan?—No; that is comparatively new. Their only outlet for their tea crop is the Port of Chittagong. It would have been quite uneconomic for there to have been a separate organisation there. Therefore this arrangement was brought into being whereby our Tea Agent for the United Kingdom administers the contracts in Pakistan from his office in Calcutta.

3987. Because it says that he "also administers the separate contracts with estates situated in Pakistan." Did the Indian Government have any objection?—No; under those conditions it means that he is the Tea Agent for the United Kingdom.

3988. Now I come to Ceylon. I see it is the same amount of money, £28,500, as

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for India and Pakistan. That seems rather surprising?—Yes, that was our estimate at the time.

3989. But surely it is a much bigger job in the case of India and Pakistan than for Ceylon?—Yes, a considerably greater quantity of tea.

3990. Yes. Why the same figure for administrative costs and expenses in both cases?—In the case of Ceylon in that particular year I think we had substantial audit fees for several years uncleared. We made provision for that. Then there is another factor, that generally speaking Ceylon costs, salaries and wages, have reflected the cost of living tendency to a greater degree than they have in India. S.E.A.C. was in Ceylon, and there was a good deal of inflation there.

3991. But he has all this staff and these headquarters in Calcutta, and another one in Coonoor, and he has for all that the same amount as for Ceylon?—Might I point out that these are mere Estimates and not actual figures; in fact we do have to wait under this arrangement for a considerable time before we have the amount charged to us. At the time we made these Estimates they were the best we could think of in relation to past experience and to likely tendencies as far as we could see them.

3992. That is what I was meaning. From what you say, it looks as if the Tea Commissioner for Ceylon was getting roughly £28,500 for doing much less than the Tea Controller for India and Pakistan?—You see, there in that case there is not a one-third deduction. The Ceylon Tea Commissioner is a full-time man.

3993. He has not any work to do for the Government of Ceylon?—No.

3994. So that there is a difference?—Yes.

3995. I note you call him a Commissioner?—Yes.

3996. Then for East Africa it is not so large an amount?—No, that is very small.

3997. What is your Tea Commissioner there? Is he also employed in some other capacity?—Yes, he was until two years ago Commissioner for Customs. He has now resigned from that; I think he has retired, but he is still carrying on for us. He has separate office accommodation and is able to administer the small contract arrangements.

3998. I agree that that is cheaper than setting up your own organisation?—Yes.

3999. Is he a competent man?—An excellent man. He has been out there right from the beginning.

4000. At Beira you have a commercial organisation?—Yes; they get a percentage on the business they handle.

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[Continued.]

Mr. Niall Macpherson.

4001. There is no inconvenience arising from the fact that your Commissioner is in Nyasaland, whereas I take it a great deal of the tea is grown in Kenya?—We are buying very little from Kenya; there are only three estates which are contracted with, and which give us something like one million lbs. a year. We are buying from Nyasaland about 11 to 12 million lbs.

4002. They are all tied estates in Kenya, tied directly with merchants in London, are they not?—No, not all of them. There are a few local estates, locally owned.

Mr. Corlett.

4003. When you approach a Government and decide on the amount, I suppose sometimes you find producers are not prepared to sell you that amount?—Yes; the machinery is in this form. An overriding quantity is agreed first of all, and then invitations are sent out to all producers to tender against those quantities. Until the tenders are received, we are not aware as to how much is being offered. In 1947 the Indian producers tendered more than the ceiling; their offers were scaled down, and last year they did not tender quite as much.

4004. Yes. I think I remember reading in *The Economist* that it was in Ceylon where they were very much below?—Yes, in 1947 and 1948 we were asking in Ceylon for 150 million lbs. They gave us in the first year 93½ million lbs. and 97 million lbs. in 1948. This year we have asked for 130 million lbs., which was the maximum permitted, and we have recently heard that we have been tendered 146 million lbs.

Mr. Niall Macpherson.

4005. Were you able to supplement your purchases subsequently either on the open market or by taking the exportable surplus?—In 1947 we were able to supplement the contract purchases. The prices on the open market were at an attractive level, and arrangements were made for us to buy under a cloak or *nom de plume*, through a local firm, certain quantities in that year.

Mr. Corlett.

4006. I was more concerned with Pakistan. When they were prepared to offer you a lot more, what happened to that surplus? I am speaking from memory, but I think it was the Pakistan producers who were prepared to offer you much more?—I think there was a suggestion that the producers in Pakistan were in rather a difficulty. It does not pay to send their teas to Calcutta owing to the Excise duties, and there is no market in Chittagong, so that without the Ministry of Food contract they would be in a very parlous plight.

4007. Looking at the whole picture it seems very clear that in Ceylon and India you could not get the amount you wanted, and that in Pakistan they offered you more than you wanted. Could not you balance them out and get in a global figure?—That was 1948; that was the first year in which Pakistan contracted as a separate Dominion, and the quantity that is produced by the Pakistan estates is approximately 40 million lbs. a year. Last year we took 28 million lbs.

4008. All I was thinking of there was that it sometimes happens that when prices are favourable supplies might fall short of your target, but that when they are unfavourable supplies might be quite readily met?—The producer of tea weighs up his outlook; he knows roughly the market, and he knows what the Ministry of Food is offering. The Ministry of Food make their offer at the beginning of the season, so that he knows that he is, by participating to a given extent and in given proportions, in effect getting an insurance policy.

Chairman.

4009. When you make these allowances for increased costs of production, do you now do that with your eyes on the market?—The increased costs of production for a number of years have been based on certain principles and certain data which have been produced to us by the producers as to their costs for representative gardens, and up to the year 1948 we did take by and large cognisance of the actual costs; but this year, in looking at 1949, for instance, in the case of Ceylon, the negotiations rather took this form. The Government of Ceylon said that they thought 3d. per lb. increase over 1948 would meet their wishes; the Ministry of Food felt that having regard to the market it did not justify anything like that; and eventually an agreement was reached on the same price.

Mr. Corlett.

4010. The point that is disturbing me is this: The Government fix an amount which you accept, but it means that the producers need not necessarily sell you that amount?—No.

4011. And yet as an alternative the markets, either Colombo or Calcutta, were able to give a better price. What effect does that have on supplies or on the quality that is offered you?—(Mr. Bailey.) It is limited by the limits of the market. Against the better price the producer must set the advantages of a firm contract with the Ministry of Food; he must, as Mr. Covell says, weigh up his chances of disposing of the whole of his crop advantageously, and he decides, presumably, not to put all his eggs in one basket. In the result

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he puts more of his eggs into the Ministry of Food basket than he puts into the basket represented by the auctions. If the total number of tenders exceeds the ceiling agreed with the Government, then if we want an extra supply, as indeed we do, we go to the Government and we ask them to increase the ceiling, and so we take up the excess if they will agree.

Mr. *Corlett.*] But when the producers do not reach the ceiling there is nothing to make them do it; although the Government have fixed a ceiling, the producers will not go up to it.

Chairman.

4012. You can purchase through the market?—Yes, we could if we wished, but it is not always a very satisfactory means of operating. In addition, we bring all other forms of persuasion to bear on producers which we can command, and we do work the figure up by one means or another.

Mr. *Corlett.*

4013. Except that I think on one occasion you had to reduce the tea allowance because you had not reached your target in purchases?—One could always reach the target by putting the price up, but that is not, after such negotiations as we have been describing, a prudent thing to do.

4014. No?—We have to calculate what price will bring forward the amount of tea that we require through the medium of our purchasing arrangements, and we take the risks of the operation.

Chairman.

4015. Now perhaps we could leave purchases and turn to the position as it obtains in this country. We gather from the paper that the Division sells the tea to the primary wholesalers, and then it is subject to no further direct control except the restrictions imposed by rationing and the Price Regulation Orders?—(Mr. *Covell.*) Yes.

4016. That the valuation and allocation are carried on by selling brokers on your behalf?—Yes.

4017. And they receive a remuneration of £300,000?—Yes, in the year we are considering.

4018. Yes?—How is that sum determined—and perhaps I ought to ask at the same time whether it is a fixed basis of calculation?—Yes, that is a fixed sum. In the first year of war it was £290,000; in the second year it was £300,000, and remained until September, 1948.

4019. When there was an increase of £30,000 granted?—Yes. The original agreement as to the amount of remuneration was reached after negotiations between tea-brokers and the Ministry, and the amount of their pre-war earnings was used as the

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basis. The sum finally agreed was a negotiated one, and did not reach the amount that they had indicated was the pre-war remuneration.

4020. It was a bargain struck?—Yes, although the basis of the bargain was the pre-war throughput and earnings at their normal 1 per cent. brokerage charge.

4021. In the same way the increase of £30,000 is a bargain struck following representations that have been made that costs have run against them?—(Mr. *Bailey.*) That £30,000 increase was granted after a detailed costings investigation of their position. They had asked for £50,000 and they got £30,000.

4022. Then we gather that there have been surcharges made?—(Mr. *Covell.*) Surcharges on our allocated price. Are you speaking of surcharges in relation to brokers?

4023. Yes. How does the surcharge affect the brokers?—It is merely a figure they have to add to their invoices and account to the Ministry for; the brokers continue to value the tea on the same basis as they did at the close of sales in August, 1939. From time to time there have been additions made by the Ministry to bridge these increasing costs. The first amount was 1½d. a lb.; then there was a second amount of 4d. in 1943; and in 1947 there was a further 4d.; so that the surcharges aggregate 9½d. per lb. over and above the pre-war valuation basis.

Mr. *Niall Macpherson.*

4024. Where is that shown actually in the analysis?—That is a composite figure on Schedule A; the estimated sales value is £52,950,000, and that includes, of course, the surcharge. That is an overall figure.

4025. The surcharge is simply an increase in the selling price?—Yes.

Chairman.

4026. I have a few questions arising from the paper and from the schedules: first, on the Distribution Committee. I appreciate it is a small sum, but why are the expenses of this Committee not borne by the trade?—The Committee performs a very useful liaison as far as the Ministry is concerned. They are responsible for sending out circulars for the Director of Tea regarding changes in ration regulations and that sort of thing.

4027. In your view they are really carrying on a function on behalf of the Ministry?—Yes, they act in an advisory capacity.

4028. One other small question. Who is responsible for the Tea Centre?—That is another body entirely; it is the International Tea Market Expansion Board, which is a body constituted under Acts in

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India and Ceylon, as well as what were the Netherlands East Indies. They derive their income from what is called a cess, that is levied on the exportation of tea, which was formed in the days when there was a very great need to increase the consumption of tea all over the world. This cess is really a propaganda tax, and the Tea Centre is a part of that propaganda system.

4029. To encourage us to drink more tea?—Yes.

4030. That is an encouragement being given by the trade?—Yes.

4031. Why have we got supplies going through secondary wholesalers?—The secondary wholesaler is a link in the chain of distribution. Perhaps I ought to define the primary wholesaler first. He is a buyer of tea in public sale who also paid the duty and cleared the tea from the bonded warehouse; that was the pre-war arrangement; they were the people who bought at sales and also cleared tea. Now, there is a large part of the trade which consists of the grocery type of firm; they do not operate on the market; they deal with a large number of articles very often; whereas many of the primary wholesalers are tea specialists. These people have other things to deal with, not only tea, but with a hundred and one other grocery items. Those are the secondaries who buy from the primaries.

4032. The restriction upon suppliers, I assume, is to make the rationing control effective?—Yes; it is in connection with the system of distribution. Retailers have been frozen. The public realised that they could get more cups of tea per pound out of the better qualities, and unless some steps were taken in the old days to restrict them or to prevent them offering their trade to one or another who could supply at higher prices—unless we had done that we should have had a spiral of high prices, which would have defeated the Price Order.

4033. Do supplies to the Services bear the subsidy?—No, supplies to the Navy and Army are at unsubsidised prices.

Mr. Corlett.

4034. On this question of selling brokers, you say: "The Division retains and utilises the service of pre-war selling brokers." Had they an Association in pre-war days?—Yes, the Tea Brokers' Association of London.

4035. So that all the brokers are in that body?—Yes.

4036. There are 23 such firms?—Yes.

4037. And you pay them a global sum?—Yes.

4038. And they divide it as they like amongst themselves?—Yes.

4039. You have assessed that on what you regard as reasonable expenses and profits?—Yes.

4040. Just the same as we did in the case of other wholesale associations—exactly the same idea?—Yes.

4041. There is nobody getting 1½ per cent.; there is no payment like that?—No.

4042. This is really a payment for expenses; they have taken over the job?—(Mr. Bailey.) Yes, expenses and a reasonable profit related to their pre-war profit.

4043. On the other hand, they do not have to buy in the market now; you arrange it all?—(Mr. Covell.) They did not buy pre-war.

4044. They do not sell, do they, they allocate?—They allocate now as compared with pre-war, when they went into the rostrum and auctioned tea.

4045. Just like an auctioneer in our own cattle markets today; he is no longer an auctioneer for cattle?—(Mr. Bailey.) Yes, that is a comparable case; but they perform additional services, and the restriction of their functions is reflected in their total remuneration.

4046. That is the point. I should imagine that their work was much harder in pre-war days in having to sell and dispose of their various commodities, whereas now they merely allocate; but you really feel that the amount you are paying them takes that into account?—(Mr. Covell.) Yes. In many respects they do perform wider activities than they did pre-war.

4047. Are they full-time?—Yes. One or two of these firms have other interests, for instance, in rubber or coffee, but we, of course, only recognise the tea section.

4048. On this figure of £300,000 that you pay, does that include the Selling Section of the Ministry?—Yes.

4049. Could you break that down and tell us as to how much goes to that?—Yes; the amount which is paid by the Ministry in regard to the Selling Section part amounts to £25,000.

4050. What is the necessity for this Selling Section for the Ministry, seeing that these brokers value, allocate and invoice to the primary wholesalers?—The Selling Section was necessary because, you see, under the pre-war arrangement all the brokers operated as individual units; this Selling Section is a co-ordinating body that is actually responsible for allocating. When we say that the brokers allocate, we include that composite term, "Selling Section," and we regard them as being one.

4051. Is there no overlapping?—No; they have their functions. The Selling Section maintain stock records and do all that is necessary to allocate tea. Thereafter, having allocated the tea, the individual brokers come into their own, carry out the invoicing and so on, having, of course, prior to that, valued the tea.

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4052. I should have thought that the brokers could have done all that without a Selling Section?—I think it would be very difficult for them, if I may say so, with regard to just that particular part of the allocation.

Chairman.

4053. Is this an arrangement that arose out of discussion with them?—The selling brokers actually suggested the method under which the control could be operated prior to the war.

4054. It was a suggestion to economise in labour?—It was a suggestion to carry out a function which had to be performed under the Ministry's control arrangement. (Mr. Bailey.) It was a means of co-ordination.

Mr. Corlett.

4055. And the cost is £25,000?—Yes. I would like to say on that question that these costs have from time to time been investigated by means of a costings investigation. That was the case, as I said earlier, when their application for an extra £50,000 was considered and they were granted £30,000. On costs we go into every detail by means of a sample costings investigation.

4056. Mr. Bailey will remember that last week we had a similar question with regard to sugar brokers, where we were again involved with a section of the Ministry, and the same thing flashed through my mind then?—There is a difference here. The brokers here are paid by us. If you remember, the sugar brokers are paid by a commission from the sellers.

4057. Yes. Now, on this question of Port Officers, you say: "Port Officers and small staffs are maintained at London, Liverpool and Glasgow in order to supervise the importation, transportation and warehousing of arrivals." What is the size of that?—(Mr. Covell.) In London the Port Officer combines the functions of Tea and Coffee Officer and employs a staff of four.

4058. Full-time?—Yes.

4059. Not only for tea?—No, both tea and coffee.

4060. Those two commodities?—In Liverpool it is a Port Officer with two staff, and in Glasgow one man and his secretary.

4061. And they have their necessary functions to perform?—Yes. When a vessel arrives with tea, there are all the formalities and Customs entries which still have to be carried out; the warehousing arrangements; supervising unloading; watching the Ministry's interests, and so on.

4062. This is all before it goes to the brokers?—Yes.

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4063. And this Distribution Committee that we talked about is something like our Retail Buying Committee, where they look after their own interests. Who selects the representatives of those retailers?—I think I must explain that they are not representing retailers; they are representative of the primary wholesalers.

4064. The retailers are not in this at all?—No; the retailers have their own co-ordinating body in the Ministry. This is confined purely to primary wholesalers. There are a number of representatives allocated by the primary wholesalers, and they act in this advisory capacity and carry through from time to time the various arrangements which are involved in the distribution policy, whether it affects secondary wholesalers or retailers. (Mr. Bailey.) The retailers are separately represented in their relationships with the Ministry. There is a Retail Trade Association—I have forgotten its exact name, I ought to know it—that co-ordinates representations through its duly constituted secretary, and is in constant relationship with the Ministry. He attends to the interests of retailers of tea amongst his other activities.

4065. I am afraid that I read it too widely. You say: "It has formed a valuable liaison between the Ministry and the distribution trade." I thought that covered the whole?—(Mr. Covell.) No.

4066. The £2,000 is mainly to pay expenses?—There is only one officer there, with accommodation which is provided by the London Chamber of Commerce. It is a question of just rent and general expenses, such as heating.

4067. And they select their own representatives?—Yes.

Mr. Niall Macpherson.

4068. May I ask who owns the warehouses for which you pay a rent of £250,000?—That would be mainly, under present conditions, London warehouses, various bonded warehouses which were handling tea for many years. In the Provinces there are various warehouses; they are all private firms in that respect, and they charge and undertake the warehousing of tea for the Ministry of Food.

4069. Has it reverted to the pre-war practice, or indeed did it ever depart from it so far as warehousing was concerned?—No; but during the war, through the stress of emergency conditions, tea was warehoused in a large number of buffer depots which were scattered all over the country, and a reconcentration has taken place since 1945, so that we are now largely using pre-war warehouses.

4070. As the London market is not yet operating, does that mean that there is less

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previously?—I think it must be said that there is less tea coming to this country, because we had a consumption of 440 million lbs. a year, plus something like another 80 million lbs. or 100 million lbs. which we exported.

4071. Are the brokers still in contact with the tea gardens? I gather that they were in contact with them before?—Yes; they have, generally speaking, maintained those contacts with their principals there. What we call the sterling, or the British controlled companies in effect, consigned their tea to this market in pre-war years, and the brokers were their representatives here. They valued the tea and advised them and sold it on their account. Now, that same relationship has been maintained in so far as it has been possible for these brokers to continue to handle and value teas to which they were accustomed in pre-war years.

4072. So that from that point of view, at any rate, there would be no difficulty in returning to the old system?—No.

4073. Indeed, would there have to be any transitional period, or could you return to the old system just by a stroke of the pen?—Given plenty of tea and given no price control consideration, that could be done, and then having allowed the contracts to run out there would be no difficulty at all in reverting, except perhaps from the point of view of distribution. The trade has had ten years of being allocated tea, and it would have to get accustomed to buying on the market. There would be the normal growing pains of restarting something that has been defunct for a number of years; but there is no inherent difficulty.

4074. So that that would present very much less difficulty than if they had merely been allocating quantities?—Yes, or if the tea had been just in a homogeneous mix up.

Chairman.

4075. Utility tea?—Yes.

Mr. Niall Macpherson.

4076. Which brings me on to the question of the functions of the Ministry and the fixing of margins and the fixing of prices. What are your functions in that respect?—You are thinking now of the distributive trade?

4077. Yes?—In the distributive trade the Prices Order is the over-riding control, and I think it is fair to say that the successful operation of the Prices Order has been to a great extent due to the collaboration of the trade in that, because the Ministry is dependent in the case of a very complex commodity such as tea on co-operation from the trade. The Prices Order lays down certain conditions which in the main have been loyally observed.

4078. So that the blends and the prices for blends were fixed really in collaboration between the retail trade very largely, or between the retail outlets, whether they were horizontal or vertical, and the Ministry in the first place?—No, they were not. When the Ministry control began, the distribution trade carried on as before; they were not able to go into the market and select the particular types of tea which they had been accustomed to buying. They had to get used to having them allocated to them, whether they wanted them or not; but they continued to blend the teas and they continued to put on the market the priced packets that they had done in the past; for instance, a grocer who packed his own particular blend would not always be able to buy the particular tea to make up that blend that he might have had previously. He had to compromise and arrange matters otherwise.

4079. In the light of the new distribution of overheads between the Ministry of Food departments, has the amount allocated to the Tea Division been more or less?—It has been slightly less.

4080. It has been reduced?—Yes.

4081. Because it certainly seems that, considering the services which the selling brokers are performing, the cost of those services seems to be very small in relation to the cost of the Ministry of Food overheads at the present time. It is very striking in regard to the brokers' remuneration for this year under review, which was £300,000, whereas the proportion of the Ministry of Food overheads is £838,000?—(Mr. Bailey.) That includes its due part of the whole of the Ministry's Divisional and Local Food Office organisation. You will remember that at a very early session I drew attention to that and said that £7 millions under that head formed part of the total overheads. The Tea Division has had to bear its due part of the cost of that organisation.

4082. The difficulty being to fix what the due part is, I suppose, and what time is taken up at the Regional organisation on tea?—Yes; that is why one has to adopt a rough and ready rule—either turnover, the number of staff, or the number of commodities.

Mr. Corlett.

4083. I see, on that same point in regard to brokers, that that seems to be the main part of the work in connection with tea?—Far from it. The Ministry procures the tea and arranges for the whole of its distribution right down to the cup which stands on your breakfast table.

4084. I thought that the Ministry had got rid of it at a certain stage, so that the ownership passed from the Ministry when the tea was allocated to the primary wholesaler?—It governs and controls the passage.

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At the same time it works the whole of the rationing arrangements through its Divisional and Local Food Office organisation. If there were not that organisation you would not get your ration of tea.

Chairman.] May I thank Mr. Covell for the very frank and straight-forward way in which he has explained the position regarding the Estimates in so far as they affect tea? We are very much obliged.

The witnesses withdrew.

Adjourned till Thursday next.

THURSDAY, 12TH MAY, 1949.

Members present:

MR. FREDERICK WILLEY (*Chairman*).

Mr. Barton.
Mr. Corlett.

Mr. Yates.
Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. G. W. DAY, Finance Director, Cocoa Division, Ministry of Food, called in and examined.

Chairman.

4085. Before we turn to cocoa, Mr. Bailey, I wonder if I could put a general question? You remember last time I asked about whether tea supplied to the Services carried a subsidy?—(Mr. Bailey.) Yes.

4086. And I was informed that it did not. I wonder if you could tell the Sub-Committee generally what is the position regarding the supplies of subsidised foods to the Services?—Yes, I can do that. The position is that meat and tea are treated exceptionally, in that the Services receive these commodities at unsubsidised prices. All other commodities supplied by the Ministry to the Services are supplied at the subsidised price.

4087. Are you in a position to say what the figure of those subsidies amounts to over the year into which we are inquiring?—I speak entirely from memory; I think it is something like £5 millions.

4088. You could correct it if you wish?—Yes, that is subject to correction.

Mr. Barton.

4089. Is that the whole of the Services, or is it merely the Service at home?—The whole of the Services.

4090. Whether at home or abroad?—Yes.

Mr. Yates.

4091. The total subsidy?—The total subsidy element in food supplied to the Services by the Ministry.

Chairman.

4092. Now we will turn to cocoa. Mr. Day, you are the Finance Director of the Cocoa Division, are you not?—(Mr. Day.) Yes.

4093. We are much obliged to you for the paper* that we have before us. I have a

few general questions to ask. The first is this very broad question: Why does the Cocoa Division continue to purchase cocoa beans?—A reply to a somewhat similar question was given in November. Generally the position is that cocoa has been in very short supply, and the supply position at the present moment is obscure; it may well be that the shortage may continue for quite a number of years.

4094. In view of that shortage of supply, is it your opinion that the continuance of the present arrangements is likely to prevent an exorbitant price?—It is the opinion of the Ministry that we have purchased as well as any other country, if not better.

4095. Do you know what the views of the manufacturers are about this?—Generally I believe they are satisfied that we have purchased cocoa as cheaply as possible.

4096. Another broad question. Regarding the activities to which you refer in the second paragraph of the memorandum, who performed those activities before the war?—Shall I deal with the activities one by one?

4097. Yes?—We have said that the main functions of the Cocoa Division are to purchase cocoa beans on the most favourable terms. Pre-war manufacturers purchased either on the London market or direct from West Africa; the bulk of the cocoa was purchased direct, that is by the large manufacturers. They had agencies of their own in West Africa who were purchasing cocoa from the natives for shipment to this country. With regard to averaging of costs to stabilise allocation prices, that scarcely arose pre-war, other than in normal competitive conditions. Ensuring a fair distribution to manufacturers of cocoa products of the total available supplies: that would be a case of first come first served, competing under market conditions. Then

* See Annex 16.

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[Continued.]

in paragraph 2 we have elaborated slightly. Dealing with the purchasing, import, handling, grading, storage and distribution of all cocoa beans, I have indicated that the large manufacturers purchased direct and made their own importing arrangements, graded the cocoa, and so on. With regard to the smaller manufacturers, I believe about 20 per cent. of the total, by volume, was bought through the London market. To supply them with cocoa, merchants would import, and arrangements would be made for grading and storage by those merchants. Then the second activity mentioned is the presentation of the United Kingdom's requirements to the I.E.F.C. Cocoa Committee. That did not arise pre-war.

Mr. Barton.

4098. What do the initials I.E.F.C. stand for?—International Emergency Food Committee. Then in sub-paragraph (iii): "Co-operation with other Government Departments and interests in preparing plans for developing cocoa production and eradicating cocoa diseases." There was no Ministry of Food before the war, so that one could scarcely say that that particular function existed in this Ministry. The Colonial Office was very much interested in this subject, so I believe. Then (iv): "The maintaining of close contact and collaboration with the manufacturers' organisations on the day to day problems of supply and distribution of cocoa and cocoa products." That is largely the result of the present difficult conditions. Pre-war there was no such co-ordination.

4099. May I put three general questions arising from that? In the first place, under the activities you have described, are you making full use of the personnel who operated in the agencies and other forms of activity which you mentioned as carrying on this work pre-war?—In general, yes, we are using them, wherever they can be fitted into the machine.

4100. Secondly, supposing the present arrangements were in the future discontinued, would the normal channels of trade be prejudiced by the effect of the present arrangements?—I should think not, Mr. Chairman, but it is difficult to visualise a return to pre-war conditions. It has to be borne in mind that two statutory bodies have been set up on the West Coast.

4101. In referring to pre-war conditions, I was carrying in mind the assumption that some of the developments that have taken place would be permanent; those that you are mentioning, I think, we would have to regard as being permanent?—What would happen if the Ministry of Food was not here would be that the manufacturers would either have to contact the West African Boards direct, or if they were very small manufacturers it might be that some intermediary, such as brokers, would have to

be employed; but the suppliers of the bulk of the cocoa used in this country are these monopolistic Boards who in fact operate as one body in London, one seller.

4102. Lastly, you refer to "Close contact and collaboration with the manufacturers' organisations." As far as you know, are those organisations satisfied with the operation of these arrangements? In short, do they play a full part?—Questions have been raised by these associations as to whether they could play a greater part in our actual purchasing of cocoa, but we have informed them that when it comes to a question of intimate negotiations it is not possible for us to take them into such final negotiations. However, we consult them in regard to the very important questions of quality and conditions under which we should buy and so on. What I mean to convey is that we go just as far as it is possible without dealing with the final price negotiations.

4103. What are the reasons which make you feel that the price negotiations should be kept apart?—Those reasons, I would say, are the same reasons as would actuate any large commercial buyer, that is, that in final negotiations it is a case of getting down to brass tacks, and the more people that are involved in those negotiations, I should think, the worse it is. The main point is that it should be a case of getting as few people as possible to settle.

4104. To turn to another aspect of the present arrangement, the export replacement scheme, which you describe in paragraph 10, I think the purpose of that scheme is quite clear from the evidence we have received, but is it accepted as being necessary and desirable by the trade?—Very definitely yes.

4105. Just one last matter, and that is the position of the London graders. Is their remuneration based on their pre-war profits?—No. Their remuneration is arrived at on what we consider a reasonable fee for performing a service.

4106. The basis is—?—A fee for service.

4107. A fee for services rendered?—Yes.

4108. The services they are rendering now being rather different from the services rendered pre-war?—Yes, in general I would think so.

4109. The overall position of the Cocoa Division is that you strike a balance of no profit no loss over the year's working?—Yes.

Mr. Yates.

4110. Mr. Day, I understand that the Ministry of Food purchase the raw cocoa which was previously purchased before the war by the manufacturers in this country?—Yes.

4111. You have taken over entirely their functions?—Yes.

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[Continued.]

4112. I notice in reading the Report of the Cocoa, Chocolate and Confectionery Alliance Conference, that the Chairman was apparently asking for conditions of competition to be restored, and the Minister of Food himself said: "I have always said that in any industry which is well conducted by private enterprise I believe that there is no substitute for the freest competition which can possibly exist. Therefore I am very glad to hear you, Mr. Chairman, echo those sentiments." Is that still the policy of the Ministry of Food?—(Mr. Bailey.) What was the date of that pronouncement?

4113. This is September, 1948. The Minister of Food spoke at the Conference, and he gave a very clear indication in this speech; in fact, he went on to say: "I do welcome the views that you have just put, that we ought, as soon as we possibly can, to restore the freest and fullest competition to the whole of the industry."—(Mr. Day.) That, I take it, is a statement on general policy, and as such I imagine the position is the same as then.

4114. But what I should like to know is this. According to your earlier statement, you said that the manufacturers were satisfied?—Yes.

4115. Is that correct, because could they be satisfied if as far back as September, 1948, in conference they are asking for their pre-war functions to be restored to them?—When I said they were satisfied I meant in general, in regard to buying of cocoa as it has been conducted by the Ministry, but it is quite true that they have suggested that they would like to do it themselves, and that some of them feel they might be able to do it better. I think it is fair to say that that is not necessarily a universal opinion, but that is the view held by certain manufacturers.

4116. Are those discussions still proceeding with the Ministry on those lines?—The question of direct purchase by manufacturers?

4117. Yes?—Not at present. The general view is that the time has not yet arrived.

4118. That is the view of the Ministry?—That is the view of the Ministry.

4119. Who purchases the cocoa; who are the persons responsible for buying? They are not drawn from the industry, are they?—The actual finalisation of the buying is done by the Director of Cocoa; but, as I indicated earlier, we do take the advice of the industry and weigh it very carefully. It is only when it comes to the final question of the price that we shall pay that we make our own decision.

4120. May I ask who the Director is?—The Director is Mr. Clean.

4121. Was Mr. Clean in the cocoa industry?—No.

4122. He has no connection whatever with it?—Yes.

4123. He is the principal buyer, then, of cocoa?—That is so.

Mr. Barton.

4124. Are the big manufacturers maintaining their agencies in West Africa or have they withdrawn them?—I understand that they are still functioning as buying or collecting agents for the statutory Boards.

Mr. Corlett.

4125. Are there any experts in the Department?—Yes. I am glad you have asked that. I was just going to add, if I might, that we have got a technical staff who can assist on those points, points of quality, and I would emphasise that on the question of quality and conditions under which we purchase we take the manufacturers fully into discussion; there are constant discussions going on on those points.

Mr. Yates.

4126. I understand that you have a panel of buyers, a panel of three?—Yes, there is an Advisory Panel.

4127. And that the Advisory Panel is never at any time drawn into final negotiations?—Not the actual final settlement of price, but we take their advice on the suitable time to buy.

4128. I think this is very important, because I do understand from the industry that that is not the position and that they do not have an opportunity of collaborating to the extent that they would desire?—I must submit that there has been some difference of opinion as to whether we go as far as they would wish, but we have told them, and I think they fully agree with that, that we take their views and take very careful account of their views, and all they have said is: "We are not in the final settlement of the buying," that is, closing a contract on the question of price. That is all, as far as I am aware, that is in dispute.

4129. It is not only a question of buying, but I understand that these manufacturers also before the war made all arrangements for shipment as well?—Yes.

4130. What is happening to all their experts and scientists in this industry who previously used before the war, because they are not being used by the Ministry, are they, now?—We are not using the large manufacturers' staffs directly, if that is what you have in mind, but I should not think that they have lost many of their skilled staff. In two instances we actually store the cocoa in warehouses belonging to those large manufacturers.

Mr. Corlett.

4131. You do with Rowntrees?—Yes, and also Cadburys.

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[Continued.]

Mr. Yates.

4132. I understand that their experts were able before the war to detect waste of cocoa in bringing cocoa across, that they could right from the bush, as it were, detect waste by their own scientists and their own officials. Is there any waste of cocoa now?—Not any material waste, though I am not quite certain what is meant by that. The manufacturers, so far as I understand, through their agencies in West Africa, take an active interest in the cocoa up to the time the Board takes it over. The period of time between taking over by the Board and the cocoa getting to this country is not very substantial—it is merely the voyage on the ship—and once the cocoa gets to this country it is examined by a panel of graders, who place the cocoa into three main grades, and certain lower quality cocoas are valued. That arrangement for valuation of cocoa was made by full agreement with the manufacturers. The panel of graders was appointed on nomination by the manufacturers in agreement with the West African Boards, so that the only period of time in which manufacturers might be said to have no interest in the cocoa is during the period of shipment.

4133. With regard to storage of cocoa, you say that is undertaken by these big manufacturers like Rowntrees and Cadburys. Do the Ministry pay those firms for storage?—Yes.

4134. That storage was paid for by the firms themselves before the war?—Yes. We have to make payment to them in order to put them on the same footing as other manufacturers.

4135. Is it correct to say that they have offered to take over from the Ministry the entire storage of cocoa?—I do not know. There have been various discussions with the manufacturers about taking the cocoa over at an earlier stage, and we have had to tell them that such an arrangement would not fit in with our allocation machinery, that we have to keep control of the cocoa until such time as we can release it, but they do hold quite substantial stocks of their own. We share the cocoa stockholding in this country: so much is held by manufacturers, we keep certain reserves of stock, so that it is available for pumping out under our allocation machine.

4136. On page 2 of the memorandum at the top of the page you say: "Cocoa which is appreciably damaged is valued and disposed of separately." Have you any information as to how much cocoa is damaged?—I have not got the figure available, but it is not substantial in relation to the total.

Mr. Barton.

4137. What damage does it sustain—sea water damage?—Yes, or rain water, perhaps.

4138. It is not deterioration in the product itself due to disease, or anything like that?—No, that is not what is intended by this expression "damaged."

Chairman.

4139. How does it compare with the damage that was suffered on the average pre-war?—It may be rather higher, but again I have really got nothing to go on. Complaints have been made of somewhat difficult shipping conditions. They are improving now, but, as I say, it is not, taking cocoa as a whole, a very serious position with regard to damage.

Mr. Barton.

4140. Is it loaded in West Africa from the ship or from sea wharves?—Some of it is loaded direct on to the ship; from at least one port cocoa has had to be loaded by surf boats, and the danger of wetting is greater.

Mr. Yates.

4141. Mr. Day, in paragraph 10 you say: "In relation to the Export Replacement Scheme, allocation prices for cocoa of standard quality are fixed in advance for three-monthly periods on the basis of the anticipated average world market prices." Then you go on to say: "These prices are determined at the end of each price period for the next but one period. This gives the manufacturers the benefit of forward prices for a minimum of three and a maximum of six months." What would be the position, for instance, if the market price of cocoa suddenly fell and manufacturers wanted to buy in large quantities and they had not come within this period, or at least they had not come to the end of the period, because by the time they had negotiated with you the price might have changed again? How do you overcome that?—It is not a question of negotiations on this Export Scheme. We announce the price that will apply for these price periods. The last fixing was done just before the end of March, which applied to the July-September period; so that at the present moment we have got a set of prices running for what we describe as the April-June period and another set for the July-September period. These are prices at which we will freely sell to the manufacturers, but it is on a replacement basis. We do not sell them cocoa and say: "Here it is, and you can export when suitable." They give us proof of export, and we replace within this period at the price stated.

Chairman.

4142. If the scheme were wound up you would still be bound by the general principle of no profit no loss, so that if the circumstances Mr. Yates had in mind occurred there would be an adjustment in the last period?—We might not be so closely tied to the question of no profit

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[Continued.]

no loss on exports, but that is our general policy, or it has been, because I cannot speak of what will happen in the future, but I think that on the export account we would not necessarily be tied so closely.

Mr. Yates.

4143. I was thinking of this. I suppose before the war manufacturers would buy when the market appeared to them most favourable—in other words, they would buy suddenly?—Yes, that is so.

4144. But you will not be doing that under this arrangement; you will be bound by time. Is it possible for you to miss, say, a bargain because of this?—Perhaps I should go back again to the question of the selling arrangements for West African cocoa. There is now really one seller only. Two statutory Boards were set up, and they have marketing companies which co-ordinate their policy, so that there is in effect one seller, and we are in very close touch all the time. We are watching the markets. There is a running quotation on the New York market, and we also have advice of the views of various market people who issue circulars. Summing it all up, with the knowledge in our possession, we decide when is the appropriate time to buy, and although some manufacturers, as I said quite frankly before, think they might have done better, I feel that the general view of the trade now is that we bought the 1948-49 crop at satisfactory prices.

4145. I should like to ask another question on the no profit no loss principle. In Schedule A a trading profit is shown, and then expenses are shown, which, of course, brings it to nil. I am afraid I do not understand these figures. In the House of Commons on the 31st March the Minister of Food was asked a Question, if he would enumerate all the items of food on which his Department makes a profit, and I notice among the list of foods cocoa. He estimated the total profits made by the Ministry in the year to the 31st March, 1949, as £1,606,000. I do not understand that in relation to this no profit no loss principle?—I think that I might at this stage indicate that the price of cocoa has been fluctuating very violently. I have got two charts before me, which, if you wish, could be passed round, which show the very violent fluctuations that have occurred. We fixed our release price in November, 1947, on the best prediction we could make then of the likely market trends, that is, working on the principle of no profit no loss, but after we fixed those prices the world prices for cocoa have been going up and down in the most violent manner, and the result of that has been that when we came to the end of this financial year, rather to our own surprise, we found our buying prices were considerably below the Estimates, resulting in this profit of about £1,600,000. Now, for some commodities it

might seem strange that we were so far out in our estimates, but I suggest that if you look at these violent fluctuations on these charts you will realise that one just could not possibly hope to come out right. We have to fix prices for the chocolate and sugar confectionery industry which will stand firm for substantial periods. We fixed one price round about November or December, 1947, when these Estimates were prepared, which ran from the beginning of 1948 until the 5th December, 1948, when we changed our release price. The release price then changed is still current. The reason why we have to fix prices for such lengthy periods is that there are very wide ranges of products covered by chocolate and sugar confectionery, some 2,000 to 3,000, the prices of which have to be revised each time the Ministry's release price is changed, and it is a combination of those factors that makes accurate estimating almost impossible, or has made it almost impossible.

Chairman.

4146. Why do you put that in the past tense, Mr. Day?—It is possible that the period of violent gyrations in cocoa prices has passed—I say it is possible, but I do not know; and it is also possible that we are faced with similar conditions, which will mean that our estimates are bound to be out again. (Mr. Bailey.) This is another case of prudent budgeting resulting in an adventitious profit.

Mr. Yates.

4147. It means that this answer and this figure that the Minister gave on the 31st March were inaccurate?—No. What you have before you in the paper is the Estimate for the year ahead, made four months before that year opened. It is made on the basis of the no profit no loss principle; but the outturn is as the Minister stated, namely, a profit of £1,600,000, as against an estimated nil profit position.

4148. But in this answer it says an estimated total profit?—Yes, I saw the answer before it was put in. It is called an estimated total profit because our accounts for the year 1948-49 are not yet closed. We know, perhaps, generally what the profit is, but we do not know it to the last pound or thousand.

Mr. Barton.

4149. How do you balance it to the correct dot?—Is it to the correct dot in the Minister's answer?

4150. No, I mean in the Estimate?—I asked that question myself when I saw the paper. There are balancing figures, presumably, in these Estimates. Mr. Day might know the answer as to why it gives an exact nil result. (Mr. Day.) Again I have to refer to these very violent price movements, because cocoa had started at a very

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[Continued.]

low figure and ran right up like this, and when we made our Estimates we just could not say how things were going to come out, and therefore it was, one might say, anyone's guess whether it would balance exactly or not. I think in those circumstances it is reasonable to say nil—I could have put £10, I could have put £100 or some such figure, to indicate that it was not likely to come out, but I think putting nil illustrates the difficulty of saying what is going to happen.

Chairman.

4151. You do not expect to provide the Chancellor with a windfall this year?—That depends on our general policy.

Mr. Corlett.

4152. There are no subsidies involved in this?—(Mr. Bailey.) This profit is an effective subsidy saving.

Mr. Corlett.] Yes, I can see that.

Chairman.

4153. If it continued it might be regarded as indirect taxation?—I have explained to the Sub-Committee already that we followed the deliberate policy of taking a profit on non-essential foods, a policy both deliberate and declared.

Mr. Barton.

4154. Would you regard cocoa as non-essential?—It does not fall within the field of deliberate profit-taking. This is a fortuitous profit in respect of the year 1948-49; it is not a profit which I had budgeted to take.

Mr. York.

4155. When were the Marketing Boards set up in West Africa and in the West Indies?—(Mr. Day.) It is only in West Africa where we have Marketing Boards.

4156. Yes; I beg your pardon?—I am afraid I have not got the actual date available.

4157. Roughly—a year or two after the war?—We have to go back to shortly after the war commenced to get the full picture. The West African Produce Control Board was formed, I believe, somewhere round about 1942. That acted as the sole seller, and was succeeded by these Marketing Boards for the 1947-48 crop, so that it was some time in 1947, I think, that the statutory Boards took over from the West African Produce Control Board.

4158. Who set them up?—They were set up under policy announced in certain White Papers. Again, I am afraid I have not got the reference to the particular Papers, but they were set up by the Colonial Office. It is not the direct concern of this Ministry. (See Cmd. 6554 and 6950.)

Mr. Barton.

4159. Is it a subsidiary of the Overseas Food Corporation?—(Mr. Bailey.) No, it is nothing at all to do with it.

4160. You see, in paragraph 4 on page 1 of the memorandum, Mr. Day, you say that you maintain "close contact with the West African Marketing Boards through the Gold Coast Cocoa Marketing Company Ltd. and the Nigerian Produce Marketing Company Ltd.;" in other words, that is done through two joint stock companies. Why that intervention? Why do you maintain close contact with a statutory body through two joint stock companies?—(Mr. Day.) These statutory bodies have set up these particular companies as their selling agents.

4161. What are the statutory bodies? You refer to the statutory bodies. Are these limited companies statutory bodies?—(Mr. Bailey.) No, they are Marketing Boards.

Mr. York.] I think this will come out in my questions.

Chairman.

4162. In short, the two latter bodies are the selling agencies of the two Boards?—(Mr. Day.) They are the selling agents of the Boards. I was looking to see if I had a note of the precise names of those Boards.

Mr. Barton.

4163. Contact is maintained through two ancillary organisations of the Marketing Board itself. That is the situation?—Yes. I said earlier that there was in effect one seller, because these London selling agents of the Board co-ordinate policy.

Mr. York.

4164. Yes, I am coming on to that. Now, when you say that these Boards were set up by the Colonial Office, were they set up as a result of deliberate policy of the Colonial Office, or were they set up by the wish of the producers of cocoa?—I think it was the deliberate policy of the Colonial Office, mainly for the benefit of the native in West Africa.

Mr. York.] Who staffs these Boards; what sort of person is running them?

Chairman.

4165. I think that that would be more appropriate to a witness from the Colonial Office?—(Mr. Bailey.) I was going to suggest that myself.

Mr. York.

4166. What I am really working up to is the effect of the Boards upon prices, and the Ministry of Food impinges upon that point, surely?—A number of Questions have been asked about them in the House, and I think the responsibility of the Ministers for answering those Questions has been

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[Continued.]

made clear. I think the Colonial Secretary is responsible for answering Questions as to the Marketing Boards or their policy in respect of their funds, their application of the proceeds of sale and their care for the interests of the producers; on the other hand, the Minister of Food is responsible for answering for the prices he pays for the cocoa he buys from them and for what he does with it when he sells it.

4167. You are not able to say who staffs the Boards, although you maintain close contact with the Boards?—(Mr. Day.) I can say this, that the Boards consist of certain West African representatives and certain European members, one or more of whom, I think, are nominated by the industry through their West African connections. They have a European Chairman for each Board.

4168. With whom have you maintained close contact?—With the Managing Director of the London agencies, whose name is Mr. Tansley.

4169. Do you also maintain close contact with the marketing and supply companies?—No, because these companies that have been formed in London as selling agents are in effect part and parcel of the organisation. They are a selling organisation of the statutory Boards, so that the effect of keeping closely in touch with the London Company is the same as the London company itself is constantly in touch with the West African organisation.

4170. Yes, I see. Now, supposing that the Minister of Food wishes to increase supplies of cocoa—I think that happened during the war, did it not?—and he wishes to do something to increase supplies now, would your Ministry give a directive or give advice to the marketing and supply companies, or would they give it to the Colonial Office?—That is if we set about to make efforts to increase planting in West Africa?

4171. Or production?—The difficulty with cocoa is that it is a crop that takes quite a long time to mature, perhaps about seven years, and if we wanted to increase the overall production—and it is quite a lengthy process—we would make representations to both the Boards and the Colonial Office. In fact, the question of increasing the world production of cocoa has been exercising the attention of the manufacturers' organisations for quite a long time, and there have been discussions with the Colonial Office, ourselves and the Boards.

4172. Could you say what the effect of the setting up of these Marketing Boards has been upon price?—I should think that it is bound to strengthen the native bargaining power, and I believe that was one of the reasons behind the Colonial Office's policy—that is, in general in fostering the interests of the natives.

4173. But you have no detailed information on that?—The matter is very complicated by other factors: that is, that there has been until recently an acute shortage, and they still consider that shortage exists. It was acute fairly recently, and that caused a most violent rise in prices on the New York market. I think that is a factor quite outside the question of the Boards. I do not think one can say that the formation of the statutory Boards has had much effect on these violent price movements on the New York market.

4174. This series of questions I am putting impinges, not on the taxpayer, but on the consumer in this country—I realise that. Nevertheless, because the Ministry of Food is handling this matter, is not the Minister of Food responsible, either indirectly or directly, for all matters which affect price?—(Mr. Bailey.) The Minister of Food must, of course, justify the price which he pays.

4175. No, it is not a case of justification, it is a case more of taking steps to induce the amount of production required or to keep the price at or below the level he wants. Is it not much more direct than you are making out?—He is, of course, interested in production, and through his proper officers he plays his part in the problem of production. He takes an interest in the eradication of the swollen shoot disease.

4176. He has no responsibility?—Well, the responsibility is the direct responsibility of the Colonial Office, but, as I say, the Minister of Food has an interest, and he discharges that interest, or if you like to call it that responsibility, in collaboration with his colleague, the Colonial Secretary.

4177. I will come to the point I am making. Is it, in your opinion, rather clumsy administration for one Ministry to have the direct responsibility for an industry while the other has all the necessary headaches?—I think the headaches are shared, just as the responsibilities are shared.

4178. But the responsibilities are not shared, you just told me, I thought?—The primary responsibility in respect of the production is with the Colonial Office, and in conjunction with the Colonial Office the local Governments, under the local Governments the West African Boards, and finally the producer.

4179. When you are dealing with sugar the Minister of Food appears to be responsible right throughout the chain of procurement and distribution, and in the case of tea the Ministry of Food appears to be the responsible authority, whereas in the case of cocoa it appears to me that the Colonial Office is responsible for the Ministry's policy, and the Minister of Food is responsible for no direct policy, only for certain items of practice. Is that the case?—No, the Ministry of Food is responsible

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[Continued.]

in respect of cocoa right throughout the chain of procurement and distribution.

4180. But he is not responsible for increasing production?—He is as much responsible for that in the case of cocoa as in the case of sugar and tea.

Chairman.

4181. Perhaps more so because of the relation between ourselves and the Colonies as compared with our relations in the case of tea between ourselves and the Dominions?—Yes. It is true to say that the price which the Minister of Food is prepared to pay will always have its bearing upon production.

Mr. York.

4182. Would it not be better for the Ministry of Food, assuming the Ministry of Food is determined to continue its present policy in the matter, to take over fuller responsibilities in regard to dealing with production and distribution as far as the port is concerned?—I should think not; I should very much dislike having a responsibility which extended as far as that.

4183. Yes; I did not mean you to express a personal opinion, but more or less an administrative opinion?—I think the Minister of Food would not like to carry his responsibility as far as that. I can think of only one case where he does, and that is the case of the Overseas Food Corporation.

4184. Yes, that is what was really in my mind. It seems to me that the Overseas Food Corporation place squarely the burden on one pair of shoulders, whereas in the case of cocoa it is borne, apparently, by a sort of condominium?—Even in that case it is a Corporation which is not a part of the Department of the Ministry of Food; it is a separate autonomous body subject only to Ministerial direction.

4185. Let me leave that. Now, could you tell me what the basis is as regards negotiations on price: is it, for example, the best price that can be obtained or is it a fair price?—(Mr. Day.) I should think the best price that can be obtained we would consider as a fair price under present conditions. What I mean by that is that we negotiate our price the same as we would do it with an ordinary commercial seller and strike as hard a bargain as we can. When we have done that, it is a question of opinion as to whether it is fair or not. Our view certainly is that, looking back on the past, we have obtained fair prices from the West African Boards.

4186. But the basis is not a fair price, it is the best price?—I should think it is very difficult to say what is a fair price under present conditions.

Chairman.

4187. The best price paying attention to all relevant circumstances?—Yes.

Mr. Yates.] But the best price might be unfair.

Mr. Barton.

4188. Do your prices bear any relation to prices on the New York market?—They bear some relation to the New York market, which is the general guiding factor in price fixing.

4189. The New York market is acting in the field of competition between West Africa and South America?—Yes, but I think it has to be admitted that the New York market is not entirely free, because all the available cocoa does not flow on to the market.

4190. No, it is only our surplus from the West African Colonies that flows there. Surely the bulk of the South American cocoa goes through it?—Not entirely. Cocoa disposal is still controlled by the Cocoa Committee of the I.E.F.C., and strictly speaking it is only the American allocation which should get on to the American market, but as America has not got direct control over imports some extra cocoa may get there.

Mr. Yates.

4191. They are free buyers and free sellers?—Only for people who have got dollars.

Mr. York.

4192. Might I go back to the negotiation basis? Would it be true to say that having taken the advice of the manufacturers in this country you are prepared to pay more for the cocoa in order, as we say nowadays, to inject more capital into the cocoa industry in West Africa?—That is not the case in our negotiations. We are trying to get in all the circumstances as good a price as we possible can, and we would view in the Ministry of Food that the price is too high and that the West African native is getting too much, but we are not able to alter the conditions that exist.

4193. In other words, my question ought to be put, perhaps, some years hence when supplies are easier, but what I was wondering was whether there was any element of Colonial development in the price you pay, or arising through the negotiations?—No, only to the extent that we are forced to pay what is admittedly a high price. As I think you are aware, the West African Boards have got a system under which they accumulate surpluses which are available for development, and that the native does not get the same amount necessarily as the Boards obtain from these sales.

Mr. Barton.

4194. Have you any idea of the percentage of the cost that goes to the primary producer, taking the prices you are paying now and the price in pre-war years?—A percentage of the cost?

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[Continued.]

4195. Yes, the percentage of the cost price that goes to the primary producer as compared with pre-war; in other words, taking pre-war and post-war?—I have not got any data in regard to that; all I know is that at the present moment the West African Board is buying cocoa at a higher price than it is selling it at.

Mr. Corlett.

4196. £120 naked ex scale: is that it?—Yes, that is the price. It is equivalent to about £137 per ton f.o.b.

Mr. York.

4197. Could you tell me who in fact controls the West African Marketing Boards and the Produce Companies?—(Mr. Bailey.) That perhaps is a question that is more appropriate for the Colonial Office.

Chairman.] Yes. I think we can accept the Division's responsibility as we agreed before.

Mr. York.

4198. Then could Mr. Bailey answer this: Are all the Directors in the Ministry men from the trade or are they mainly permanent civil servants?—They are mainly men from the trade.

4199. Cocoa happens to be an exception?—Yes. It was in the hands of a Trade Director until comparatively recently.

Mr. Corlett.

4200. May I pursue Mr. York's question in regard to the Gold Coast Marketing Board? It was set up, I imagine, primarily to protect the producers, because prices were fluctuating between £10 to £40 a ton?—(Mr. Day.) Yes; it is a producers' organisation.

4201. So that we have there a Marketing Board set up by the Colonial Office as part of the Colonial Secretary's responsibilities to see that the producers get a square deal?—Yes.

Mr. Corlett.] I gather they are doing quite a good job. I see that they have given £9 millions towards compensating the farmers.

Chairman.] Again I think we are trespassing on the responsibility of the Colonial Office.

Mr. Corlett.

4202. It does say here in paragraph 2 (iii): "Co-operation with other Government Departments and interests in preparing plans for developing cocoa production and eradicating cocoa diseases," and I am only saying that they are giving £9 millions for compensating the farmers to cut out diseased trees. Compensations is wrapped up in the production of cocoa?—(Mr. Bailey.) The passage you quoted opens with the words: "Co-operation with other Government Departments."

4203. I see. Now some questions about reserve stocks. In Schedule A you estimate sales to the manufacturers amounting to 110,000 tons?—(Mr. Day.) Yes.

4204. In Schedule B you estimate that you will pay £1,319,000 duty, adding the two figures together. That is right, is it not?—Yes.

4205. I believe that the duty per ton is about £11 13s. 4d.?—Yes.

4206. That means that you are estimating to pay duty on 113,000 tons?—But we do not necessarily pay duty on the same amount as we sell in any financial year.

4207. I am only estimating what you are going to claim your stocks will be, and that figure gives you a stock of 113,000 tons; in Schedule A you are only going to sell to manufacturers 110,000 tons, so that that would give you 3,000 tons in stock?—(Mr. Bailey.) Three thousand more tons in stock than the year opened with.

4208. But on Schedule A you estimate the stock value at £2,556,000, that is the stock value of 12,000 tons, that is to say, if you take the purchase price of £240 a ton?—(Mr. Day.) Prices have been violently fluctuating, and one cannot tie up these figures without all the connecting links. I do not think there is anything wrong in that figure; it is simply because if one had the whole story, including stocks and prices at which we bought them and so on, one would be able to understand the position better, but I feel sure there is nothing wrong with the figure we have got there.

4209. But this is one of the vital things the manufacturers would like to know. In these two documents you set out figures which give 3,000 tons and 12,000 tons as your reserve of stocks. I am wondering which is the right figure?—What you would like to know is what are our stocks at the end of the year?

4210. Yes?—Because I think it has been announced by the Minister that we do not as a normal rule disclose stock holdings.

4211. That is why I was quite frank when I said that I was going to ask questions about reserve stocks. I am only taking your own Estimate. I am not going outside your own Estimates, which give 3,000 and 12,000 tons?—(Mr. Bailey.) Do they?

4212. According to my calculations they do?—The duty paid would be calculated upon landings within the financial year. (Mr. Day.) Yes.

4213. It is £11 13s. 4d. a ton?—Yes.

4214. If you divide that into that figure of 1,319,000, it gives you 113,000 tons?—They have arrived, and we sold 110,000 tons, so that we put an extra 3,000 tons into stock.

4215. That is your Estimate for the year 1948-49?—(Mr. Bailey.) I think you are welcome to that information!

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4216. When you come on to the Estimates, you again estimate for 1948-49 a stock value of £2,556,000?—That is not an estimate of the stock value, that is an adjustment of stock value.

4217. What does that precisely mean?—(Mr. Day.) That is an increase in the stock holding, in the value of the stock at the beginning as compared with the stock at the end.

4218. Then that is making my position worse, because I was assuming that the figure of £2,556,000, the figure for the adjustment of stock values, represents £240 a ton, and that would give you 12,000 tons in stock. If it is an accretion, then you have more than 12,000 tons in stock?—More than 12,000 tons in stock? I should think, generally speaking, that we would have more than 12,000 tons, without going into the details of the figures. Stock holding at the end is quite a satisfactory figure.

4219. But the manufacturers have no means of finding out what the stock holding is, in spite of this small Committee of three on which they sit?—That is because of the general policy of the Ministry in not disclosing stocks. It has advantages, as you will appreciate, on the buying side, because if you disclose the stocks you have got on hand you are telling your seller just how difficult your position may become.

4220. I agree; but look at the manufacturers' point of view. In the past they have always had considerable stocks, and now they do not know what stocks they are going to be faced with if you take off controls. It is very vital they should know what stocks there are, should you take off controls, if you are going to take them off. Cannot these three members who sit on this Committee be told privately?—(Mr. Bailey.) I am afraid you are knocking at a locked door.

Mr. Yates.

4221. On the question of this Committee of three, I am informed that it never meets. Is that true?—(Mr. Day.) I am not aware of that; I understood that it did meet occasionally. When I say that they meet, I do not necessarily mean a meeting; it is more a case of the Director of Cocoa discussing the question with them; it is not actually a meeting with them in the room, but there are discussions with them by telephone, and I have myself known quite a number of these discussions take place. It is not necessary that they should actually be called together in order to get their opinion if an opinion is wanted urgently.

Mr. Corlett.

4222. My difficulty is that this panel of three is to advise the Minister or to advise the Department as to purchases?—Yes.

4223. How can they advise if they do not know the stocks and the prices you are paying?—I think that trouble is common to all commodities dealt with by the Ministry, that we do not disclose stocks, and it just is not possible to give them that additional information.

4224. Let me concede that. We are concerned now, surely, with your statement that the head of the particular department is not an expert?—That is quite true; but, if I may say so, where the trade's knowledge is so very valuable is in regard to the quality of the stock and how we should store it and so on, so that it will be available; but when it comes to a question of the exact timing of purchases their opinion may be one that we cannot very well accept because we may have found out something ourselves. We weigh up what they say, and then we decide on this question of timing. It is only on that question that there seem to be objections, because when it comes to the question as to what cocoa they shall have and what quality, as far as I am aware they have got no objection.

4225. It is deeper than that, it is much deeper. They say: "How can we advise you, and we are there for that particular purpose to advise you with regard to purchases?" How can they advise you when they are not allowed to know the stocks or prices?—Well, I am afraid I must say that I know that that difficulty does exist, but I think it is possible for them nevertheless to form a view of the market, and to say: "Well, assuming that your stock position is satisfactory, we think you should buy now," or "perhaps you should wait," or "if you happen to be very tight, buy now." In fact, they can, it seems to me, advise quite satisfactorily, perhaps not knowing as fully as they would like to know what the position is, but making certain assumptions with regard to stocks.

4226. But there is a sense of frustration. Cannot you impose secrecy upon all three of them? Surely they would be prepared to accept that? But at the moment they do not feel that they are doing their job, they have no information at their disposal on which to be able to advise you?—It has been considered, and the view of the Ministry has been that it would make our position rather difficult and that it is better to continue as we are going. The manufacturers themselves have not been able to say (of course, I realise all the difficulties involved) that our buying has been unsatisfactory; in fact, as far as I understand, they believe that we have done quite a good job.

4227. I want to be quite clear on this. These people are not feeling that they are advising you in the way they would like to advise you. I insist they feel that they have not got the information, and they cannot see why they should not be put

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under a pledge of secrecy. You cannot go outside and say that you are being advised by experts when they feel they are not competent to advise you because they have not got the information on which they really could advise you?—(Mr. Bailey.) I think we must accept it that that is their feeling, but there are considerations on the other side; Mr. Day has given expression to some of them. One that has particularly concerned my department of the Ministry has been financial policy, and to go deeply with the Advisory Panel into the price to be paid, the stock to be bought, the programme of distribution and the release price, would be going quite a long way. That is what it would come to in the end.

Mr. Corlett.] Very well, I will leave that.

Mr. York.

4228. One question on that. Are there similar Advisory Panels working in exactly the same conditions in each of the other Divisions?—There is a large number of Advisory Panels working under these conditions.

4229. Do they find the same difficulties as the Cocoa Advisory Panel?—They may; I do not know, personally.

4230. They have not expressed an opinion?—I have not heard of a similar complaint in respect of other Divisions.

Mr. Yates.

4231. Why is it necessary to impose this secrecy? The trade accepted it during the war, when conditions were different, but what would be the purpose of it now?—I think the Minister has often answered that in the House in respect of stocks. Mr. Day has said, indeed, that to disclose one's stock position would be to put in the hands of one's seller a card that he would not have in an ordinary trading operation.

Mr. York.

4232. Surely that is not an answer to the question?—If it is not an answer, I am sorry.

4233. What I mean is that Mr. Yates was asking why in the case of the Advisory Panels this secrecy arose?—I was going on from the stocks position to endeavour to state our difficulties in respect of price.

4234. I beg your pardon?—It is a standing rule of the Ministry not to make any disclosure of its cost, but only disclosure of its release or selling price. That is normal commercial practice; otherwise we would be injected into a field of dispute as to the margin between our cost and our selling price for no good reason, because the ultimate responsibility for that must be Ministerial.

Chairman.

4235. If you went as far as I believe has been suggested, these bodies would in effect

cease to be advisory bodies, would they not, and would automatically become, or tend to become, executive bodies, playing a part in the actual purchase?—That, I think, would happen; they would become part of the body politic which is the Ministry of Food, and I do not know that we are ready to throw our price policy into dispute or argument with the trade interests in that way.

Mr. York.

4236. To follow your question, Mr. Chairman, they would still be only advisory, would they not? I do not quite follow how you can say that an advisory body, whose advice you need not take, could become an executive body?—True, they would remain advisory bodies, but in practice the subjects that I have mentioned would be thrown into dispute.

4237. But only amongst the three people concerned, surely?—Perhaps only amongst those three people concerned, certainly if they were put under a pledge of secrecy, but the time that that would consume would be quite remarkable over the whole field of the Ministry's operations.

4238. When you said it would put the Ministry into a state of dispute with the trade, surely that is not quite accurate?—These Advisory Panels are drawn from the trade, and there must, therefore, be limits to the field of their activities, and limits, therefore, to the extent to which we call upon them for advice. Our selling prices in the last resort stem from our subsidy policy, and that is a comprehensive operation which cannot even be entrusted to the Divisions of the Ministry in the sense that they cannot have the last word on it.

Mr. Corlett.

4239. You are concerned, of course, as a Ministry with procurement?—(Mr. Day.) Yes.

4240. And although it is a Colonial Office procurement it is impossible to prevent falling supplies?—Yes.

4241. Now, with regard to falling supplies, they dropped from 300,000 tons to 200,000, which is a drop of one-third, from West Africa. That is a very serious problem, and it means that in twenty years there will not be any supplies at the present rate from West Africa, so that if you are interested as a Ministry in procurement you are also interested in maintaining supplies?—(Mr. Bailey.) That is why I said the Minister of Food took an interest in and played a part in the consideration of the swollen shoot disease problem.

4242. What contact is there between you and the Colonial Office to see that supplies are stimulated?—Constant contact.

4243. Apart from this £9 million which the Marketing Board has been giving as compensation, and the natives have stopped

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cutting down, as you know, in April, and the disease is spreading at the rate of 35 million trees a year, and there are 40 million already affected, what is the Ministry doing in regard to that through the Colonial Office?—(Mr. Day.) We have made very strong recommendations on this question and adopted every means possible to correct or to mitigate the effects of the swollen shoot disease, but I think I should mention that the position as now assessed in West Africa is not quite so black as it was before. They had a good crop for 1948-49, and it is very difficult to say what will happen next time, but it is thought that the crop may be over 300,000 tons again.

4244. But that does not get away from the fact that this mealie bug travels from infected trees to healthy trees, which means that the infected tree must come down?—Yes.

4245. And by the end of 1949 the estimate is that 40 million trees will be affected?—(Mr. Bailey.) I have said that we are not indifferent to that, that we are very interested in it, and His Majesty's Government, through the due agencies, first and foremost of which is the Colonial Office, is playing a very active part in the eradication of that disease. Scientists have been sent out to West Africa, and the Minister of Food, both by himself and through his officials, is in constant consultation with the Colonial Office in that regard. Equally, the manufacturers have been brought into the picture and have given their well-considered advice. The business does not stop at advice: there are active steps being taken.

4246. Yes, I know. I think that Dr. Danquah is making a political issue out of it, and I know it is not going to be easy to get these natives to cut down these trees. The manufacturers, I am certain myself, feel that they could play a far more active part than the Ministry of Food, since they would be on the spot?—They have played an active part in the consultations. (Mr. Day.) And still are.

4247. Yes, I agree. Now, suppose this disease is going to spread, as it is spreading, what is going to be the position when you remove control; what sort of supplies are the manufacturers going to be faced with?—(Mr. Bailey.) The disease is not due to our control.

Chairman.

4248. We ought not to put to the present witnesses questions which are more appropriate to witnesses from the Colonial Office. May I put this general question: Are the Ministry of Food taking any steps which are preventing the manufacturers taking such action as they might have taken before the war?—(Mr. Day.) I would say very definitely no. It has always been our policy

to co-operate in all these matters with the manufacturers and encourage them to state their views, and to help them in putting the case strongly to the Colonial Office, making full use of their skilled knowledge. But on this question of West Africa, if I may just go back for one moment, it does not seem to me now to be thought quite so desperately serious as it was thought to be a month or two ago. There has been a certain amount of new planting, and perhaps the disease has not caused so much damage as was thought, and the view taken is slightly more optimistic than it was. I am not saying that is a completely satisfactory answer to what you have said, but what I mean is that the matter is under very active consideration and, as I say, the position is perhaps not thought to be so black as it was.

Mr. Corlett.] I have read the scientists' Report, and it is black, definitely black.

Chairman.] I think we ought to leave the matter there.

Mr. Corlett.

4249. Before the war these manufacturers went direct to the producers. Now they cannot. You stand between them and the producers, so that they can do nothing about it?—In effect we do not stand between them, because there is a Consultative Committee set up by the Colonial Office, and they make freely all representations they wish to this Committee. As I say, the matter is under constant discussion. They could not put any more pressure if we were not there. We help them all we can because it is our responsibility to see that ample supplies come here. So that it is not a case of restricting in any way. They themselves are not able to take the steps that they might have taken pre-war, when they might have gone out through their own agencies and done something, but they have got the statutory Boards there, and that cannot be altered, because that is not the concern of the Ministry of Food.

4250. But the time will come when the manufacturers in this country will have to agree to deal with the producers through the Marketing Boards. That time will come?—On this particular subject they are already in that position.

4251. No, they deal through the Ministry of Food?—We do not stand between them; we allow them to state their views freely.

4252. But you buy from the Marketing Boards?—Yes; but this is because of this Consultative Committee and the Colonial Office, who put pressure on the Boards as distinct from the selling organisation with which we deal. This is not a question of the buying or selling of cocoa as such, it is a question of the organisation of the industry, if I may put it in that way. That is the question. The Ministry just does not stand in between.

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4253. But you buy and you allocate to the manufacturers?—Yes; but, if I may say so, these discussions do not take place in connection with buying.

4254. The manufacturers in this country have no contact with the Marketing Boards?—They have contact with this Consultative Committee, which is a Committee which influences the general policy of these Boards. The people whom we contact are the selling organisation; they deal with sales; but it is not their responsibility to see that preventive measures are taken in West Africa; that is the responsibility of the parent Boards, and the Consultative Committee, though the Colonial Office, take what steps are necessary to get the parent Boards to take action. In regard to those steps, we do not interpose any wall or stage between the manufacturers and the organisation that is responsible for improving production or taking measures for eradicating disease.

4255. Would you tell me what we mean by not allowing manufacturers to purchase privately from the West African Marketing Boards?—If I may say so, that is a question which is right off the subject we have been discussing; it is back on to price.

4256. No, it is the same thing. When I said that you stood between the manufacturers and the producers—?—Only when it comes to a question of buying. We consider that we have obtained our cocoa on as satisfactory terms as, if not better terms than, any other buyer, but cocoa is still substantially in short supply, and we feel that no advantage could be gained by the manufacturers conducting direct negotiations.

4257. Do the Ministry buy more cheaply than the manufacturers could buy?—On an average I would consider that they do. If a number of manufacturers were buying, say eighty manufacturers—and the industry is split up into fairly well defined firms; there is one very big organisation—that organisation of manufacturers would buy in big quantities, and getting down to the small manufacturers they would buy in very small quantities. Some of them might happen to hit the market at the right time and buy at a good price; but in buying as far as the country as a whole is concerned it is an average price that we are interested in.

4258. But you sell to the manufacturers and they allocate amongst themselves, do they not?—No, we sell direct to manufacturers.

4259. Not as an Association?—Not to the Association.

4260. You allocate to individual buyers?—Yes.

4261. Then may I ask you this question? It came up before. The United States really

fix the world price to somebody?—I said they were the main influence in the world price, but their prices have nothing to do with the prices we fix in this country.

4262. But if they are prepared, as they are, to compete in the buying, they have no Association and they have no Ministry Department buying, and if manufacturers in America compete in the buying of supplies they force the price up?—Yes, they have undoubtedly done that.

4263. That is to you?—Yes.

4264. So that they force the price up to the manufacturers?—They have.

4265. So that if the Americans formed an Association for bulk buying they would not be forcing the world price up as they are doing today?—That might be said to be the case if they did form such an Association to stabilise prices.

4266. Because you are paying more because they are prepared to pay more?—In effect, yes.

4267. The Marketing Board has to sell to anybody who comes along, to America and to you?—Yes.

4268-9. If you are going to take off controls, as you may do at some time, then the manufacturers should know much more about the world they have to face, with a falling supply of cocoa in West Africa; they are having no chance of getting ready to do that?—(Mr. Bailey.) I think there is very little in the world they have to face that manufacturers do not know.

Chairman.] I think Mr. Corlett should enlighten them!

Mr. Corlett.

4270. They do not want any enlightenment, but they do want to know what are the prospects they have to face; they do not know now because you do not tell them?—(Mr. Day.) I think they know a lot, because most of these manufacturers, the bigger ones certainly, are buying cocoa for their overseas connections, so that they know about the position and how cocoa is obtained from the West African Boards. The only thing they do not know is what stocks the Ministry hold.

4271. And what price you pay?—Yes.

4272. Those are the two vital things?—(Mr. Bailey.) They are indeed; they would very much like to know all about them, but we are not prepared to tell them.

Mr. Barton.

4273. Have Colonial producers a near world monopoly?—(Mr. Day.) The production of the Boards, taking the 1948-49 estimated world supply of approximately 702,000 tons, represents 386,000 tons, that is our production in British West Africa, so

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that it means rather more than half the world's available supply, and therefore that puts West Africa in a very strong position.

Mr. Corlett.] I thought it was somewhere about 55 per cent.

Mr. Barton.

4274. And all the rest is from South American producers?—No. I have got the figures available here before me. Brazil is responsible for about 120,000 tons; French West Africa for approximately 78,000 tons; Latin American countries 77,000 tons; British West Indies about 11,000 tons; and the remainder is supplies from quite a variety, the most important of which is Spanish Guinea, 14,000 tons.

4275. Two-thirds of the supplies come from the Colonies actually?—No, not quite, but near enough.

Chairman.] Before we leave cocoa, may I thank Mr. Day very much for the assistance he has rendered to the Sub-Committee? I now understand that Mr. York has one or two questions to put to Mr. Bailey in regard to tea and sugar.

Mr. York.

4276. May I ask Mr. Bailey this: Why are the purchase, importation and distribution of tea so much simpler and cheaper than of sugar?—(Mr. Bailey.) It would be simpler to answer that question if I agreed with the implications in it, but I do not think it accords with the facts. Tea is not less costly to handle than sugar. The total cost of handling sugar may be greater, but that is because there is very much more sugar than tea in tonnage. The consumption of tea is 170,000 tons a year, while the consumption of sugar is 2 million odd tons a year. Freight, insurance and landing charges on sugar total £6 millions as against only £2½ millions for tea. It is obvious that freight and landing charges, for instance, calculated as they are upon tonnage, must be much greater on a quantity of 2 million tons than they are on a quantity of 170,000 tons. The total freight, insurance and landing charges on sugar represents about £3 per ton, and over £16 for tea; in fact one cannot make any form of comparison between the costs of commodities which differ so much. For instance, tea is a commodity which arrives already processed, apart from blending, and has a very high value in relation to its weight. Sugar arrives dirty, in the raw state, and has to be refined, and its bulk is great in relation to its value.

4277. I am really referring to Schedule A in the paper you gave us on Sugar Estimates and Expenses. I was referring to those figures at the bottom in the line which reads: "Add expenses per Schedule B"?—Yes.

4278. That is, expenses other than freight, etc.?—I think that is the question you put at the last session, in another form.

4279. Yes?—Upon that, we have undertaken to put in a paper analysing your figures and drawing out all the factors of comparison as best we can. I have not had time to do it since our last session.

4280. In effect you do not believe it is either simpler or cheaper?—No, not on the figures and facts that have been put before me.

4281. The second question is rather hypothetical, but one which might be of value for you to consider. Has the Ministry considered the possibility of having one or two national blends of tea for sale at a subsidised price, allowing other blends to be sold at unsubsidised prices?—Yes, many times, but the idea has always been rejected.

4282. On grounds of high policy or on practical grounds?—On practical grounds. I could give them if you wished.

4283. I do not think we need them. Then the third question is: What is the average cost per lb. of tea purchased?—The average cost in the year with which we have been concerned, in 1948-49, was f.o.b. 31.44d. per lb., landed into warehouse 39.24d. per lb. That latter figure includes 6d. duty per lb. For the year 1949-50 the f.o.b. average cost is 32.50d. per lb., and the cost landed into warehouse is 34.30d. per lb. That figure is exclusive of the 6d. duty to which I referred earlier.

Mr. Barton.

4284. Does the Ministry act as a tea blender?—No, that is done by the trade.

Chairman.

4285. Mr. Bailey, I am optimistic enough to believe that we may have reached the end of our inquiries. I am sure that my colleagues will consider me most uncharitable if I do not record how greatly indebted we are to you for the assistance you have given to us, and to say that there is a very real sense of appreciation amongst us of the way in which you have led us through a most complicated and difficult topic?—Thank you very much, Mr. Chairman. It has been a great pleasure to attend so often before the Sub-Committee.

The Witnesses withdrew.

Adjourned till Tuesday, 12th July.

TUESDAY, 12TH JULY, 1949.

Members Present:

MR. NIALL MACPHERSON (in the Chair).

Viscount Hinchingsbrooke.
Mr. Kirby.Mr. Yates.
Mr. York.

Mr. E. E. BAILEY, C.B.E., Principal Finance Officer, and Mr. J. D. WEBSTER, Director of Trading Accounts, Ministry of Food, called in and examined.

In the absence of the Chairman, Mr. NIALL MACPHERSON was called to the Chair.

Chairman.

4286. We are sorry to have to ask you to come before us again, Mr. Bailey, but we are always happy to see you. Mr. Webster, I do not think you have appeared before this Sub-Committee before?—(Mr. Webster.) No, Sir.

4287. Will you tell us what your functions are?—I am the Director of the Trading Accounts Division.

4288. As covering the whole of the trading accounts?—Yes, the general accounts of the Ministry.

4289. Not any specific section?—No.

4290. The main purpose for which we have asked you to come back is to try to sort out to a certain extent the actual cost of rationing, but before I put questions in that regard to you, I wonder, Mr. Bailey, if you could enlighten us a little further in regard to the payments that are made to millers. In the Estimates a very considerable sum is shown; I think the full amount is of the order of £79 millions as being paid to millers, and I wonder if you could comment on that amount, and in particular say of that amount what is the sum that is actually retained by the millers as opposed to advances and so forth? Is it possible to say what is their margin?—(Mr. Bailey.) Yes. The sum which was actually retained by them in 1948-49 was £4½ millions, which compares with £4¼ millions, their margin of profit pre-war.

4291. How does the turnover in each case compare—or the throughput?—The pre-war figure of £4¼ millions represents a profit on turnover of 9 per cent. The 1948-49 figure of £4½ millions represents a profit of 4.6 per cent. on turnover at subsidised prices and of about half that at unsubsidised prices.

4292. Is it possible to say in each case what the actual throughput was in weight?—The actual turnover pre-war was £47 millions; in 1948-49 £98 millions at subsidised prices, and £191½ millions at unsubsidised prices.

4293. Have you actually got the weight figures as well as the value figures?—Not before me.

4294. Would it be true to say that weight has increased considerably?—Yes, it has increased considerably, and, as I said to the

Sub-Committee on an earlier occasion, the millers received a small excess production remuneration in respect of that increase, but basically the millers receive their pre-war profit.

4295. Now, if I may turn to the question of rationing, the point we had in mind principally, Mr. Bailey, was to try to arrive at a total cost of rationing entering into the subsidy, and we would like your guidance on the extent to which it would be possible to separate that out for each product, what the difficulties would be, and how far it is possible to attribute expenses towards rationing of each product, and what is the residue that must enter into a central pool, and how that could be divided out?—I think, to answer that question, I must first tell you how we allocate overhead expenses today. I apologise for the slight complexity of the subject, which may make it necessary for me to be rather long. Overheads are divided into four categories for the purposes of this allocation. The overheads are (I will give them letters) A, port etc. organisations, such as these Port Area Grain Committees, for instance, that we have been talking about on other occasions; B, buffer and sub-depot storage, salvage, etc.; C, headquarters expenses; and D, Divisional and Local Food Office expenses. There is not very much difficulty in allocating between commodities, if there is any difficulty at all, that part of the overhead expenses which relates to the port organisations; expenses in regard to the Port Area Grain Committees go on to the cost of cereals; nor is there, I think, any difficulty in allocating, between commodities, Item B, buffer and sub-depot storage, salvage, etc.

4296. May I interrupt there and ask if there is not only no difficulty but if it is in fact done at present?—It is in fact done at present. When we come to the headquarters expenses, of course, it is not quite so simple. We allocate those expenses on an arbitrary principle. We allocate them to the Commodity Divisions, that is to say, in effect to the commodities, by reference to the aggregate number of employees in each Division.

Viscount Hinchingsbrooke.

4297. Could Mr. Bailey here indicate broadly the nature of the overheads? Does it in any way reflect the subsidy as well as

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[Continued.]

the salaries of officials?—It reflects the salaries, Subhead A, and the other forms of administrative expenditure; under Subhead B, travelling and incidental expenses; and C, miscellaneous expenses, special services, etc.; so that it goes wider than purely salaries.

4298. But there is no element of subsidy in the overheads as you are now disclosing them?—That perhaps is open to question. After all, the subsidies are the trading losses of the Ministry deliberately incurred, and headquarters is busy trading, so that the salaries of the staff engaged in that operation can be said, I think, to be directly attributable to subsidies.

Chairman.

4299. May I ask also the division that is at present being made on the basis of the aggregate of employees? Is that a division which has always been made?—No.

4300. When was the change made?—The change was made first in respect of the year 1948-49. Prior to that date the Ministry's overhead expenses were allocated between Commodity Divisions by reference to the estimated money turnover of each Division, adjusted to a wholesale-retail basis—in other words, the whole global amount of the overheads was so allocated.

4301. So that if you had a product of high value which required few employees to handle it, it would be burdened with a relatively high overhead?—It would, prior to 1948-49.

4302. What was the particular effect of that on commodities as between one commodity and another?—It would swell the subsidy in relation to that particular commodity more than was justifiable, and it was because of that, and indeed because of equity between Divisions in respect of the overheads, that we adopted this rather more complicated system of allocation in 1948-49.

4303. To take a particular product, for example tea, I suppose, would suffer in that regard, would it?—Yes, it is a high value commodity; but the exact answer would depend upon the number of staff that is engaged.

4304. It might also have a low number of people handling it?—It might have, but it would not necessarily have a low number of people handling it.

4305. As between one commodity and another, can you say what effect it had and what the purpose of the change was? Did you feel that the incidence on some particular product was too heavy?—Yes, we did in general, and perhaps I could ask Mr. Webster to answer that question in particular. (Mr. Webster.) With the great increase in food subsidies we came to the conclusion that food subsidies meant artificially low prices for certain commodities, and we felt that we could do better

than allocate overheads by reference to money turnover on those commodities. To take an extreme example, we were actually giving away certain welfare foods—there was no turnover there in money—but welfare foods did take quite a reasonably large proportion of the Local Food Office expenditure, and there we had got to attribute, say, 10 per cent. or 15 per cent.—I do not quite know what the figure is without referring to papers, but a reasonably large figure—to this welfare foods organisation, which we simply could not do by reference to money turnover. Therefore we came to the conclusion that it was a false way of doing it; there were other anomalies, but this was the most obvious one, and therefore we looked around for something which was fairer, and I think we have got something which is more accurate and makes a fairer allocation.

4306. Do the B and C items under Subhead II roughly correspond to the division of salaries? I take it they are divided out again on the basis of the number of staff employed?—Yes.

4307. They are not in respect of particular products on behalf of which the expenditure was incurred?—No.

4308. Do they correspond in proportion roughly to the division of Subhead A on the basis of salaries?—Roughly, I think, yes. The Miscellaneous would include legal expenses, audit expenses and all that type of thing. It is fair, broadly speaking, to say that headquarters expenses are all allocated in the same way.

4309. Are you, then, satisfied with this present method of division of headquarters expenses?—(Mr. Bailey.) We are continuing to apply it in default of a better.

4310. There is no question of change at the moment?—Not on that head.

4311. Might we now pass on to heading D?—Yes. Item D is divisional and local Food Office expenses. That is the one in which I think the Sub-Committee is most interested, although I should point out that rationing is in some part at any rate also dealt with at headquarters. Now, the subdivision of Divisional and Local Food Office expenses has given us a good deal of trouble, that is to say, subdivision between commodities or Commodity Divisions for the purpose of the trading accounts of the Ministry. We adopted a scheme in respect of 1948-49, and have now had to modify it in retrospect; in other words, the accounts will be upon the basis of the modified scheme, so that without going into the former scheme which was abortive, perhaps I can say how we propose to allocate Item D between the Commodity Divisions in respect of the 1948-49 accounts and also in respect of the 1949-50 accounts when they come to be prepared.

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[Continued.]

4312. When you say the previous scheme was abortive, do you mean it was never in fact applied to the accounts?—I find that I am in error in saying we are going back on the first scheme. We will use it for 1948-49 but apply the new one for 1949-50. A survey which was recently carried out by the Establishment Department of the Ministry has made a division of the time spent in Divisional Food Offices and Local Food Offices on the various activities, and it emerges from that survey that rationed commodities consumed 36 per cent. of the time of these officers; points rationed commodities 15 per cent.; welfare foods, including milk in schools, free and assisted milk, 16.5 per cent.; milk, 13.5 per cent.; soap, 7 per cent.; animal feedingstuffs, 2 per cent.; and the activities which we conduct for the Registrar-General, National Registration, 10 per cent. Those figures total 100 per cent., of course, and apply to the whole of the expenses in question, which for the year 1949-50 are £11.5 million; that gives the appropriate figure for each activity. I should explain that the figure of £11.5 million is the estimate for 1949-50 and is not identical with the figure in the Estimates, because there is a charge for the value of services rendered without cash adjustment between Departments; that is, for the purpose of our Trading Accounts we charge services rendered without cash adjustments as part of our overheads.

4313. In that case the figure for the Estimates should be higher?—No, because no cash passes. Here we are concerned with the Trading Accounts division of overheads, and it is appropriate to charge the services that you render even though cash does not have to pass, just as it is appropriate to bring into the account the services that you receive without cash adjustment.

4314. I find the logic of that a little difficult to understand, because surely that would be a question of dividing out cash actually charged rather than raising additional notional charges for work that has been done. The figure I have before me is £9,362,000. Is that right?—I think that would be it. Are you looking at the Estimates?

4315. Yes, on page 48 of the Estimates for 1949-50?—Yes.

4316. That presumably is the total of salaries paid, and it seems a little illogical to make further charges rather than to pass a proportion of those charges to the Department on whose behalf the amount had been incurred?—(Mr. Webster.) I do not think we have perhaps made ourselves quite clear. The cash payments for salaries are, as you have said, £9,362,000. In addition to that, there is the telephone for which we do not pay; there is postage for which we do pay; and there is quite a bit of Stationery Office work that goes on their Vote for which we do not pay. To ignore those in our accounts would be to show an entirely false

position to the tune of perhaps £2 million or £3 million. Therefore, in our trading accounts we provide for them. In our overheads we provide for them, and although we do not pay, what we do in fact put into our books is a charge for postage and telephones, etc., say, £1½ million, for the whole of the Ministry throughout the country for the year, and credit notionally in our books the Postmaster-General. Therefore, there is a charge which has to be spread, quite properly, as an ordinary business organisation, in the overheads, and that is the reason why the overhead expenses are actually higher than cash payments, because there are a lot of overheads that are not paid in cash.

4317. But there is an element of actual material as well as of service in the charge; for example, when the Stationery Office supplies ration books is an actual charge made, and, if so, where is that borne?—That is not an actual charge; that is a notional charge. It is in the overheads, but it is not in the cash Estimates because it falls on the Stationery Office Vote.

4318. What is the cost of printing ration books?—I am afraid I should need notice of that question. I could not say what that is as distinct from our other stationery without notice. We could easily find out.

4319. In point of fact that could be actually costed, and presumably is costed, by the Stationery Department, and they inform you what the actual cost is?—They could; they could produce a reasonably near estimate, anyway.

4320. I should be obliged if we could have that estimate of the cost of ration books?—Just printing the ration books, ignoring clothing books, which, of course, does not apply now, though it did then, but it might be difficult to split it up.

4321. If it could be split up it would be an advantage?—Yes.

4322. Perhaps Mr. Bailey would now continue?—(Mr. Bailey.) What I have been speaking of is the subdivision of overheads for the purpose of the trading accounts of the Ministry, that is to say, the sub-allocation between the Commodity Divisions for the purposes of our own trading accounts, which are published, of the total of overheads borne by the Ministry in respect of all its operations. In the result all of those overheads are, therefore, charged to the subsidy total; they form part of it; and against that background I think what you would wish me to address myself to is whether some part of that total in regard to rationing could be reasonably segregated and isolated, reasonably excluded, in other words. Is not that the question?

4323. So far we have got a division down to certain items, for example, milk is shown separately, and soap is shown separately.

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Then there is a residual composite item for rationed commodities and for points rationed commodities. Is there any further division of those?—No. The reason why I have given this background is this, that the subdivision that I have explained is a commodity-wise subdivision, not so much a subdivision related to rationing, although the first item of the subdivision is rationed commodities. Now, that itself will be subdivided for the purpose of allocation. It will be split, this item which is 36 per cent. of the total expenses, pro rata over the full range of rationed foods—

4324. Pro rata in relation to turnover?—(Mr. Webster.) As Mr. Bailey has mentioned, experience shows that actual variations in the cost of the administration of these straight rationed foods, such as bacon, tea, sugar and other basic foods, varies very little between commodities, and for that reason we, taking a fairly broad view, are allocating the proportion of 36 per cent. which was mentioned equally over the number of rationed commodities.

4325. How many rationed commodities are there concerned?—There are meat, tea, sugar, margarine, butter, cheese, eggs, cooking fats and bacon.

4326. The turnover as between one and another does in fact vary very considerably. Do I understand correctly that in spite of that each product is debited with an equal amount to any other product, or is it equal in relation to turnover?—No, there is no relation to turnover at all. In practice it does not much matter whether the ration is 1 oz. or 2 ozs., the rationing administration costs much the same. It is a question of coupons and designing of coupons, and handling them in the proper way, and it does not make any difference. You have still got a piece of paper which is worth either 1, 2 or 8 ozs.

4327. What happens when a product is taken off the ration?—If a basic foodstuff is removed from the ration it simply means, or it would mean in practice, that the cost of rationing itself is diminished, and the lower cost is then spread over the rationed commodities that remain.

4328. But is it a fact that the cost of rationing is diminished in every case? Would it in fact be so, and at what level would it apply—both to the Local as well as the Divisional Food Offices? I can understand it applying to the Divisional Food Offices, but would it also apply to the Local Food Offices?—(Mr. Bailey.) Yes, in respect of each removal from rationing there is an estimated saving of staff.

4329. Would it be possible to say, for example, how much is being saved by the stopping of the rationing of sweets?—I think the Minister has given a figure to the House. From recollection, I think it was some 300 or 400.

4330. In personnel?—Yes. (Mr. Webster.) In practice that would not mean a saving in the very smallest Food Offices, but it might well mean a saving of one or more in the very biggest.

Viscount Hinchinbrooke.

4331. Does that conclude Mr. Bailey's general exposition of the subject?—(Mr. Bailey.) Yes, I think that is all I have to say about it, though perhaps I should add one last remark, and that is that in respect of points rationed foods, which bear 15 per cent. of the total overheads with which we are concerned, the cost is intended to be split by reference to the estimated money turnover expressed on a wholesale-retail basis. That means to say that the price is adjusted to the price from the wholesaler to the retailer.

4332. I think we have got to a position where we can ascertain the cost of administering rationed commodities completely in the case of Local Food Offices and in the case of the headquarters of the Ministry, where it is subdivided according to commodities?—Perhaps not quite that. We are able to isolate that part of the Divisional and Local Food Offices' costs which is applicable to the straight rationed commodities and to points rationed commodities. I do not think anything that I have said would imply that we have any similar attribution in respect of headquarters expenses, except that the headquarters expenses are, of course, themselves subdivided by the Divisions, or at least some part of them is.

4333. What we are trying to find out is whether it is possible to saddle a particular rationed commodity with the total expenditure of the Ministry of Food or through its headquarters, Divisional and Local Offices, and so far I am clear that we can do that for the Local Food Offices and the Divisional Food Offices?—Yes.

4334. And I should have thought it would have been possible to do it in regard to headquarters also, because, as you say, it is now divided according to commodities?—But there is one point, if I may comment upon that, which is common to both these propositions, and that is that one is assuming that all of the cost of Divisional and Local Food Offices and of headquarters offices which is attributable to a particular rationed commodity is attributable to the rationing of that commodity.

Chairman.

4335. In other words, certain expenses would be incurred even if it were not rationed?—Yes, indeed, expenses of trading and distribution through some other means than rationing, perhaps. There might be—indeed it is probable that there would be—a much heavier fall in Divisional and Local Food Office costs under conditions

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of no rationing of that commodity than there would be in headquarters expenses, although there would be some fall there, too.

4336. You are assuming that the Ministry of Food would continue to handle that product even after it were derationed?—For the purpose of the argument I am assuming that.

Viscount *Hinchinbrooke*.

4337. What about Item B, buffer and sub-depot stores?—That is allocated between commodities which are so stored.

4338. Can you analyse the expenditure there, that is to say, salaries and travelling expenses and so on, as between different rationed commodities?—(Mr. *Webster*.) Yes. The expenses of buffer and sub-depots are really expenses such as rents and the costs of running those depots, and those we allocate proportionately over the foodstuffs that are stored in those depots. We know what we store and we know what the cost is, and we can split the money up over the actual commodities without a great deal of difficulty on a tonnage basis.

4339. Some of those commodities are rationed and others are not rationed. Is it possible to break it down so that we know the cost of administering those buffer and sub-depot stores related to individual rationed commodities?—Yes, that would be possible.

4340. You are not doing that now?—No, we are not doing it at all. There are difficulties I see in the way. I use this as an example that just occurs to me. In general we do not store wheat in buffer depots, but were we to store wheat it might not be possible to split that into rationed commodities, because wheat obviously goes into the production of rationed and unrationed commodities. (Mr. *Bailey*.) Might I say, by way of comment on the remark that has been made that we are not doing that now, that we do not seek to isolate the cost of rationing. This, as I have pointed out, is the allocation of overhead expenses commoditywise rather than functionwise.

4341. We do not want to recommend something which is administratively impossible, and that is why we have sought your evidence today, to see how far our theory is workable in practice. With regard to this port organisation, Item A, that is the Port Area Grain Committees which deal solely with cereals?—And all the other port organisations that deal with other commodities.

4342. Such as meat?—Yes, and butter and cheese, I suppose.

4343. Again, there, would it be possible to itemise the expenditure of these organisations by rationed commodities?—(Mr. *Webster*.) That would be a very arbitrary split indeed. Take, for instance, the port organisation of the Oils and Fats Division;

that handles oilseeds which might be turned into margarine, into soap, into cooking fat, or sold as oil to fish friers. You could not on any exact means split up the cost of the port organisation into rationed or unrationed commodities.

4344. Of course, that is clearly true, but you do have the figures over the last few years of how much of the fats stored in these port depots are in fact converted into margarine subsequently?—Yes.

4345. And the general run of business, so that it would be possible, would it not, to take the expenditure in the fats storage warehouses, or whatever they are, and say that by custom 20 or 30 or 40 per cent. has been turned into some particular rationed commodity?—Yes. That is going a very long way into it in practice. We have not got one, but twenty or thirty Commodity Divisions, most of which have port organisations, and many of them deal with rationed and unrationed commodities. It is going rather further into the subdivision than we have regarded our staff position as justifying, and you do get things like variation in ration; you have got a constant changing in the weighting, because you may have margarine 4 ozs. one week and 5 ozs. the next; it might change two or three times during the year. You get constantly varying weights.

4346. Does our purpose break down there—that whereas what we want to achieve can be achieved as regards Local and Divisional Food Offices and on headquarters staff and buffer and sub-depot stores, we come to grief when we tackle port organisation?—We have not really, have we, quite subdivided the headquarters into rationed and unrationed commodities; as Mr. *Bailey* said, we are doing it commoditywise. (Mr. *Bailey*.) I am inclined to think we might come to grief in practice even earlier, when we got to the port organisations. We have been considering what might be a more rational split of these overheads, and we have been working to it gradually; that is to say, we would seek to isolate that part of our overhead expenses which is attributable to trading, but that is a different concept altogether from seeking to isolate that part which is attributable to rationing. We would then put that part attributable to trading into the cost of subsidies, and we would exclude the remainder. It is true that if we could arrive at such a sub-division we would have to make some arbitrary splits; it would have to be done on a very broad basis. It might come in the end to something very similar to what has been discussed in respect of rationing. However, the whole subject is linked with the operation of an official committee which has been considering it. In the event I think that it would mean casting our whole trading operation on a different basis, which would require legislation, and I would ask the Sub-Committee's

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[Continued.]

permission not to go into details on that, since it is a subject for future legislation. That is the long and the short of it, that into the cost of subsidies would fall that part of our overheads which is attributable to our trading activities. I must be accurate in my terms. The balance of our overheads would not appear in our trading accounts as part of the subsidies; it would appear, of course, in our Vote and in our Appropriation Account.

Chairman.

4347. Is there not one difficulty involved there, in that a part of your overheads might in fact be incurred as a result of your handling certain products and yet not be attributable to trading, and therefore the result of your handling those products would be concealed?—I do not pretend that the allocation is without difficulty.

4348. I am sorry, but would you agree that there is a difficulty?—I am afraid I did not quite get the point you were making.

4349. What I had in mind was that on any given product perhaps only a portion of the charges incurred in connection with it would in fact be attributable to trading; in other words, there might be an additional part of that which would go into your general overheads, the remainder of which you said you would exclude. If that were so, and the rationing of that particular product stopped, there would then be a concealed portion which it would be difficult to get at. To reduce the thing to a small question: Would all the charges attributable to the product in which you were trading be treated as attributable to trading?—No, only some part thereof. The split would be made upon an arbitrary basis, and the balance which would be excluded from our trading accounts would appear in the Vote and Appropriation Account.

4350. But not as attributable to that particular product; it would in fact be concealed?—It would be generalised; it would not be attributable to a particular commodity.

Chairman.] Thank you very much.

Mr. Yates.

4351. In regard to headquarters expenses, when you said that it was divided according to the aggregate number of employees in each Division, does that bear any reference to the amount of salaries and wages paid, or is it only the total number?—The total number; but by way of elaboration I might perhaps add that in that counting of heads is included all the staff not directly employed by us; the staff which is employed in this Port Area Grain Committee work and in other agents' offices is attributed to the Division concerned.

4352. So that actually a Division could incur a very considerable expenditure perhaps in excess of another Division, but its

numbers may be below, and therefore it would be a lesser charge?—It would be unlikely. The organisation of these Divisions is similar. The relationship of grades is similar; the number of clerks, for instance, is that number which is called for by the work; the number of higher officers is likewise the number called for by the work; and in the end I think that the fallacy that you see is more apparent than real.

4353. What would be the objection to taking the cost of labour in each case?—(Mr. Webster.) One of the difficulties would be that we do not know the precise salaries paid to the agents, because the Ministry do not pay the salaries. What we said was that, broadly speaking, the number of heads is a fair basis, because there are normally so many administrators, so many executives, so many clerks, that it is fair to split it like that, and we know all the salaries paid to Ministry employees, but obviously we do not know in the case of the agents. We do not pay their salaries. They are paid in various ways—it might be a lump sum or a commission—and to inquire into each salary paid to each man would be a big job, and the agents might well object.

Chairman.

4354. I wonder if I might shorten, perhaps, that part of the inquiry by asking whether it would be possible to let us have the total figures of heads of individuals on which the Division is based?—Easily, yes.

4355. And if you could show it, if I understood it correctly, it would then be in two columns, those who are directly employed by the Ministry and those who are indirectly employed?—Would you like it now or later on?

4356. It really depends on how long it is?—It is two figures.

4357. I was rather thinking as between the two?—(Mr. Bailey.) Perhaps we can give the detail later on?

4358. Yes?—(Mr. Webster.) With regard to the headquarters staff, the figure is 5,400, and the agency staff is 8,200. That is in round figures.

Chairman.] Thank you very much.

Mr. Yates.

4359. In regard to the subdivision of 36 per cent. rationed goods, I notice that you say 16 per cent. covers welfare foods and 13.5 per cent. for milk. How would you arrive at figures like that, and why should milk be a figure like that? It struck me as being very much bigger than welfare foods; it is coming into our homes every day. Why should milk bear 3 per cent. less?—(Mr. Bailey.) The answer is that the cost of distributing welfare foods falls on the Ministry and the cost of the distribution of milk falls on the trade and is paid for by the margin.

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Mr. York.

4360. Can I start at the port organisations? It strikes me that the whole of the cost of the port organisations is divorced from rationing. Would that be your view?—It depends where rationing begins and where it ends. I think we would agree with what you have just said, that no part of it is, except in theory, attributable to rationing, in the sense that our accounts treat it as part and parcel of our divisional operations. I am looking at our consolidated Profit and Loss Account. No item appears there for the cost of the port organisations. The costs of those organisations appear in the individual Commodity Divisions' trading accounts.

4361. Then as far as the subsidy is concerned the only cost which could be attributable to the subsidy would be that excess cost over and above what would be incurred if the Ministry of Food were not keeping its fingers in the pie?—I would say in answer to that that such costs as are attributable to trading are properly part of the subsidies. The subsidies are themselves the trading losses of the Ministry, and therefore I tend to think that the thing that we ought to be seeking to isolate is the cost of trading.

4362. No. I think perhaps I must give a little introduction. What I am trying to find out is whether there is not some point at which the only difference is the cost which is being incurred by the Ministry playing about with the trade and the cost which would be incurred if the trade were handling the whole thing by themselves. When we come to the port, it is obvious that if the Ministry were not constrained to do it and traders were moving the stuff into the port—if that were the position—then we could say that the subsidy comes into it if the costs which the Ministry have to pay are higher than that which would be borne if it were to be done by the trade. As we do not know what those figures are, and as we have no means of ascertaining them, we cannot say accurately at that point what the subsidy is?—I should be disposed to agree that we cannot accurately assess these respective costs. In the end, perhaps, it comes down to what you mean by subsidy. As I have said, we have regarded it as the trading loss. It is not a predetermined sum of money applied to a particular commodity.

Chairman.

4363. The reason why you regard it as a trading loss is because you are in fact handling products yourself, although it is possible to conceive of a subsidy on a product which the Ministry is not actually handling?—Yes. It would not be our present form of operation. This subject has in fact been debated in the Public Accounts Committee on at least two occasions, and perhaps with great regret the Public Accounts

Committee came to the conclusion that we could not distinguish in our accounts, or be expected to distinguish between, let us say, a deliberate subsidy and a subsidy incurred accidentally or through inefficiency.

Mr. York.

4364. Is it not true to say that supposing the Ministry of Food were not concerned at all until after the depot stage there could not be any element of subsidy in the port organisations?—They would not exist.

4365. Exactly?—I can concede your point there, because we would not be handling the commodity; we would not be trading in it.

4366. No, the costs which the Ministry of Food bear at the moment for the port authorities would in part be borne by the private traders, and that cost would be reflected in the price at which they were eventually sold?—I tend to think it would be borne in whole by the trade.

4367. And that you can say there is no possibility of a subsidy being incurred at the port organisation stage except when the Ministry of Food is dealing with the matter?—Or is trading in the commodity, bringing it in, handling it, and distributing it.

4368. Now, the same thing must, therefore, obviously be true in the buffer, sub-depot, storage and salvage group?—Yes.

4369. Also at that second stage there is no element of rationing?—That, I think, is more questionable. The form of the storage operation is affected by the needs of the rationing system.

4370. Is not that purely distribution—where you are going to send it on to after that stage?—I think it is a little difficult to distinguish so sharply between distribution and rationing. Rationing is a form of distribution.

4371. Yes; but the point I was making was that the trade would use the same sort of channels if the demands in the various localities were there instead of rationing?—They might well not use the same form of storage, if supply were in excess of demand, because the storage might well be less than it is under today's conditions, where you have to have an equitable distribution of a commodity throughout the whole of the country with a thin margin.

4372. But supposing supplies were greater, there would be the same form of distribution, and whether supplies were equal to each particular locality would depend upon the demand from those localities, and the same demand from the localities exists to-day. I cannot see where you can hold that rationing comes into this stage at all; I cannot see on what basis you maintain that rationing influences this stage?—I merely say that because this item is affected and indeed increased, I think, by the necessities of the rationing system.

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[Continued.]

4373. Is that an opinion or just a feeling, so to speak, or is it what you might call a scientific investigation?—It is a statement that is made to me frequently by Divisions, which I am prepared to accept.

4374. It is not an opinion, in other words?—No, it is not an opinion. (Mr. Webster.) If I might add a thought on that, when you have got a piece of paper which signifies 2 ozs. or 6 ozs. of a rationed commodity, and you have got a Government Department handling it, it is absolutely essential that the 6 ozs. shall be available at the right place to honour that document. If the trade were running it, it is not absolutely essential that those 6 ozs. shall be available to honour the document, because there is no document, and by and large the stock is not as heavy in widely separated places when the trade is running it. Added to that, when times are more normal there are more deliveries, and there is not as much difference in the country areas as there is today, with all these limitations on petrol, transport and that sort of thing.

4375. Although you do maintain that there is an element of rationing costs in the second stage, the storage stage, have you any idea at all as to the proportion of the cost?—(Mr. Bailey.) No, none.

4376. That is what makes me wonder why you are able to make that categorical statement that rationing does come into it, when you have no conception at all as to the proportion that rationing bears to it?—When I say I have no figure, I do not mean to say that one could not be got out by way of estimate. I have none present to my mind, but if one takes a commodity like imported meat, I think the Division would say that it is necessary to make a greater use of cold storage in today's conditions of supply and distribution than had to be made before the war, and I have no doubt that, perhaps with some difficulty, a figure could be got out for that excess cost. If that were not so we should not have had to build all these cold stores. What we did was done in order to guarantee the ration at each point in the country where it has to be met.

4377. It is not possible to work out a costing system up to the end of the depot and storage stage?—We would need a large staff to work out any system of that kind.

4378. It does not fall now into your present organisation of accountancy?—No.

4379. In the third category, the headquarters expenses, that includes all Parliamentary costs, does it not?—Yes, costs of general administration.

4380. Parliamentary control, answering Questions, preparing statistics and papers—that is all included?—Yes, and also, of course, the job of correlating the whole

activities of the Ministry with the economic needs of the country as represented by the various other Departments engaged in economic activities.

4381. I do not see any way myself of allocating the headquarters charges between rationing, the subsidy and the normal organisation. Do you?—I do not, but I should be more optimistic in respect of the allocation to trading; I do not pretend that it would be scientific, but some figure could be attributed to it, arbitrary as it might be.

4382. Then, in the last and fourth division, would it be true to say that when you gave us those percentages and those samples, except for the welfare schemes and the National Registration, the rest is due to rationing?—No, I do not think that I could accept that; indeed I anticipated the question to the extent of turning it over in my mind beforehand. To some extent rationing is the climate in which we trade, the conditions indeed of our trade. To take an absurd example, we might not be able to dispose of a particular commodity if it were not rationed.

4383. You would not like to accept that basis, and yet it does seem to me that rationed commodities and points milk and soap, must be the vast proportion of rationing?—It is perfectly true to say that all of these Divisional and Local Food Offices costs are attributable to control; whether they are attributable to rationing as such, treating control as synonymous with rationing, I must say I do not know.

4384. But by control you mean control of quantities and price?—Yes, licensing of all sorts.

Chairman.

4385. May I intervene to ask a specific question there? Supposing that the only product that was still rationed was meat, and, I would say, supposing also that all the other products that are at present rationed were still being controlled, would it be possible to make a division as between the rationing of meat and the handling of all the other products at the Divisional and Local Food Offices?—There might be no Divisional and Local Food Offices engaged in the operation.

Mr. York.

4386. Surely that must be so; you would not need Food Offices for rationing one commodity; that could be done by a pink form from London?—(Mr. Webster.) Or some other Department—that of National Insurance.

Chairman.

4387. That might be handling welfare foods and so forth?—Some arrangement of that sort might be possible.

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Mr. York.

4388. The welfare foods before the war, when there was no rationing, were handled by the Ministry of Agriculture, were they not?—(Mr. Bailey.) There were no welfare foods.

4389. Yes, the cheap milk?—The milk in schools, yes.

4390. The Ministry of Agriculture and the Ministry of Education did the whole thing through their normal organisation, and the meals, with the help of the local authorities; there was no need for Food Offices. If there were only the ordinary amount of rationing, the point I was interested in was this question of controls. Mr. Bailey, you said that a certain amount of cost of Local Food Offices was due to control, which might or might not include rationing, and I asked you whether it was a question of price or quantity. Could you explain why there is any cost due to control which is not attributable to rationing?—Price control is one aspect.

4391. Do you mean the inspectorate?—Yes, the inspectorate is one element in the enforcement of price control.

4392. Are they paid for by the Local Office, then?—Yes.

4393. I thought they were Head Office?—I think they are paid by the Divisional Offices.

Mr. Kirby.

4394. Would their salaries be chargeable to the Local Offices?—Yes, they form part of Item 6, A. I think they fall in Item 6 of Subhead A.

Mr. York.] They cannot be divorced from the cost of the Local Office.

Mr. Kirby.] I was trying to get at whether it was chargeable against Local Office administration expenses, or whether they act as agents on behalf of the Ministry, but the salary charge ultimately was borne against the Ministry at headquarters rather than against the finances of the Local Office.

Mr. York.] I gathered the answer to that was, No, that it was borne on the Local Office Vote.

Mr. Kirby.

4395. Yes, that is what I thought?—I would not like to be too definite about this. It may be in Item 3, Services Department.

Mr. York.

4396. In any case, control of the nature which you specify is not necessarily a charge that must be borne on the Local or Divisional Food Office; it could equally well be borne on the headquarters Vote, but paid for from London?—Yes, but there might still have to be staff in the areas. What I am thinking of is rather this, that if rationing were abolished there might still be a residuum of control functions performed in

the areas; but I cannot without going over the field specify what parts of the activities of Divisional and Local Offices would remain, but some might remain—how much I cannot say at the moment.

4397. To sum up, then, you do not think that Divisional and Local Food Office expenditure can be accurately subdivided into rationing, subsidy and control?—Certainly not; I do not think it is possible; indeed I think that the only split that is possible is that which we have made, which is, as I say, commoditywise.

4398. One further question about National Registration. Is that one of the sort of per contra entries that you make in your trading accounts?—(Mr. Webster.) That is the reverse of the one that I mentioned just now of postage, in which case we charge or debit our account with the cost, and then we credit the Postmaster-General. In this case we have paid in our accounts the proportion of these Divisional Offices on behalf of the Ministry of National Insurance, and we charge them and notionally receive a credit.

4399. But is it not necessary to keep an organisation for that purpose?—There are other Departments, presumably, who could be persuaded to do it. Since registration was started we have started National Insurance, which has offices nearly everywhere, and I have no doubt if there was no Ministry of Food some other means could be found of checking Registration Cards.

4400. Could they issue meat ration cards if only meat were left on the ration?—(Mr. Bailey.) It is possible. We should certainly not wish to maintain a top-heavy organisation for the purpose of rationing one commodity. We should seek means to avoid doing so.

Mr. Kirby.

4401. There would be difficulty with that, with the Ministry of National Insurance, for example, in so far as their records do not cover, say, children?—No. (Mr. Webster.) What about children's allowances? I think it would cover most children.

4402. I do not think they could cover all.—No, they would not cover the first one.

4403. Although that would be known to the Ministry of National Insurance?—Yes.

4404. But ages would come into it?—It would need a big change, but it would not be impossible.

4405. Then, again, if the issue of ration cards and so on were transferred to the Ministry of National Insurance, it would very largely mean that a proportion of Local Food Office staff now engaged in issuing cards would go over to them and so it would merely be a transfer?—(Mr. Bailey.) Yes.

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Chairman.

4406. Could I take up one or two questions? I would like to clarify a question that Mr. York referred to. What commodities have special organisations throughout the country to deal with them dependent directly on the headquarters of the Ministry?—(Mr. Webster.) You are thinking of the distribution of commodities.

4407. Animal foodstuffs might be an example—I do not know.—Yes; that is not an example, but there is an example in oils and fats, where the distribution of margarine and cooking fat is carried out by a trade organisation known as Marcom, Ltd., and there they take over stocks of margarine from the margarine factories that has been manufactured on behalf of the Ministry and distribute it, also on behalf of the Ministry, as agents. There is another organisation that distributes in a similar sort of way butter and cheese. (Mr. Bailey.) These are agents, I think, divisional or area.

4408. Yes; that was not quite what I meant.—There are some such, meat and fats come to my mind at once. We have very carefully examined the possibilities of merging this organisation with the Divisional Offices in particular and have carried the process as far as we think it can be carried.

4409. Would it be possible to let us have a note of any such organisations that you feel might be merged that do now still remain separate from the main channel of command, we might say, from headquarters down to the Local Food Offices?—Yes, we can certainly do that, since the subject has been under very active examination for at least two years past.

Mr. York.

4410. Could I just correct what I think may be a wrong question? Surely animal feedingstuffs is controlled by the area organisation?—I think it is.

4411. The County Committees control that?—Yes. (Mr. Webster.) I am afraid I misunderstood the question. When I said particularly for distribution I thought you meant physical distribution rather than rationing. That is perfectly true.

Chairman.

4412. I have another question to ask in regard to subhead D, advertising and publicity. Is it possible also to appropriate that to the various products that are advertised?—(Mr. Bailey.) I think it would be a very difficult sub-allocation.

4413. It is not done at all, in fact, is it?—No.

4414. I had in mind, for example, the cooking campaign of the Ministry of Food, which dealt more or less exclusively, if I

remember aright, with the use of certain products. That also would be treated as general expenditure?—Yes. Once you got on to this set of rails you could travel a long way.

4415. Yes. On the other hand, it is customarily done in business concerns to a large extent where you are dealing with particular commodities?—For the purpose of arriving at a costed basis of operation?

4416. Yes, and the purpose of finding out what the trading results on that particular commodity are?—On an itemised basis?

4417. Yes?—Whether that operation, which is rather expensive in accounting staff, is appropriate to a Government Department, I cannot say.

4418. There was one further item that arose in the course of debate in the House on the 1st June, when the Parliamentary Secretary to the Ministry of Agriculture was talking in terms of £40 million a year over five years which was provided by way of capital assistance to agriculture, that being, I understand, injected into the price?—Yes.

4419. Would that particular sum be shown in the accounts in any way? Have we taken cognisance of it in the course of our investigation?—It would appear, not specifically, but in the price settled at the February price review, and so in the price that we pay for home-produced commodities.

4420. How could it be consciously arrived at? It looks as if the suggestion is that £40 million more is paid per annum as a kind of additional margin on top of the normal price. How could that figure be arrived at?—The mechanics of the business were examined at the last session of the Public Accounts Committee, when the Accounting Officers of the Ministry of Food and of the Ministry of Agriculture were both present. I could only refer you to what was a lengthy discussion at that time.

4421. I am obliged. We shall have to look at that and take that also into account. If I may sum up in a word and ask you if you agree with this summary, you have been good enough to tell us how the costs have been divided out on a commodity basis as between the four main divisions, port organisation, buffer and sub-depot storage expenses and Divisional and Local Food Office expenses. Would it be fair to say that that division applies whether or not the commodity is rationed?—Yes, that is right, with the qualification that when one comes down to subdivision of Divisional and Local Food Office expenses account is taken of the fact that time is spent on rationed commodities represented by the figure of 36 per cent. which I gave.

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[Continued.]

4422. I did not mean to say that the fact of rationing was ignored, but merely that the division took into account as far as possible the time, or alternatively the labour, involved in the various products?—Yes. Mr. Webster reminds me that a non-rationed commodity like coffee, which does not concern Divisional and Local Food Offices at all, has no part of that expenditure allocated to it.

Viscount *Hinchinbrooke*.] Some of the cost of general rationing is pushed on to coffee, is it not?—That must be so.

Chairman.

4423. Take, for example, the Port Officer, where we were told that he handled both tea and coffee. To that extent what proportion would be allocated to coffee?—(Mr. *Webster*.) But we do not really regard that as a cost of rationing; that was a separate subhead, and that would certainly be charged to coffee, and so would a proportion of the expense of storage if the coffee was stored, but not a part of the Local Food Office, because coffee is not subject to any allocation or rationing procedure.

Mr. York.

4424. And requires no control by the Local Food Office or the Divisional Food Office?—(Mr. *Bailey*.) It is price controlled. That relates to the point I made earlier. There may be some activity in the areas in respect of that price control.

4425. But do in fact Divisional or Local Food Offices have anything to do with coffee or cocoa?—No; the enforcement inspector might; he might go into a shop where coffee was being sold and find it being sold above the controlled price and bring a prosecution.

Chairman.

4426. Am I right in thinking that so far these divisions have been based on the actual amounts and not on the Estimates, and in future will have to be made for the Estimates in the same way as they are now being made for the accounts—the divisions as between the different products?—They will not have any bearing on the Estimates.

4427. Is there any reason why they should not be shown there? Could an estimate be made of the division of overheads or of the division of the estimated overheads?—I doubt it. It is not of sufficient accuracy to be capable of that. If one looks at the Estimates, one finds that costs are merely set out by reference to the staff employed. I think this subdivision of those costs and their allocation are only relevant really to the accounts of the Ministry.

4428. Except where you come to consider the effect of derationing or taking any particular further measure with regard to any particular product?—On those occasions, on

being asked, no doubt the Ministry can say what saving of staff is contemplated as a result of derationing.

4429. What we have to consider is whether it would be an advantage to Parliament to have a presentation of the Estimates in that form, that is to say, a kind of reconciliation of the Estimates with Subhead 2?—It would be a very complicated set of Estimates, I think, and somewhat out of the ordinary run of Estimates.

4430. May I ask just one last question? When we were dealing with the division of costs of rationed commodities at the Divisional and Local Food Offices level, I understood that the division was made on a flat basis as between those rationed commodities?—Yes.

4431. The first question is this: Would it follow from that, or would you anticipate, that a consequence of derationing of any one single commodity so far as saving of staff was concerned would be roughly the same as the consequence of derationing any other?—(Mr. *Webster*.) Yes, I think roughly that is a fair assumption.

4432. Then, going on further from that question, it was indicated that the result of derationing a commodity is to release staff rather from the higher echelons, the Divisional Offices, than the lower echelons, the Local Food Offices. Would that mean that at times, after, say, two or three products had been released from rationing, you would then have a very extensive organisation at the lower local level, because you would not have been able to dispense with the services of any of the staff?—(Mr. *Bailey*.) It depends on the size of the Food Office; and what you have been saying, I think, is true only in relation to the smaller, if not only to the smallest, Food Offices. (Mr. *Webster*.) You get in so many small towns a Food Office open twice a week, with a couple of worthy people who have been attending it for years and doing the job there, sometimes on a semi-voluntary basis. There would not be any saving there. When we get into the Food Offices, if say with a staff of sixteen a quarter of the rationed commodities were shed, I would not say that necessarily a quarter of the staff would be saved, but perhaps three out of four might.

Mr. York.

4433. I am sorry to pursue this question of Local Food Offices, but Mr. *Bailey* tried to differentiate between rationing and controls. I cannot quite see why you should try to do that. Is not price control a part of rationing? If, for example, there were ample supplies, there would be no need for price control?—(Mr. *Bailey*.) I do not think that is necessarily true. We recently dispensed with sweet rationing, but we maintain price control.

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4434. Yes; but that is because of the shortage of sweets?—I would take the general view that if there were a free supply, that is to say, a supply in excess of the demand, price control is an economic disadvantage rather than an advantage.

4435. Then surely you are agreeing that price control is a form of rationing?—I think it is a separate subject. Whether we come to the same result in the end I do not know—possibly we do.

4436. Then, to go back to where I stopped, because I thought you were telling me there was a distinction—and I now find that in my own opinion there is no distinction—is there any duty except price control and rationing which the Local Food Offices do apart from the registration and welfare schemes?—I should not like to answer that question without some study. Another thing that occurs to me is the activity we call food hygiene, labels and standards.

4437. Would not that be better done by local authorities?—It is to a large extent, but some part of it is done by us. I would not like to be very definite on the subject without analysing it. (Mr. Webster.) There are a thousand and one ancillary services they do. There is always a man attached to the Divisional Office, interested in easy, smooth transport, warehousing, and that type of thing.

4438. It is all part of rationing?—In a very broad sense.

4439. If there were a plentiful supply of everything, except perhaps one or two commodities, you could run those two or three commodities with your organisation in the Divisions and areas. The point I started from was that the list that you gave us of the breakdown of commodities was in fact divisible as between rationing and subsidy?—(Mr. Bailey.) That I do not accept. I still do not feel that that is a practical division.

Chairman.

4440. I do not think we can usefully pursue that point any further. There is one small point arising out of a remark on the question of food and enforcement officers. Are they attached to Divisional Food Offices or to Local Food Offices? How are they borne?—Mr. Webster and I appear to be in some doubt about that at the moment. I see that in the 1949-50

Estimates there is an item on page 48, which did not appear in the previous year's Estimates. They may be put in Item 3, Service Departments, but it is rather hard to identify them because they are probably called something else. On the other hand, we have it under consideration whether we should not bring them out somewhere where they are easily observable.

4441. Perhaps in the note you are going to give us on the organisations that are rather aside from the normal channels of control you could give us a note on that?—Yes, we will do that. Mr. Webster draws my attention to the fact that on page 47 one finds enforcement officers actually under Divisional and Local Food Office staff. (Mr. Webster.) That really answers the doubt. (Mr. Bailey.) Yes, they are there.

4442. I think one would still like to know whether they are part of the divisional organisation or whether those officers are part of the Local Food Office staff?—They are part of the Divisional Food Office staff. (Mr. Bailey.) They would not come into Item 6 unless they were.

4443. But it would not follow that there is no organisation over them included in Item 3?—There might be a Headquarters, there is in fact a Headquarters, Division which is under Item 3. That controls the Divisional enforcement staff.

4444. The other point is this: In giving us this note on the division of headquarters expenses in relation to the numbers of staff employed, would it be possible also to indicate the figures on which you are working for the division of all the other items, A, B and D? The reason I ask that is because it is plain from the figures in D that they do not in fact correspond with anything in the Estimates?—That is so, because they are on an income and expenditure basis.

4445. And because they include notional charges?—Yes. We can indeed give you those figures.

Chairman.] I am much obliged. I should like to express to you once again our gratitude to you for the way in which you have come here and given your evidence. I hope we shall not have to trouble you again in connection with this particular inquiry. Thank you very much indeed.

The Witnesses withdrew.

Adjourned till Thursday.

ANNEX 1

MINISTRY OF FOOD

Meat and Livestock Division

Meat and Livestock Estimates 1948-49

Functions of the Division

1. The main functions of the Meat and Livestock group of Divisions are to seek out and purchase supplies of meat and to ensure fair distribution to all members of the community of the total meat supplies and allied commodities available.

The Trading activities of the Divisions, therefore, cover broadly:—

- (1) The purchase for slaughter of Home produced livestock (Cattle, calves, sheep and pigs) and the disposal of the resulting meat and by-products.
- (2) The purchase of livestock from Eire and the disposal of the meat and by-products.
- (3) The purchase and distribution of imported frozen meat and offals.
- (4) The import and distribution of canned corned meat.
- (5) The import and distribution of other canned meats.
- (6) The purchase and distribution of imported poultry and rabbits. (Home produced and Eireann poultry and rabbits, though price controlled, are not purchased by the Ministry.)

2. The Division also regulates the import, and, in some cases, controls the prices, of certain other commodities such as game, horseflesh, whalemeat, meat extract, etc., and various privately imported canned meats. These commodities, however, are not purchased by the Ministry and do not affect the Division's Trading Accounts.

Outline of trading transactions connected with Home produced meat

3. *I. Home Produced Livestock.*—Home produced cattle, calves, sheep and pigs intended for human consumption have by regulation to be sold to the Ministry at prices determined after consultation with the Agricultural Departments and the Farmers' Organisations. Purchase by the Ministry takes place at nearly 700 Collecting Centres run by Agents of the Ministry known as District Chairmen of Auctioneers. At these centres animals are weighed, classified and graded by panels appointed by the Ministry. Payments are made to producers by County Chairmen of Auctioneers on the basis of the Collecting Centre returns.

4. The Livestock bought by the Ministry are consigned to about 600 Government controlled abattoirs for slaughter by contractors. The meat and certain by-products are then taken over by associations of Wholesalers known as Wholesale Meat Supply Associations (W.M.S.As.) for sale to butchers, manufacturers, etc. on a commission basis. Other by-products are sold through various Associations such as the Association of Tripdressers and the Association of Animal Gut Cleaners.

5. Firms of professional accountants are employed in each county to control the accounts of the County Chairmen of Auctioneers, to meet slaughterhouse expenditure and to receive on behalf of the Ministry the proceeds of sales collected by the Wholesale Meat Supply Associations and other Agents. The 44 County Accountants maintain detailed records linking up all purchases and sales in their counties and report and account to the Ministry through six Area Accountants.

Method of preparing Estimates for home produced meat

6. For estimating purposes the cost of the livestock bought by the Ministry is arrived at by applying the appropriate average of the weekly prices to the numbers of each class and grade of animals expected in each quarter of the year. The quarterly basis is adopted to allow for seasonal fluctuations in the number and size of the animals presented. The sales value of meat and offals derived from the animals slaughtered is calculated by reference to the normal outturn based on past experience at the appropriate wholesale selling prices.

7. Schedule A gives a summary of the Home Killed Trading Estimates for 1948-49, together with details of the expenditure.

Imports of Livestock from Eire, included with Home Produced for Estimating purposes

8. *II. Imports from Eire.*—The prices paid to Eire Exporters for Livestock are based on those paid to English farmers. For estimating purposes, therefore, Eire imports are included with Home produced Livestock.

Outline of trading operations in Imported Frozen Meat and Offals

9. *III. Imported Frozen Meat and Offals.*—Imported frozen meat and offals are purchased under contract from the producing countries on an f.o.b. basis. An Association of pre-war importers known as the Meat Importers National Defence Association Ltd. (M.I.N.D.A.L.) is responsible for the reception of imports, customs clearance, checking and payment of freight accounts, arranging for carriage and storage and maintenance of stock records until the meat and offals are handed over to the W.M.S.As. for disposal to butchers, manufacturers, etc.

10. The functions of M.I.N.D.A.L. and the basis of their remuneration are set out in some detail in Schedule E.

11. In the case of frozen meat and offals the W.M.S.As. account direct to Meat and Livestock Head Office.

Trading in Canned Corned Meat

12. *IV. Canned Corned Meat.*—The purchase and disposal of canned corned meat follows broadly the lines adopted in the case of frozen meat except that canned corned meat is stored in Buffer Depots or Public Warehouses instead of in Cold Stores.

Trading in other Canned Meats

13. *V. Other Canned Meats.*—Imports of other canned meats are handled through M.I.N.D.A.L. but instead of being transferred to the Wholesale Meat Supply Associations for disposal are sold for ultimate distribution on points to an Association of Canned Meat Importers (A.C.M.I.). The margin of one-third of a penny per lb. allowed for first hand distribution costs and profit is passed on by the Association to its members. The Association meets its expenses by a levy on the members.

Trading in poultry and rabbits

14. *VI. Imported Poultry and Rabbits.*—Imported poultry and rabbits except from Eire are bulk purchased by the Ministry and are then sold to a non profit making Association of Wholesalers known as the Association of Wholesale Distributors of Imported Poultry and Rabbits (A.W.D.I.P.R.) which meets its expenses by means of a levy on the Members. Goods are invoiced out to the Members by A.W.D.I.P.R. at the prices charged by the Ministry, with the addition of the levy for expenses. The prices are controlled by Statutory Rule & Order.

Basis of Estimates covering imported commodities

15. Separate estimates are prepared for frozen meat and offals, canned corned meat, other canned meats and poultry and rabbits.

16. In all cases the costs are estimated for each country by reference to the contract or agreed prices for each type and class of commodity. The proportions of the different types and classes are normally based on the quantities received in the past.

The value of stocks and the selling prices are calculated on the assumption that purchases are disposed of on the "first in—first out" principle.

Schedule B summarises the estimated Trading results on imported commodities in 1948-49. Schedule C details the expenditure.

Cash Requirements based on Trading Estimates

17. The cash requirements of the Division are arrived at by adjusting the estimated trading loss in respect of all items which are not payable or receivable in cash. Schedule D shows the adjustments in respect of the 1948-49 estimates.

SCHEDULE A

Home Killed Estimate for 1948-49 (Submitted February, 1948)

	Total	Cattle	Calves	Sheep	Pigs
Number of Animals	8,848,600	1,841,000	1,450,000	5,425,000	132,600
Tons of Meat	640,393	485,345	32,950	112,370	9,728
	£	£	£	£	£
Cost of Animals	110,077,225	77,916,307	2,778,992	27,876,695	1,505,231
Selling value of meat and offals	85,064,166	62,103,819	3,710,584	18,086,673	1,163,090
<i>Gross [Profit] or Loss</i>	25,013,059	15,812,488	[931,592]	9,790,622	342,141
Expenses	10,764,392	6,907,714	853,654	2,784,713	218,311
Net [Profit] or Loss	35,777,451	22,720,202	[77,938]	12,574,735	560,452

<i>Expense Analysis</i>	<i>Total £</i>	
Auctioneers' Commission	725,220	Auctioneers' commission is based on headage rates payable to District Chairmen.
Auctioneers' Salaries and Expenses.	219,000	Auctioneers' Salaries and Expenses represent the Salaries paid to County Chairmen of Auctioneers (£134,000) and market and office expense allowances to District Chairmen of Auctioneers.
Auctioneers' Other Expenses	220,000	Other Auctioneers' expenses cover lairage and weighing at Collecting Centres and all market expenses in Northern Ireland where the scheme is operated on behalf of the Ministry of Food by the Ministry of Agriculture.
Grading Fees	114,873	Grading Fees are paid at headage rates with a weekly minimum and maximum.
Droving and Transport to Slaughterhouses.	1,405,805	Droving and Transport vary from locality to locality, depending on distance between Collecting Centre and Slaughterhouse. The estimated cost is based on past experience.
Slaughterhouses, Rent, Maintenance and management.	653,700	Slaughterhouse Rent, etc., covers headage payments and rents paid to Local Authorities and Private owners of Slaughterhouses, notional rents in respect of requisitioned premises, lairage at Slaughterhouses and other operating charges.
Slaughtering Charges	1,640,266	Slaughtering charges are based on standard rates paid to contractors. A few contractors are paid special rates where circumstances make it necessary to do so.
W.M.S.A. Commission	1,700,000	W.M.S.A. Commission is based on the reasonable expenses of the Associations and a profit element equivalent to 1.75 per cent. on pre-war turnover. (In the case of London where the tonnage handled is lower than pre-war the profit element is reduced.) A separate paper on W.M.S.As. is being submitted to the Committee.
Hides and Skins Commission	470,832	Hide Markets are employed to collect hides and skins from Slaughterhouses, classify and deliver them to tanners. Payment is based on the numbers of hides and skins handled.
Processing	60,000	Processing represents the cost of boning out, tripe cleaning (in Scotland), blood stirring, etc.
Transport	1,663,928	With the exception of certain movements of by-products from Slaughterhouses, road transport has, up to 31st December, 1948, been provided by the Ministry of Transport through the Meat Transport Organisation Limited. The Ministry of Transport have debited the Ministry of Food with the actual cost which is incorporated in the Meat and Livestock Division's accounts. Flat rates have been agreed for the movement of meat by rail. The estimates for both road and rail are based on the actual charges incurred in the past.
Marine, Fire and War Risk Insurance.	10,000	Marine Insurance relates to the movement of livestock within the British Isles.
Area Accountants	8,552	Area Accountants receive a fee for their services and are reimbursed the cost of their staff employed on Meat and Livestock work.
County Accountants	140,000	County Accountants are remunerated on the basis of a fee for the number of animals passing through Collecting Centres and Slaughterhouses in their counties (with a maximum and minimum). They are reimbursed for the cost of staff employed on Meat and Livestock work.
Proportion of H.Q., M.O.F. overheads.	1,292,216	Overheads represent the Meat and Livestock Division's share of Ministry of Food administration, apportioned between the various Divisions on the basis of Turnover.
Interest	440,000	Interest represents a charge to the Division based on cash withdrawals.
	<u>£10,764,392</u>	

SCHEDULE B

Imported Estimates 1948-49, submitted February, 1948

	<i>Frozen Meat</i>		<i>Canned Corned</i>		<i>Other Canned</i>		<i>Poultry and Rabbits</i>	
	<i>Estimated Purchases</i>		<i>Estimated Purchases</i>		<i>Estimated Purchases</i>		<i>Estimated Purchases</i>	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Paraguay ...	—		966		46		—	
Denmark ...	1,830		—		—		—	
Iceland ...	175		—		—		—	
Australia ...	11,220		1,444		1,885		2,441	
New Zealand ...	23,460		242		215		582	
Argentina ...	24,500		7,731		4,405		784	
Brazil ...	350		—		652		—	
Chile ...	350		—		—		—	
Uruguay ...	1,050		2,442		456		112	
Canada ...	1,755		—		—		—	
Guatemala ...	800		—		—		—	
Mexico ...	1,600		—		—		—	
Eire ...	—		—		675		—	
Russia ...	—		—		—		672	
Hungary ...	—		—		—		1,815	
Poland ...	—		—		—		1,402	
Yugoslavia ...	—		—		—		690	
	<u>67,090</u>	67,090	<u>12,825</u>	12,825	<u>8,334</u>	8,334	<u>8,498</u>	8,498

<i>Add Freight and Marine Insurance, Port Dues and Duty.</i>	16,550	3,157	1,205	350
	<u>83,640</u>	<u>15,982</u>	<u>9,539</u>	<u>8,848</u>
Adjustment of stock values	—	11,634	—	—
	<u>83,640</u>	<u>4,348</u>	<u>9,539</u>	<u>8,848</u>
Cost of Sales	96,549	5,195	12,257	9,000
	<u>12,909</u>	<u>847</u>	<u>2,718</u>	<u>152</u>
Trading Profit	10,049	1,325	931	152
Expenses	<u>£2,860</u>	<u>[£478]</u>	<u>£1,787</u>	<u>—</u>
Net Profit or Loss []	931	29	502	45.9
Tonnage distributed (000)				

NOTE.

The apparent loss on Canned Corned Meat arises from the Ministry of Food practice of valuing stocks at landed cost duty paid. Where, as in this case, stocks are being built up, all the subsequent costs (storage, etc.) are written off against the relatively very low sales. If purchases and sales of Canned Corned Meat were roughly equal a profit would be shown.

SCHEDULE C
1948-49 Estimates, submitted in February, 1948
Analysis of Expenses in Imported Meat, Poultry and Rabbits

	Frozen	Canned Corned	Other Canned	Poultry and Rabbits	
	£'000	£'000	£'000	£'000	
Freight, Marine Insurance, Port Dues and Duty	16,550	3,157	1,205	350	<p>Freight is based on the appropriate freight rates for the purchases from each country.</p> <p>Marine Insurance is charged at fixed percentages (varying with the Zones of supply) on the cost up to Landing in this country.</p> <p>Port dues vary from port to port. The estimates are based on the actual average rate for the previous year.</p> <p>Duty varies from Country to Country and from Commodity to Commodity. The charges are calculated accordingly.</p>
Storage	2,095	160	75	—	Storage on Frozen meat represents cold storage and on canned meat public warehouse charges. As the cost includes handling as well as a charge determined by the time that the goods remain in store, the estimates are based on the costs incurred in the past, adjusted for known variations.
Transport	3,624	272	201	102	Transport represents road and rail transport. Meat is moved a varying number of times and the estimated cost is therefore based on charges incurred in the previous year.
Fire Insurance	10	6	3	—	Fire Insurance is based on the premium payable.
Stock Losses	50	4	2	11—11	Stock losses are based on the average losses incurred in previous years.

Sales Commission ...	2,150	70	156	—	Sales Commission represents (in the case of Frozen and Canned Corned Meat) the cost of W.M.S.A. and Service Agents Commission, and in the case of Other Canned Meat the margin payable to A.C.M.I. members.
Handling	745	23	14	—	Handling charges represent the cost of M.I.N.D.A.L. and other agents acting as surveyors, etc.
Interest	250	515	159	—	Interest represents a charge to the Divisions based on cash withdrawals.
Overheads	1,125	275	321	50	The charge for overheads represents the Division's share of Ministry of Food Administration costs, including buffer depot charges. In allocating the charges between frozen and canned commodities account has been taken of the fact that only canned goods are handled in buffer depots.
	10,049	1,325	931	152	

Note .—The figures for Freight, Marine Insurance, Port Dues and Duty may be approximately divided as follows :—

Freight	13,034	622	303	} 150
Marine Insurance ...	248	45	23	
Port Dues	838	160	75	
Duty	2,430	2,330	804	200

SCHEDULE D

Reconciliation of Trading and Cash Estimates for 1948-49 as submitted February, 1948

											<i>Trading Estimate</i>	
											Profit	Loss
											£'000	£'000
Home Killed	...	...	...	...	...	...	...	...	...	...	—	35,778
<i>Imported</i> Frozen	...	...	...	...	...	...	...	...	...	...	2,860	—
Canned Corned	...	...	...	...	...	...	...	...	...	...	—	478
Other Canned	...	...	...	...	...	...	...	...	...	...	1,787	—
Poultry and Rabbits	...	...	...	...	...	...	...	...	...	...	—	—
											<hr/>	
											4,647	
Net Loss	...	...	...	...	...	...	...	...	...	...	31,609	
											<hr/>	
											36,256	36,256
											<hr/>	
											<i>Cash Estimate</i>	
											Deficit	Surplus
											£'000	£'000
Net Loss (as above)	...	...	...	...	...	...	...	...	...	...	31,609	
Variation in stock levels at end of year as compared with beginning— <i>increase</i>	...	...	...	...	...	...	...	...	...	...	11,634	
Services included above, not paid for in cash by the Division	...	...	...	...	...	...	...	...	...	...
Rail carriage and road haulage	...	...	...	...	...	...	...	...	...	...	<i>Home Killed</i> 2,342	<i>Imported</i> 4,197
Port Dues	...	...	...	...	...	...	...	...	...	...	—	1,073
Storage, etc.:—Accommodation provided by Ministry of Works	...	...	...	...	...	...	...	...	...	...	50	—
Other Accommodation	...	...	...	...	...	...	...	...	...	...	—	2,095
Overhead expenses	...	...	...	...	...	...	...	...	...	...	1,292	1,771
Interest	...	...	...	...	...	...	...	...	...	...	440	924
											<hr/>	
											4,124	10,060
											<hr/>	
Value of imports to be offset against the Argentine advance payment	...	...	...	...	...	...	...	...	...	...		14,184
											<hr/>	
											43,243	23,000
											<hr/>	
											6,059	
Net Cash requirements: as shown in Civil Estimates 1948-49, Class X, 2, Subhead H	...	...	...	...	...	...	...	...	...	...	208,237	
Receipts from sales proceeds, etc.	...	...	...	...	...	...	...	...	...	...	214,296	
Estimated total payments	...	...	...	...	...	...	...	...	...	...

SCHEDULE E

Meat Importers National Defence Association Limited (M.I.N.D.A.L.)

The following is an outline of the functions performed by M.I.N.D.A.L. in handling frozen and canned meats on behalf of the Ministry of Food.

- (i) Receiving the bills of lading and allocating the arrivals to the various cold stores and other storage depots, with due regard to maintaining an even spread of the various categories through the country as a whole. This involves consultations with the Port Food Movement Officer and the officers of Cold Storage and Warehousing Division, and also the maintenance of constant supervision during the discharge of the boats and the eventual despatch of the meat.
- (ii) Arranging Customs clearances.
- (iii) Acting in conjunction with the Ministry's Surveyors in detecting damage ex ship.
- (iv) Advising the despatches and checking the receipts.
- (v) The issue of delivery orders for meat to the Wholesale Meat Supply Associations, the Services, etc. (including the prompt clearance of meat which either ex ship or in store has deteriorated in condition).
- (vi) Paying all bills for sea and canal freight and checking all bills for rail transport up to the point where the meat is handed over to the Wholesale Meat Supply Associations and other recipients. (Bills for road transport are dealt with by the Ministry of Transport.)
- (vii) Making claims for damage to canned meats arising ex ship, in transit from ship to store, in store, or in connection with any subsequent movement up to the point where delivery is made to the Wholesale Meat Supply Associations or other recipients. (M.I.N.D.A.L. also deals with certain classes of claims on frozen meat but such claims are for the most part dealt with by Meat and Livestock Division.)
- (viii) Making claims for all discrepancies between the bills of lading and the quantities actually received and also for losses arising in connection with inland transport.
- (ix) Keeping stock records and periodically reconciling these records with those of the cold stores and other storage depots (and also with those kept by the Ministry).

These functions are carried out through fifteen M.I.N.D.A.L. Branches which are located in the various areas and include five branches at the ports of Glasgow, Liverpool, Cardiff, Avonmouth and London. The work of the branches is co-ordinated by M.I.N.D.A.L. headquarters which is located in London and is the point of contact between M.I.N.D.A.L. and Meat and Livestock Division.

These services are considered to be on balance rather less wide than those performed by the Importers before the war. M.I.N.D.A.L. therefore receive a rather lower rate of net profit (approximately 12s. 6d. per ton) than that earned pre-war on the tonnage of frozen meat and canned corned meat handled up to a maximum of the pre-war quantity. A lower net profit (about 6s. 6d. per ton) is allowed on any excess tonnage of these commodities and a purely nominal profit of about 6½d. per ton is allowed on other canned meats which did not qualify the pre-war importers for membership of M.I.N.D.A.L.

WHOLESALE MEAT SUPPLY ASSOCIATIONS

Organisation.—At the outbreak of war eight Wholesale Meat Supply Associations were formed on a geographical basis to undertake as agents of the Ministry the wholesale distribution of meat. These Associations are companies limited by guarantee and not having a capital divided into shares. Membership was open to all bona fide wholesalers of meat carrying on business just before the outbreak of war. A wholesale meat distributor on joining an Association was allotted an interest on the basis of his pre-war turnover. A beneficiary under the will or intestacy of a deceased member may assume the membership of the deceased member or, if his business is sold, the purchaser can become a member of the Association provided the Ministry are satisfied that he is capable of carrying on the business on termination of control. The Ministry of Food has a controlling vote in each Association.

Services performed.—The functions of the W.M.S.As. are to take over home-killed meat and offal from the slaughterhouses and imported meat and offal on delivery from cold store or ship; to weigh, allocate and distribute it to the 1,250 Retail Buying Committees; and to invoice the latter and collect the proceeds of sale as *del credere* agents of the Ministry and to account for them to the Ministry. In some areas the W.M.S.A. do the work of allocating to the individual retailers and invoice them on behalf of the retailers' organisations. For these services payments are made by the retailers and these payments are offset against the Associations' expenses.

As regards the physical distribution of the meat, the ration is on a weekly basis and consequently the issues from each of the W.M.S.A. depots vary from week to week. The W.M.S.As. see that each R.B.C. (and where individual allocations are made, each retailer) has its fair share of the available types of meat and offals. The yields of meat from home-killed livestock vary and this circumstance, coupled with the incidence of emergency coupons, calls for constant last minute adjustments—all to be made within the week and to provide reasonable equity between the R.B.Cs. in the matter of classes of meat. The W.M.S.As. also have to distribute the appropriate types of meat to the meat manufacturers, to receive and distribute meat and offals from consignors in Eire and from Bacon factories in the U.K. to salvage containers and to sell certain of the by-products arising at Government slaughterhouses.

The wholesale value of the high perishable commodities handled by the W.M.S.As. is at present approximately £3 million per week and because of the nature of the goods they have to be invoiced and accounted for in numbers, weight, and value. To ensure the honouring of the weekly ration it is essential to have an efficient and smooth working link between the Ministry's 580 slaughterhouses, and the 337 cold stores on the one hand and the 45,000 retail butchers' shops on the other hand. The general objects of the schemes were therefore to secure the effective co-operation of the wholesalers in supplying the essential technical skill required for the function of wholesale distribution, and also to maintain the trade in a state in which it could take over again its former function when the time came to remove control.

Owing to the concentration of the work into fewer centres and the restriction of the services rendered compared with those rendered in the pre-war period, the Associations require only about half the staff employed before the war on wholesale distribution, despite an increase in the tonnage of meat handled. All the staff now engaged in wholesale meat distribution is employed by the Associations and none of the work is carried on by or on behalf of individuals, firms, or companies.

Remuneration.—In fixing the remuneration of the Associations it was considered that the profit element should, as far as possible, be uniform through the country and not dependent on the accident of geography. The scheme provides for a commission calculated annually on the actual tonnage handled by each Area Association so as to provide (a) for the approved expenses of the Association, and (b) for a profit element of 1½ per cent., calculated on the qualifying membership tonnage taken at its pre-war average value of £70 per ton.

Because the Associations are now required to handle all carcase meat distributed in this country whereas formerly much home-killed meat was sold direct to retailers, the tonnage handled in each year of control has been in excess of the pre-war qualifying tonnage. But the basis of remuneration adopted has prevented the profit element from increasing, while the Ministry has obtained the benefit of a reduction in expenses. Before the war wholesaling costs were £2 2s. 2d. per ton, while those for 1947-48 were £1 3s. 6d. In order that the costs of meat distribution may be viewed in perspective against the value of the commodity handled, figures for the value of the meat and the distribution costs are annexed. The values are shown at pre-war, 1947-48 subsidised, and at unsubsidised, prices. It will be seen that a loss of 1 per cent. which could easily arise from faulty handling would be nearly equal to the remuneration.

The economy in staff applies to principals of wholesale firms as well as to subordinates. Where principals are employed as executives of an Association they are paid a salary commensurate with their duties, but one half of all salaries paid to principals is deducted from the approved expenses of the Association and is thus paid out of funds otherwise available for distribution among the members.

The distribution of the profit element among the members of the Association is a matter for decision by the Association. It was, however, agreed between the Associations and the Ministry that as before the war sales by wholesalers to other wholesalers carried a smaller margin of profit while sales by offal wholesalers carried a larger one, the Associations in making their distributions to members would pay one-third of the normal rate on membership turnover representing wholesaler to wholesaler sales and double the normal rate on turnover representing sales by offal wholesalers.

Non-active Members.—The W.M.S.As. have drawn upon the resources of their constituent members for the necessary managerial, technical and clerical staff, premises and equipment and the work of distributing meat is carried out by the Associations as such, and not by the constituent firms. No distinction can, therefore, be drawn between useful and useless members. Even if such a distinction were possible it would not provide an equitable basis for deciding the capability of a member to resume operation in the meat trade as and when he was given an opportunity to do so, as whether the member himself or any of his staff or premises are being used at any given moment is largely fortuitous, and does not necessarily offer any guide to the possible usefulness of the member's organisation under different circumstances. Out of a total of 1,081 members in 1948, 408 members with pre-war turnovers of £35,000 per annum and above accounted for £1,506,000 of the total remuneration paid to

Associations and the remaining 673 members with lower turnovers accounted for only £168,000. As the member firms which might be found to be redundant would fall mainly in the last group, if they could be identified and eliminated, the total savings arising from such elimination would be relatively insignificant.

Staff.—All the senior Trade staff now employed in the Meat and Livestock Division of the Ministry came originally from the meat trade. They include one Controller, two Directors, one Deputy Director and five Assistant Directors. There are also two Wholesale Meat Trade Supervisors, one for England and Wales and one for Scotland, drawn from the wholesale meat trade and a Retail Meat Trade Adviser (unpaid) who is a prominent meat retailer.

The eight W.M.S.As. had at 30th November, 1948, 4,855 employees of whom 2,779 are graded as clerical and administrative, 1,889 are humpers and 187 manual workers other than humpers. Originally all the employees of the W.M.S.As. were drawn from the meat trade.

Wholesale Meat Supply Associations (Home and Imported Meat)

Tons	Year	Value per ton	Total value	Gross Remuneration	Gross Remuneration per ton	Expenses	Expenses per ton	Profit	Profit per ton	
		£	£	£	s. d.	£	s. d.	£	s. d.	
1,526,387	Pre-war	70	106,847,000	5,011,000	65 8	3,217,000	42 2	1,794,000	23 6	
1,715,913	1947-48	Notional	70	120,214,000	3,689,000	43 0	2,015,000	23 6	1,674,000	19 6
		Subsidised	88	151,000,000						
		Unsubsidised	120	205,910,000						

NOTE ON PROCEDURE FOR THE SALE OF STOCK TO THE MINISTRY OF FOOD WITH PARTICULAR REFERENCE TO THE DUTIES OF AUCTIONEERS

The following is a description of what happens from the time a farmer decides to sell an animal to the Ministry of Food to the time when it ceases to be the responsibility of the District Chairman of Auctioneers.

1. The farmer completes a Form MAT and forwards it to the D.C.A. showing the number and class of animals which he proposes to present at the Collecting Centre during the week commencing twelve days later.

2. The District Chairman summarises the total entries at his Collecting Centre for the particular day and forwards the summary to the Ministry's Area Office, where the summaries in respect of all the Collecting Centres in the Area are themselves summarised, in order that an estimate may be made of the total quantity of home-killed meat to be available that week and of the imported meat required to make up the deficiency in the ration requirements for the Area.

3. Apart from the presentation of young calves and casualties, a farmer may not sell to the Ministry without giving such notice and, if the number of animals presented varies appreciably from the entry on Form MAT, the D.C.A. is required to warn the producer and, if that is not effective, to draw the attention of the Area Office to the matter with a view to disciplinary action. The smooth working of this arrangement depends to a large degree on the influence which the D.C.A. can personally exert upon farmers linked to his Centre.

4. On arrival at a Collecting Centre the stock is placed in the pens designated by the D.C.A. for its receipt. The D.C.A. provides the necessary drovers inside the market. Prior to control the vendors generally assisted in the penning of their animals and the movement inside the market up to the sale ring, after which the purchaser in his own interests took an active part in the handling of the animals. Under control, with the D.C.A. functioning as the sole buyer there is an increasing tendency for farmers to depend upon him to see to their stock to a greater extent from the time of its arrival in the market and the cumulative effect of these operations is to make it necessary for the D.C.A. to provide more drovers than was the case prior to control.

5. Cattle and calves are labelled for identification purposes on arrival and their identification is preserved right through to the slaughterhouse (except in the case of bobby calves). In the case of pigs (which are bought on the dead weight basis) it is necessary to have clear proof that the farmer is paid according to the weight of his pig after slaughter; for this purpose pigs are tattooed at the Centre for identification purposes. This is performed by the D.C.A.'s staff.

6. Each cattle beast is weighed alive under the supervision of the Grading Panel, the D.C.A. providing the necessary staff to get the animal on the weighbridge and to record the weight on the appropriate forms. Depending largely on the layout of the centre, weighing may take place as the animal arrives or, more frequently, on its passage from the holding pen into the ring where grading takes place. In the case of a private market, the responsibility for the maintenance of the weighbridge, both by way of repairs and of cleaning, rests with the D.C.A.; in the case of a public market the responsibility, at least for maintenance of the weighbridge, rests with the market authority, but the D.C.A. has to pay any necessary weighing tolls.

7. The animal is then graded by a Panel comprising a farmer, butcher and the Certifying Officer (Auctioneer) appointed by the Ministry. In the majority of cases the Certifying Officer is the D.C.A. but not necessarily so. For instance a D.C.A. may be responsible for more than one market or the market may be so big that it is necessary to have more than one Grading Panel; in a few cases, owing to local circumstances, it may have been decided that an Auctioneer other than the D.C.A. is more suitable as a Certifying Officer. In any event the remuneration includes the services of the Certifying Officer irrespective of whether or not he is also the D.C.A. Although the Panel is composed of a farmer, a butcher and an Auctioneer, they are expected to work in the national interest and the majority of them act with a consciousness that they are working in the interests of the community as a whole and not a sectional interest. To the extent, however, that the farmer member may tend to the farmer's outlook and the butcher may tend to the consumer's outlook, the Auctioneer is in the nature of an arbitrator since the grading goes by majority vote.

8. The Panel having examined the animal carefully, determined the classification and estimated its grade, detailed particulars are recorded on the appropriate forms by staff provided by the D.C.A. and the animal is returned to the pen ready for despatch.

9. As the work proceeds the D.C.A. is indicating the slaughterhouses to which the different animals are to be despatched in accordance with the allocation instructions he has received from the Area Office. These instructions have given the number of animals of each class and broad quality which should go to each slaughterhouse in order to give them all a fair cut out of the available supplies. A good knowledge, therefore, of the animals and their quality is essential, otherwise the Ministry's cardinal principle of "fair shares for all" cannot be achieved. Moreover, in order to secure a smooth flow of animals away from the market, the D.C.A. needs a very fair knowledge of the type of animals he is likely to get from the various farmers who have entered animals, so that he can organise their despatch and use the available transport economically.

10. He is responsible for the safe custody of the animals from the time of their arrival to the time of their despatch, including posting of the necessary advices to slaughterhouses, County Chairmen of Auctioneers, etc. At times transport difficulties arise which necessitate the holding of stock, after purchase at the Collecting Centre, overnight and in some cases for a day or two longer. In winter the D.C.A. must arrange for fodder and water and in summer for suitable grass keep, but throughout the year for the care and shepherding of the animals.

11. The foregoing applies to cattle. In the case of sheep, the individual animals are not weighed and, in some cases, the animals are not weighed at all, payment being made on the estimated carcass weight. Apart from this the work is similar to that in regard to cattle.

12. In the case of pigs, the D.C.A. classifies the animals, selecting those likely to be of bacon weight for allocation to the bacon factories and other classes to be sent to slaughterhouses for pork.

13. Since a farmer is entitled to receive payment for his animals in accordance with the Ministry's published prices which apply throughout the country, it has been the desire of the Ministry that the nett receipts of every farmer may, as far as practicable, be the same irrespective of his distance from his Collecting Centre. Thus there has been no material reduction in the number of Collecting Centres compared with Fatstock Markets prior to the war. The numbers of Collecting Centres are as follows:—

	Regular weekly, fortnightly or monthly C.C.s.	Seasonal C.C.s.
England	478	10
Wales	92	3
Scotland	85	7
	655	20

14. Thus it will be appreciated that the D.C.A. is broadly responsible for all the functions which an Auctioneer performed prewar except the actual act of auctioning. In lieu of the latter he takes part in the grading of animals presented for purchase (in effect valuing the animals). An incidental, though very necessary, addition to these duties is the clerical work in connection with the purchase of the animals.

15. The D.C.A. provides the premises and weighing facilities and is responsible for their maintenance, repair and cleansing; alternatively, he acquires the use of a market from a Local Authority by paying the prescribed tolls or rent. He provides staff for droving, penning, marking (including the tattooing of pigs), and selects the stock in the appropriate classes and qualities necessary to give effect to the allocation instructions received from the Area Meat and Livestock Office. He is also responsible for the receipt of stock before grading and their safe custody until despatched to the slaughterhouse. In view of the multiplicity of his duties he must place at the Ministry's disposal his firm's experience, staff, and the premises that he used pre-war. In addition to these more or less pre-war functions, he provides the necessary clerical organisation designed to secure prompt payment to the producer and the necessary records to enable an adequate check to be maintained on the ultimate disposal of the products of slaughtering.

February, 1949.

ANNEX 2.

IMPORTED MEAT TRADE ASSOCIATION

The Frozen Meat Trade Before the War

1. This does not pretend to be a complete treatise of what happened in the frozen meat trade before the war; it is merely a précis.

2. *Consumer, Retailer, Wholesaler, Importer, Producer.*—That was the sequence in those days, because everything was directed to satisfying the consumer's choice and needs.

3. Taste varied greatly in one part of the country from another. Demand and price varied with the season of the year, the weather, and according to what was available of other competitive foods such as fish, bacon, etc.; also, so far as frozen meat was concerned, with the fluctuations in the available quantities of home-killed meat. Smithfield Market was, indisputably, one of the most perfect marketing mechanisms in the world because it took account of every conceivable factor which could influence a market, whether arising locally or in overseas countries. Smithfield was, in fact, the gyroscope which maintained the equilibrium in the meat trade both here and in the overseas supplying sources.

4. At all stages, competition was keen. Traders had to be ready to make changes, not only in the prices of sales but also in those of procurement, daily and even hourly.

5. Wholesale distribution in this country took place mainly through markets but also at provincial depots and by direct deliveries to retailers by vans from ship or store.

6. Within the scope of storage facilities (both here and overseas), and shipping, it was the business of the Importer to use his experience and foresight to regulate the supplies reaching this country and the ports at which they would be discharged.

7. It must not be thought that because cold storage preserves meat it can be kept indefinitely. A slow deterioration does take place, and it is not commercially possible to carry meat in cold store from one season to sell in the next. Consequently, it had to be kept moving according to the supply available and in sight. The price mechanism regulated that as nothing else could or can.

8. Chilled Beef was not moved from ship to store but went directly from the ship to the wholesale distributing points (and much of it directly from the ship to the retailers). Chilled Beef was never deliberately kept in the ship for more than a week after arrival.

9. Some Exporters owned meat works in one or other of the supplying countries. Each had its own buying organisation which negotiated for the livestock, direct with the producer. These, however, did not cover the whole exporting field in those countries; there were freelance exporters who put the stock they purchased through the works of others; there were works owned by companies which had no distributing organisation in this country but which sold their goods through agents here.

10. There were no government-sponsored or other Meat Boards in any of the supplying countries, which purchased or marketed the meat. In Australia and New Zealand there were Meat Boards but they concerned themselves with regulating grading and kindred matters, arranged freight contracts and advertised in this country. In short the flexibility necessary for handling such a perishable article as meat is unattainable on the part of a Board.

11. It will be appreciated that in buying livestock considerable importance is attached to the by-products, notably wool, pelts, hides, tallow, casings, manures, etc., but "Meat" was the paramount consideration in all matters appertaining to the business as a whole. In order to arrive at the net cost of the meat, therefore, full credit was brought to account for the value of the by-products in favour of the meat.

12. Meat freezing works are subject to the law of increasing returns which factor stimulated the strongest possible competition to get the maximum throughput. It was also responsible for every effort being made to even out the flow of stock to the works during the local season, in order to mitigate (or avoid altogether) the inconvenience and loss arising through more stock being presented than could be handled by the maximum capacity of the works—a difficulty which always appeared at the height of the local season.

So much for pre-war methods, now as to the future.

13. The members of the Imported Meat Trade in this country have no doubt whatever that the only way to increase supplies and to reduce the costs of imports in the long run is by reinstating the freedom of trade.

14. Claims have been made that bulk buying is satisfactory to the producer, shipper, and to the public in this country, but the experience, so far as the Meat Trade is concerned, has proved the contrary.

15. In the first place, when making bulk contracts for Meat and Pork, it seems as if no consideration was given to the return obtainable by the producer for competitive crops, and as the farmer will naturally produce what pays him best, there is no guarantee of the quantity purchased being produced, particularly as a number of contracts are made for the exportable surplus, which may mean anything, and is no guarantee of quantity; also, the system of bulk purchasing is not only gradually lowering production of meat, but has definitely lowered the standard of quality, as, with a flat price paid to the producer, there is no incentive for him to produce something better than his neighbour, as he endeavoured to do in normal times. Also, when any country undertakes to sell its exportable surplus, one can be assured that if higher prices prevail at the source of production, the best quality will be kept for the producing country's own home trade. Then again, evidence in producing countries from time to time has shown that under free trading, more meat could be obtained than by bulk Government buying. Finally, there are the inconsistencies of nature, with its floods and droughts, which cannot be foreseen nor dealt with in advance.

16. Prior to the war practically all the meat coming to this country was sent to Agents of the Shippers to be sold at ruling market prices, which in the final analysis were controlled by the public. Out of these returns Shippers had to pay freight, insurance, landing, and any storage charges incurred.

17. Agents made advances to Shippers against shipping documents, they sold the goods on credit to buyers, taking the risk of any bad debts, sent account sales to Shippers, deducting the charges mentioned above, and a commission, according to the particular product handled. Out of such commission, Agents paid all their own staff and overhead charges.

18. It is apparent, therefore, that under this system Shippers paid all expenses to the point where the goods were sold to the Wholesale and/or Retail Trade, so that these were no charge on this country, and we believe these conditions of trade will again operate when incentives to producers have increased supplies as they most certainly will.

19. The comparison is of a business done at no cost to this country against the following expenses incurred under Government trading and bulk buying.

20. The expenses of Buying Commissions in the various countries, the freight, insurance, landing charges, inspection charges, storage and distribution, then there are the expenses incurred in this country by the Ministry of Food, which include the expenses of the Minister and his Staff at the head office and branches, also subsidiary companies formed by the Ministry for the purpose of distribution. In addition there are food offices with considerable staffs in every centre in the country, and the Ministry of Food has inspectors watching for violations of the many regulations, which are evidently considerable, judging by the number of prosecutions.

21. Finally, Importers feel confident that, by reinstating freedom of trade, increased supplies from most sources would soon be available to this country, and that in the long run prices would be at levels commensurable with current values.

22. As further proof of the benefits of freedom of trade being reinstated, one has only to compare present conditions with those prevailing immediately after the first World War; during the latter, freedom of procurement existed, with the result that there was more meat available for this country than was actually required.

26th February, 1949.

ANNEX 3

THE IMPORTED MEAT TRADE ASSOCIATION

The Stock-Managing Members Scheme

(Produced on 20th February, 1945, it was intended to be the first transitional stage in restoring to the individual importer, the functions performed by M.I.N.D.A.L.)

1. The Scheme concerned frozen meats only. At the time, canned meats were excluded because that trade had appointed a Post-War Committee to deal with this entirely different type of business.

All reference to "importers" in this precis, therefore, mean "frozen meat importers."

2. The Scheme envisaged (and it was possible of execution at an early date after the end of hostilities in Europe) the importers taking over the duties of the M.I.N.D.A.L. Tied Branches as follows:—

- I. Accepting the despatches from the M.I.N.D.A.L. Port Branches (ex Ship) to Cold Stores, preparing the records—including the taking on to stock of the Cold Stores' intakes—and settling differences as between despatching and receiving points.
- II. Acting similarly in regard to transfers of goods between other Tied Branch Areas and the importer's allocated Cold Store(s), or vice versa.
- III. Keeping the records of stocks in Cold Stores and settling "shorts and overs" with the Stores.
- IV. Issuing Delivery Orders during the transitional period as directed by M.I.N.D.A.L.
- V. Producing the returns for stock, statistical or other requirements.

3. M.I.N.D.A.L. were to retain a headquarters Control Stock Department, and area Control Stock Departments in the present areas to summarise the individual importer's records or accounts covering the several hundreds of Cold Stores involved, and to act as a clearing house for sorting out and passing on the orders of the W.M.S.As.; also to co-ordinate and direct the activities of the M.I.N.D.A.L. Port Branches.

4. The means whereby the importers were to share the work as indicated was by allocating Cold Stores together with the stocks in them to individual importers on the basis of their M.I.N.D.A.L. frozen meat share-holdings, current estimated capacity and usage of each store to determine its quantitative rating in apportionment.

5. It was found to be impracticable to divide out the work at the ports to the individual importers, because meat is arriving and is being handled more or less in bulk for the Ministry of Food. The re-institution of owners' marks (which in turn is a step towards the restoration of consumer choice), would render the break-up of the centralised M.I.N.D.A.L. control necessary, and the importers would be prepared to act then as required.

6. The main object of the Scheme was to enable each importer to get back his own staff under his own direction and to give the chance of re-building his organisation. An importer, without problems arising in those directions, was quite free to stay out of the Scheme if he wished. There was no monetary advantage to be got either way.

ANNEX 4

MINISTRY OF FOOD

Duties of Port Meat Agents

Port Meat Agents were stationed at London, Liverpool, Bristol, Cardiff, Glasgow and Newcastle to safeguard the Ministry's interest in meat discharged or loaded, to ensure that the Ministry's agents, M.I.N.D.A.L., and the Surveyors, Perfect Lambert & Co., were carrying out their duties satisfactorily and to act as liaison officers in the operations involved. They collected and distributed information about expected and actual arrivals and quantities discharged. At each of the above ports there exists also a Port Food Movement Officer responsible for all Ministry non-meat imports.

The reduction in the volume of imports of carcase and canned meats has resulted in a corresponding falling off in the amount of work to be done by Port Meat Agents; and it has been decided to abolish the Port Meat Agents' posts and to transfer the responsibility for meat to the Port Food Movement Officers. In the case of the two major ports, London and Liverpool, the Port Meat Agents are being transferred to the staff of the Port Food Movement Officers but notice has been given to terminate the services of the Port Meat Agents at the remaining ports. This has been done in order to save staff, but the Director of Imported Meats has some doubts as to the adequacy of the control under the new arrangements and has reserved the right to re-open the matter.

March, 1949.

ANNEX 5

NATIONAL WHOLESALE MEAT ADVISORY JOINT COMMITTEE

Analysis of Operating Members Scheme

1. Those entitled to become "Operating Members" require the following qualifications—
 - (a) a pre-war record of dealing by wholesale with retailers;
 - (b) premises in their exclusive ownership or occupation from which they habitually conducted business wholesale by physical reception and despatch from those premises and which are not unsuitable for the handling of fresh and frozen meats.
2. Those qualified will become distributing Agents for a W.M.S.A. and so sub-agents for the Ministry of Food.
3. Supplies of meat will be delivered direct to Operating Members.
4. Retailers will obtain supplies direct from Operating Members, and not through Retail Buying Committees.
5. Each Operating Member will be entitled to supply only those Retailers detailed to him by the W.M.S.A. of the area in which the Operating Member's premises are situated.
6. The Retailers allocated to an Operating Member can obtain supplies from the Operating Member to whom they are detailed and no other.
7. Operating Members will—
 - (a) Fairly and equitably allocate available supplies among their retailers.
 - (b) Deliver Accounts.
 - (c) Receive payments.
 - (d) Account to W.M.S.A. weekly.
 - (e) Pay W.M.S.A. weekly.
 - (f) Receive through W.M.S.A. sum allowed by Ministry for working expenses.
 - (g) Be subject to W.M.S.A. and accountable to it for standard of service.
 - (h) Have no concern with Manufacturing Meats.
 - (i) Receive remuneration which they have received hitherto from W.M.S.A's., and
 - (j) Be entitled to and responsible for engaging and managing their own staffs.

London, 1st September, 1948.

ANNEX 6

ASSOCIATION OF MULTIPLE RETAIL MEAT TRADERS

The following notes are based on the points suggested for discussion:

(a) *The Margin which is allowed on Retail Sales.*

The following figures indicate the difference between the Profit (Gross and Net) of Multiple Retailers resulting from the operation of the 1s. ration and the future ration of 10d. Even after applying the present Government Subsidy of 11d. in the £ on the 10d. ration, a shop which has 2,000 adult registrations is left with a net profit of only £3 3s. It is obvious that the result, based on the Ministry of Food's own costs for *Multiples* in June, 1948, is totally inadequate.

Note:

Unit of Sales based on £100 Retail Registration
on 1s. Ration

Gross Profit	28 per cent.
Expenses	23·1 per cent.
Net Profit	4·9 per cent.

	1s. Ration	10d. Ration
	£	£
Retail Registration	100	83·3
Cost Price=79 per cent. of Retail Registration	79	65·8
Sales at Gross Profit shown in Heading	109·7	91·4
Gross Profit	30·7	25·6
Add: 11d. in £ rebate on wholesale value of Reduced Ration	—	3
	28 per cent.	31·3 per cent
Total Gross Profit	£30·7	£28·6
Less: Expenses based on per cent. of 1s. Ration	25·3	25·3
Net Profit	£5·4	£3·3

- (b) *Whether the Association has any plan intermediate to a complete return to pre-war conditions which would enable the consumer to have a better choice.*

Attached to this memorandum is the Association's plan for the future marketing of meat. This has been circulated to all Members of the Association and published in the Trade Press.

- (c) *The Question of Slaughterhouses.*

This matter is dealt with in the Association's plan referred to under (b).

- (d) *The Difficulty of the Trade in general in attracting New Entrants.*

The Multiple section of the Trade is exercising itself in every direction to attract new entrants by the offer of high wages and good conditions; by sponsoring technical education and circulating to schools throughout the country a brochure prepared by the Association.

It should be noted that, in consequence of the bleak outlook presenting itself, Headmasters of Schools are averse to recommending the Trade as one with great prospects for the future.

March, 1949.

PLAN FOR THE FUTURE MARKETING OF MEAT

The outline of its sub-committee's report on the future production, slaughtering and marketing of home-produced livestock and meat which, as already announced, was recently approved at an Extraordinary General Meeting of the Association of Multiple Retail Meat Traders, is now available, it having been decided at that meeting to publicise the report which follows closely the evidence given before the Lucas Committee by the Association's delegates.

The report naturally accepts that any future marketing must be against the background of guaranteed prices to producers. At the same time it stresses—

- (a) the necessity for transmitting to the producer in as complete a manner as possible the premiums paid as a result of consumer preference, and
- (b) the maximum degree of flexibility in trading as between two operators.

To this end it is proposed that guaranteed prices should be in the form of a guaranteed average price, an illustration of which is set out in the following text. It recognises the need in a modern economy for an efficient distributor to link the producer and the consuming public whose interests are paramount.

The proposals in the report are held to be flexible and applicable either with or without a grading system and either on a dead-weight or live-weight basis.

“(a) *Production.*—We have the authority of Sir John Boyd Orr for saying there is tremendous scope for an increase in the consumption of meat as compared with pre-war figures, and this, added to the fact that it is now more than ever necessary that home production of all kinds should be increased, points to the desirability of encouragement being given for improvement both in quantity and quality. Within reason, the producer of the choicest animals should be suitably recompensed for his trouble and outlay. As with many other kinds of food, there has in the past been constant endeavour and research with a view to raising standards; the superlative of today is the accepted standard of tomorrow, and the desired improvement in standards of living calls for constant progress in the direction of a higher quality in food.

In the case of perishable items market variations normally are reflected to a greater extent in the inferior grades and in aiming for the maximum degree of stability it is obviously of advantage to all concerned to encourage the production of a high standard of quality.

(b) *Slaughtering.*—Rationalisation of slaughtering has long been advocated from many quarters and whilst this Association, representing as it does the multiple trader, cannot deny the advantages, a warning should be uttered against the danger of over-concentration. Such a step would involve unnecessarily long journeys for live animals, with the danger of injury, detrimental effect upon eating qualities, loss of weight and high cost (it is cheaper to move meat than livestock). In addition, whilst the efficiency ratio improves with increased throughput to a certain extent, there is a point at which the ‘efficiency curve’ flattens out and possibly even shows a tendency to fall.

This Association does not dispute the economical nature of the slaughtering costs of many of the small slaughtering units, but, assuming for the moment a continuance of rationalisation, it is suggested that authority should be given for the existence of a slaughtering unit, subject to its throughput being sufficient to achieve the advantages claimed for rationalisation as to general efficiency, high standards

of dressing, good condition of meat, satisfactory utilisation of by-products and facilities for veterinary and Public Health supervision. In this connection, there is much to be said for the operator of the abattoir being responsible for reimbursing the cost of official inspectors to the authorities by whom they are employed.

Abattoirs could be operated by any one of a number of interests, e.g. municipalities, co-operative societies, wholesalers, multiple retailers or groups of independent retailers. The interests of the individual small trader should be protected by his being able to have his livestock slaughtered at or below fixed maximum rates.

Abattoirs should not be granted monopoly rights in a given area of production. This could only be justified with rigidly controlled prices at every stage, which would unnecessarily increase prices to the consumer.

Whilst the up-to-date abattoir should be able to process blood, clean offals, etc., it is not considered necessary that the manufacture of food products such as sausages, pie, cooked meats, etc., should be conducted in an abattoir-packing house type of building. The products referred to are of a highly perishable nature and in the case of multiple organisations—and, presumably, co-operative societies—are distributed to retail outlets with other goods on existing transport systems. Whilst slaughtering should be carried out within a reasonable distance of area of production, manufacture should be sited in relation to retail outlets.

(c) *Grading*.—Home-produced meat does not lend itself particularly well to any complicated system of grading. The over-simplified grades existent under the control scheme would not be suitable once meat is unrationed and if the producer is to get the full benefit of the value of his product the retailer's appraisal of such values should be reflected in the return to the producer; the retailer must surely be a good grader, particularly when buying in competition. A grading system, particularly in respect of beef, can scarcely be more than a preliminary 'sort out' so far as most buyers are concerned.

(d) *Marketing and distribution*.—The need for flexibility, having regard to the great range of quality in home-produced meat, the incidence of weather changes, seasonal demands and local factors, is of paramount importance. Any future method of marketing must, of course, be built around the principle of guaranteed prices and the difficulty lies in providing for the desired flexibility at the same time as the payment of a guaranteed price without the risk of abuse of the system. There must be some point of control in the chain of distribution at which could be paid the guaranteed price or a subsidy such as would bring the market price up to the guaranteed price. It is suggested that this point be at the auction mart for livestock and at the abattoir or bacon factory for dead meat. Assuming for the moment that the guaranteed price will exceed the market value, the subsidy would be such as to offset the difference between the guaranteed price and the official market quotation (National weighted average) for the current day, week or month as might be determined. (The control point would also be the point of grading or classification if a grading scheme were in fact introduced, but again it is questionable whether any system of grading could be devised which would enable a trader to buy solely on grade. Certainly the consumer could scarcely do so.)

Livestock could change hands by auction or private treaty, on live basis or deadweight basis (a case might be made out for confining the subsidy to the latter) and any premium over the current official market average quotation which the producer was able to obtain would pass to him. In other words, the guaranteed price would be a guaranteed average price, with premiums and discounts according to the deals negotiated by or on behalf of the producer—reflecting the various gradations of quality in the animals. As an example:

	Per lb.
	s. d.
Guaranteed average price	1 0
Current official market average (compiled from returns rendered by auctioneers and abattoir operators—in both cases it should be simple to ensure accuracy)	0 10
Individual deal made at	0 10½
Actual return to the producer	1 0½

This system should ensure that both parties to the transaction carry out a keen bargain and that the average market price is kept up, thus minimising the extent of the required subsidy. For simple and inexpensive administration this could be paid to the producer by the auctioneer or abattoir operator (with a lump sum refund from the appropriate Ministry) together with the market value of stock sold. (It would appear practicable for private dealers to be recorded either at the auction mart or abattoir to qualify for the subsidy. The fact that the latter would be at a flat rate would eliminate any question of inaccurate prices being given to obtain an increase in subsidy.)

There are precedents for basing payment on official market average quotations in the Bacon Industry Act and the Wheat Act.

The proposal just outlined could operate with or without a grading system.

It is felt that such a scheme could well apply to cattle, pigs and sheep, but there should be a free market for calves since the farmer could scarcely fail to obtain a lower figure than that likely to be the guaranteed price for a "bobby" calf, whilst he should be entitled to all that he can obtain for the luxury milk-fed article, should this reappear on the market at a later date.

It might be possible to relate the subsidy on lambs to sheep values. On the other hand, lambs, like calves, might be dealt with on a free market in view of the extremely wide range of quality, and the producer, if disinclined to accept market price for lambs, would have the option to feed them on to realise the guaranteed price for mutton.

The marketing of pigs and pig meat is complicated by the seasonal nature of the pork trade and its short-term reaction to weather conditions, and the fact that this trade, together with the more stable manufacturing trade, competes for pig supplies with the bacon industry.

Past experience under the Pigs Marketing Scheme and the Bacon Marketing Scheme suggests that the most practical means of overcoming the difficulty of competition between the different sections of the trade is to ensure a sufficiently large hog production to take care of the requirements, at any particular price level, of all sections.

The return of guaranteed prices for grade and/or weight-range by the payment of subsidy at auction or abattoir should be equally applicable to pigs and pork and the guarantee envisaged should be capable of ensuring the maximum production of hogs commensurate with the quantity of feeding-stuffs available. (Regulation of bacon imports can be used to control the demand for hogs although if it is intended to have a home bacon industry, the minimum economic throughput for the factories may have to correspond with the lowest figure to which the demand for bacon hogs can be allowed to fall by this means.)

Retail pork and the manufacturing trade are inseparable in that different cuts of the same carcase are, as a matter of general practice, used for retail and for manufacturing. Further, those parts of the carcase of a pig originally purchased for the purpose of the pork trade, may be diverted to the manufacturing side when weather conditions do not favour the sale of fresh pork, thus stabilising demand.

It is desirable for efficiency, both technical and economic, that a manufacturer should be able to carry out the slaughter of the pig carcasses used and it follows from the above that any scheme of rationalisation of slaughterhouses should enable manufacturing units to carry out their own slaughtering as is considered necessary in the bacon industry.

Suggestions have been put forward from time to time that home-produced meat should be cold-stored at certain seasons. All past experience is against this, particularly when it is proposed to store surplus meat which may be left over from current demands. In the first place, any perishable commodities destined for prolonged cold storage have to be perfectly fresh and carefully selected. Despite all recent developments the stage has not yet been reached at which refrigeration can improve food, and applied to home-produced meat it would have the effect immediately of reducing the value at least to that of imported meat.

In considering any regulation of supplies great caution is necessary; at present all imported meat is frozen—the public would much prefer the beef chilled. With regulation of imports to adjust short-term fluctuations of home supplies it might not be practicable to ship chilled beef to Britain for it would have to be used immediately on arrival here. With any proposed regulation of home-produced sheep and cattle too it must be remembered that this cannot be carried out as with pigs, the latter normally being fed on meal, whilst the former rely largely on roots and grass the shortage of surplus of which can be the determining factor in fixing the date of slaughter.

(e) *Relaxation of control.*—As soon as the consumer is free to purchase meat without registration, the retail butcher similarly should be able to purchase from the supplier of his choice. At this stage the consumer would no longer pay a maximum price for unseasonal cuts of poor quality meat. It follows that the retailer, in this event, would not be prepared to pay maximum prices for complete carcasses when unwanted cuts of his old stock had been reduced to clear. This emphasises the need for importers and wholesalers in a position to accept or decline a bid.

(f) *Disease*.—In view of the Government's liability to pay guaranteed prices it might be opportune to consider the payment of compensation when carcasses are condemned as a result of disease. It is submitted that the buyer would be prepared to offer a higher price were he sure of compensation and that as a result the overall increase in the average market price would bring about a reduction in the amount of the necessary subsidy and thus offset, at least to a considerable degree, the money required for compensation."

January, 1949.

ANNEX 7

CO-OPERATIVE UNION

It is understood that the Select Committee wishes to discuss the following points—

- (a) the margin which is allowed on retail sales,
- (b) any plan intermediate to a complete return to pre-war conditions which would enable the consumer to have a better choice.
- (c) the question of slaughterhouses, and
- (d) the difficulty of the trade in general in attracting new entrants.

It is noted that the Committee also wishes to have co-operative views relating to the position in Scotland.

The Co-operative Meat Trade Association is representative of the 771 Retail Co-operative Societies (containing 9,787,928 members), of Great Britain. The England and Scottish Wholesale Societies are likewise members of the Trade Association.

The following statistics give some indication of the extent of co-operative meat trade in the various Sections of Great Britain for the years 1947 and 1948:—

Section	Retail Meat Trade		Meat Registrations	
	1947	1948	1947	1948
	£	£	'000	'000
Midland	4,817,036	4,541,316	941	998
Northern	3,589,840	3,344,643	694	716
North-Eastern	3,411,388	3,207,530	754	756
North-Western	5,954,813	5,381,712	1,172	1,180
Scottish	6,495,050	6,402,539	1,301	1,350
Southern	7,975,189	7,139,351	1,652	1,700
South-Western	1,131,594	1,056,844	253	257
Western	1,256,609	1,105,695	262	263
Great Britain	34,631,519	32,179,630	7,104	7,298

The Association, through its Sectional and National Executives is therefore in a position to obtain co-operative reactions to various developments in connection with the meat trade and also to give advice to co-operative societies as to their general meat policy. The National Meat Executive recognises that the butchery departments of co-operative societies are generally substantial and not comparable to many of the one-man businesses of the private trade.

The Government Abstract of Statistics shows that for 1947 there were 5,420 co-operative meat shops with a weekly retail turnover at November 1947 of £85 per shop, to be compared with the weekly turnover of £95 per shop for multiples and £64 per shop for independent retailers. The Co-operative Movement, however, probably has greater variation in the size of shops than independent retailers and is more comparable with the multiples.

Margin on Retail Sales

The Co-operative Executive, acting in consumers' interests, has not supported applications for increased margin on retail sales. It is now appreciated that with the recent reduction in ration there is a strong case for increased margin for the spreading of overheads. Co-operative trading differs from that of its competitors in that the surplus arising from the trade contributes to the general dividend of the societies paid on the purchases of consumer members. In this respect the earnings for dividend are independent of turnover, except insofar as overhead charges, labour, etc., may become

unduly expensive as the result of limited turnover. The National Meat Executive feels that the recent arrangement for a rebate of 11d. in the £ on wholesale sales was necessary with a reduction of turnover to the rate of 10d. per customer per week.

It should be emphasised that the economic margin is closely related to the supply position and consequently has a bearing on the quantity of manufacturing meat supplied to Group 2 licence holders, namely, general butchers. The Co-operative Movement feels that allocation of manufacturing meat and distribution of made-up goods are most equitable when related to meat registrations. It therefore follows that the maximum quantity of manufacturing meat which can be secured should be allocated to the Group 2 manufacturers. It is admitted that the large Group 1 manufacturers and the Group 4 (pork butchers) manufacturers are entitled to certain supplies of manufacturing meat especially in view of the fact that these particular manufacturers are not permitted to hold meat registrations. On the other hand the distribution of made-up goods by these two classes of manufacturers is inequitable and does not contribute to the fair share of made-up goods to consumers in general. In fact it provides opportunities for certain customers to obtain considerably above their fair share of made-up goods. To some extent the disposal of bacon factory offal comes within the same category of unfair distribution.

Post-War Plans

The National Meat Executive realises that the present supply position necessitates the continuance of national controls but the co-operative case has always been that as supplies become adequate to meet consumer requirement the consumer should be permitted to exercise his choice of the quality and type of meat and of the retailer from whom such meat should be purchased. Similarly the co-operative view is that the Movement should be free to develop its business to supply the needs of its own shareholding members insofar as those members were desirous of trading with their own societies.

With these points in mind the Co-operative Movement gave particular attention to the preparation of a post-war co-operative meat policy. The final document issued in 1946 was approved by National Meat Conferences representing all co-operative societies in the trade. A copy of this document is attached hereto. This can be regarded as the ultimate aim of the Co-operative Movement in respect of meat policy. Intermediate plans are, of course, complicated by political considerations and the National Meat Executive is not prepared to elaborate an intermediate policy in the absence of knowledge of Government intentions. It is claimed that the Co-operative Movement could function on the lines indicated in its statement of post-war policy provided the Government allows sufficient freedom to the Co-operative Movement.

The adoption of any plan must depend on essential Government decisions. If, when the supply position is reasonably satisfactory, the Government decide that fatstock were to be sold at the collecting centres, whether on a controlled price grade basis or by competitive auction, subsequent handling of the fatstock could be undertaken by the Co-operative Movement and private trade interests. In the event of meat being sold by the Government on a dead weight carcass basis at the slaughterhouse, the Government would presumably have control of the disposal of edible and inedible offals so that subsequent handling of meat and by-products would be considerably restricted from the competitive angle and the freedom of choice of the consumer would be very restricted. If, on the other hand, a Government decision effectively eliminated wholesalers from the actual handling of meat, all meat and offals would be on a controlled basis and freedom of choice of the consumer would be very restricted. There is, of course, the one safeguard that in the presence of abundant supplies of meat the consumer would have some limited choice as to the particular joint or quality of meat but the retailer would have little power of selection of the source of his meat, the qualities and the quantities of offals and meat.

The Co-operative Movement, as is clear from its post-war policy, would favour freedom for purchase of fatstock, say, from collecting centres but would be quite willing for payment for such fatstock to be made on a strictly controlled dead weight basis, having regard to grade and quality. There is no co-operative opposition to a price structure related accurately to the grade, quality and weight of the meat purchased. The Co-operative Movement, in the interests of its consumer members must, however, press the case for its right to purchase meat of the highest quality rather than to be the victim of allocation involving no choice of grade and quality. So long as the supply position requires the continuance of controls, such as are now imposed by the Minister of Food, the wholesale handling of meat and offals will be in the hands of organisations such as M.I.N.D.A.L. and W.M.S.A. or their equivalent. Whether an improvement in the supply position would make it possible for retailers to exercise some selection in the purchase of their meat and offal from such organisations, it is difficult to say, but no doubt the allocation system within the R.B.C. would prove impracticable in the presence of abundant supplies. It may be that the relaxation of control would spread gradually from the retailers' end, the extent of freedom being limited by definite Government policy.

As will be seen from the co-operative statement of policy, the Movement is prepared to handle its supplies in the interests of consumer members and to take the responsibility for selection of such supplies at any stage even back to the purchase of livestock at the farm. Any limitation on co-operative development will be the outcome of Government restriction.

Question of Slaughterhouses

The Co-operative Movement is quite prepared to recognise the claims for the establishment of municipal or regional abattoirs under groups of local authorities believing that abattoirs of such types are likely to be kept up-to-date, hygienic and efficient. It is felt, however, that with the cessation of rigid Government control of supplies, public abattoirs should be conducted on a service basis. The owners of the livestock or carcasses, as the case may be, would carry their own obligations as regards selection, but the use of a public abattoir would guarantee proper handling and proper inspection. In the co-operative view there is little likelihood of public authorities involving the necessary capital expenditure for an adequate number of public slaughterhouses in view of local authority commitments on such other matters as housing and education. The Co-operative Movement therefore considers that it could make a useful contribution to the provision of up-to-date hygienic and efficient abattoirs. These might be mainly in the hands of individual retail societies or groups of societies and comparative with the present slaughterhouses owned by local authorities and co-operative societies. On the other hand within co-operative policy the Movement is prepared to establish its own factory abattoirs for the benefit of its members, should Government policy develop in the direction of setting up factory abattoirs as authorised to a limited extent in the Livestock Industry Act of 1937.

There is some doubt as to the advantages of factory abattoirs but the Co-operative Movement would be prepared to conduct its own experiments in this direction in the interests of its members. Any such arrangement would, of course, imply that private traders had a similar right to establish slaughterhouses or factory abattoirs subject to observance of the necessarily high hygienic standards, approved designs, and so forth. The handling of by-products represents an important part of the business associated with slaughtering and the co-operative idea is that the Movement should be entitled to handle the necessary by-products arising from the supplies purchased for ultimate sales to shareholding members.

There can be no argument in favour of the restoration of 16,000 slaughterhouses such as operated before the war. The co-operative idea is that approximately 450-500 efficient slaughterhouses could deal with the normal requirements of the country. It is clear that chilling and refrigerator space associated with most slaughterhouses would have to be increased materially for, in the interests of the consumer, greater attention should be paid to the proper cooling of all carcasses and careful storage for several days, if not a week. Such storage at approximately 41° F. would be to the advantage of the final consumer.

The Difficulty of the Trade in attracting New Entrants

This question is extremely difficult to answer. So far as slaughterhouse workers are concerned there can be little doubt that the position is complicated by piece work rates applicable to this trade. Under such conditions employees are not willing to accept trainees who may temporarily reduce the efficiency and the earnings powers of the regular employees. Under present circumstances employees on the distributive side of the meat industry are probably considerably in excess of the actual requirement, having regard to the present meat supply position. It is no longer possible for co-operative societies to utilise their staffs of salesmen in sidelines such as slaughtering, the preparation of offals and a considerable volume of making up. There is therefore less prospect of an economic return from the labour available than under pre-war conditions. Under present conditions there is no doubt that there is actually considerable redundancy in the available labour of butchery departments. The Co-operative Movement does not normally favour the dismissal of staff as the result of circumstances over which the employees themselves have no control. With such a labour situation societies themselves would not be anxious to increase their butchery staffs although they realise that the business is not particularly attractive to the younger generation and that within a few years there may be difficulty in securing skilled men.

With regard to the employment of youths, the Co-operative Movement has always been opposed to blind alley occupations and is apt to be prepared to transfer younger employees to other departments when the employees reach the adult stage. At the present time this method of dealing with juniors is distinctly uneconomic, largely due to the delayed start through the raising of the school leaving age and the compulsory gap in the service due to military training. The net result is that employees of the age of 20 or so have really had no opportunity to learn the business and yet expect adult wages and recognition of the status of an adult worker. The Co-operative Meat Executive has not yet discovered a solution to this problem.

Application to Scotland

With regard to the application to Scotland, detailed evidence would be desirable from a Scottish witness. It is recognised that the operation of municipal abattoirs in the more populous districts of Scotland was highly successful in pre-war days and co-operative representatives would agree that control of slaughtering through municipal abattoirs would be most efficient in Scotland. So far as meat distribution is concerned, under pre-war conditions the sales of meat per member in Scotland were considerably higher than in England. There are many differences in the actual handling of meat. In the case of Scotland a high proportion of the manufacturing side was concerned with the preparation of minced meat and pie meat rather than with the preparation of sausage and other made-up goods as commonly supplied in England. There is no doubt that the allocation of manufacturing meat in proportion to meat registrations and to Group 2 butchers would be of particular value to the Scottish co-operatives. Scottish co-operatives argue that they do not receive a fair share of manufacturing meat as compared with the English co-operatives, but to some extent this is on account of the different customs relating to manufacture of meat products as operative in the two countries before the war. In Scotland comparatively little making-up was undertaken by the Group 1 type of manufacturer and probably the pork butcher was of far less importance in Scotland than in England before the war. The result of this tie-up of manufacturing meat with the pre-war datum is definitely to the disadvantage of the general butcher in Scotland and probably to the disadvantage of the consumer in Scotland. Further, it would be strongly argued in Scotland that the Movement should have the right to purchase livestock of its own selection.

So far as the Co-operative Movement is concerned, the Scottish Wholesale Society was the principal purchaser of fatstock for the co-operative societies. To a large extent the Wholesale Society took the responsibility for slaughtering through public abattoirs and selling carcasses and offal to the constituent societies on dressed carcass basis. The continuation of such a policy would obviously be greatly to the advantage of both the Wholesale and the Retail sections of the Scottish Co-operative Movement.

April, 1949.

ANNEX 8

MINISTRY OF FOOD

*Cereals Divisions**Cereals, including Cereal Feeding Stuffs, Estimates 1948-49**Functions of the Divisions*

1. The main functions of the Cereals Divisions are to ensure the supply and fair distribution of cereals and cereal products to all members of the community; to ensure the supply and distribution of coarse grains to meet the requirements of the Animal Feeding Stuffs Rationing Scheme; and to procure cereals for Commonwealth and other territories in respect of which the Ministry has undertaken procurement responsibility.

The operations are divided under four main Divisions as follows:—

(I) *Imported Cereals Division.*—Wheat, flour, coarse grains, pulses and other cereals and cereal products imported into the United Kingdom are purchased by Imported Cereals Division. In addition, considerable quantities of these commodities are purchased and resold by the Division to overseas purchasers for direct shipment to countries other than the United Kingdom.

Cereals, etc., imported into the United Kingdom are landed, stored and distributed by the seven Port Area Grain Committees (composed of pre-war importers) who operate for and under the direction of the Ministry in accordance with the terms of the Grain Trade and Flour Importers' Remuneration Agreements. The composition, function and remuneration of these Committees are set out in Schedule E.

(II) *Home Grown Cereals Division.*—Home Grown Cereals Division is responsible, in consultation with the Agricultural Departments, for the general control and marketing of all home grown grains. Home grown cereals are sold by farmers to Approved Buyers licensed by the Ministry and thence are distributed through other normal trade channels.

The Division is also responsible for implementing the guaranteed prices to farmers for certain crops, and if any home grown cereals in respect of which a guaranteed price is operative do not otherwise find a market, it is necessary for the Ministry to purchase from Approved Buyers at the appropriate minimum price.

The Division deals with the control and distribution, at U.K. selling prices, of imported and home grown edible pulses; the licensing and control of imports of wines and spirits, etc., licensing of brewers, maltsters and whisky distillers; the purchase, shipment and disposal of Algerian wines and the disposal of surplus stocks (mainly rum) taken over from Service Departments.

(III) *Cereal Products Division*.—The Division is responsible for home-milled wheat flour (including semolina, self-raising flour and speciality flours); also the production (but not distribution) of wheat by-products, and the distribution (after primary storage) of imported flour; for oat products (oatmeal, rolled oats and oat flour); pot and pearl barley; rye products (flour and meal); cereal breakfast foods; macaroni, spaghetti, vermicelli and similar products; soya flour and soya beans; and maize flour.

The Division is assisted by Area Flour Officers who are executives of Flour Millers and Importers and who act in an honorary capacity. Liaison is also maintained with the Trade through the medium of Trade Associations and Trade Advisory or Consultative Committees.

The work of the Division can be classified under the following sections:—

(a) *Wheaten Flour*.—Production, distribution and prices of home-milled wheaten flour, including self-raising flour and semolina, are controlled by the Flour Order, 1947. Flour millers are controlled by means of this Order, and they operate thereunder as principals, trading in their own name, operating their own mills and distributing their products within the terms of the Order and such instructions as may be sent to them by the Division. In addition to deliveries made by millers and importers, flour is also distributed by licensed flour factors, who receive a fixed rate of commission on the quantities they deliver, subject to a maximum in respect of each individual factor based on his pre-war trade.

With the object of saving transport and man power, buyers of flour, otherwise than by retail, are restricted to purchasing from the “authorised producers” with whom they are registered.

The responsibility for licensing flour mixtures lies with the Manufactured Foods Division, but Cereal Products Division is responsible for the manufacture and the packing of semolina, self-raising flour and all plain flours. The Division is also responsible for the production of wheat by-products, but the distribution and price control of such products are the responsibility of Animal Feeding Stuffs Division.

Imported flour is purchased by Imported Cereals Division, which allocates it through Port Area Grain Committees. Cereal Products Division is responsible for the price control of this product. Imported flour is released to millers for mixing in the output of national flour, and small quantities are also released under licence, e.g., for infant and invalid food manufacture, certain Services’ requirements and for ships’ stores.

Sixteen combined silos and drying plants have been erected to act as collecting centres and transit stores for home grown grain (especially potentially millable wheat), on its way from grower to miller, and these silos are operated by a company set up by the Ministry (Re-Commissioned Mills, Ltd.).

(b) *Oat Products and Pot and Pearl Barley*.—The control of oatmeal millers, and the relationship with individual millers, are administered from the headquarters of the Division, although the Ministry of Agriculture for Northern Ireland is responsible for certain phases of control in respect of millers in Northern Ireland.

Millers manufacture and distribute their products, operating their businesses as principals. Maximum prices are prescribed by Order.

Millers of pot and pearl barley are licensed, and the selling price of the products is controlled under a Control and Maximum Prices Order.

(c) *Cereal Breakfast Foods*.—Each manufacturer is licensed to produce a maximum quantity within a global target fixed for the whole industry. Maximum prices are fixed for each brand.

(d) *Macaroni and Similar Products*.—The manufacture and prices of these products are controlled by Order.

(IV) *Bakery Division*.—The Division controls the retail prices of bread, biscuits and flour confectionery; the price on sale by a manufacturer of cereal filler (for sausages, etc.); the price at which soya flour may be sold by soya flour millers to trade users, and the retail price. The Division is responsible for the administration

of the Biscuits Treasury Charges Order (which imposes a levy on biscuit manufacturers to recover the subsidy on flour used in biscuits), and for the administration of the Bread Subsidy.

Outline of Trading Operations in Imported Cereals and Cereal Products

2. Imported cereals are purchased largely on a Government to Government basis but otherwise through London agents of overseas shippers. Purchases of wheat and flour under the Canadian Wheat Agreement are made through commercial shippers operating within the framework of the Agreement. Purchases are generally made on f.o.b. terms, but sometimes the purchase price is expressed on a c. and f. basis. Payment is made against shipping documents by or on behalf of the Division.

Shipping documents for shipments to U.K. taken up by Head Office are passed to the Port Area Grain Committees who are then responsible for the payment of freight (except for certain composite cargoes paid by Head Office), the reception of imports, customs clearance, carriage, storage and subsequent distribution to and collection of proceeds from buyers. The Committees are also responsible for the collection of ration documents and permits or points according to the commodity concerned.

Cereals procured on behalf of other territories and for Services requirements overseas are shipped direct from country of origin, and the cost, with the addition of a small overhead charge, is recovered by Head Office.

Basis of Estimates covering Imported Commodities

3. Separate estimates are prepared for each commodity sub-divided according to the various subsidy schemes, etc. Schedule A shows details of the trading estimate for 1948-49 in respect of wheat and flour imported into the U.K. and supplied to controlled flour millers, breakfast food manufacturers and other users. The schedule shows similar details in respect of coarse grains which are mainly imported for animal feeding purposes, the trading estimate in respect of imported edible pulses (which are unsubsidised), imported oat products and imported rye.

Costs of U.K. imports are estimated in respect of each country of origin, having in mind outstanding contracts and possible availabilities of the various cereals. Sources and proportionate quantities change from year to year having regard to the world supply situation, crop yields, currency considerations, the requirements of territories for which the Ministry has procurement responsibilities and whether or not long-term agreements have been, or are likely to be made. The total quantities of the various commodities for each main purpose are based on the estimated overall requirements for distribution and working stock during the period. Prices, except where these are fixed under a bulk contract or a long-term agreement, are estimated according to current prices and the views of experts on likely price trends. Freight and insurance are estimated on current rates, unless a future variation is known. Landing, storage, transport and other distributive charges to the U.K. selling point are estimated by reference to the average of previous results. Overheads are apportioned over the various commodities in the manner described in paragraph 6.

Details of the estimated f.o.b. cost of cereals and cereal products expected to be supplied during 1948-49 to overseas countries by direct shipment from the exporting countries, are shown in Schedule C. In certain cases the Division pays freight and other shipping charges which are recovered from the buyers. As mentioned in paragraph 2 above, these shipments are charged at cost, and the transactions do not affect the trading results of the Division.

Outline of Trading Operations in Home-Grown Cereals, etc.

4. As indicated in paragraph 1 (II) the Division is responsible for purchasing home-grown cereals, in respect of which a guaranteed price is operative, which do not otherwise find a market. At present the Division is being called upon to exercise this function on home-grown barley, and in the near future the Ministry may have to buy oats at the minimum prices, and possibly rye. Millable wheat is purchased direct by controlled flour millers.

Home-grown millable or potentially millable barley is purchased by Area Purchasing Organisations, which form part of the Port Area Grain Committees, from Approved Buyers at the minimum price for such barley as prescribed by Statutory Instruments. This price is fixed at the appropriate February Review having regard to overall farm incomes. The barley purchased by the Ministry becomes part of the Pool for rationed feeding stuffs and is sold at the maximum price prescribed for feed barley, to processors for the production of barley meal and compounds. Wherever possible Ministry purchases of barley are consigned direct from farm to the processor's premises and the direct loss is then the difference between the minimum price for millable or

potentially millable barley and the maximum feeding price. It is however necessary to store much of the barley purchased for later distribution, and apart from the above direct loss, there are losses and costs involved in drying, storage and transport.

When home-grown oats are purchased by the Ministry in order to maintain a reserve stock to meet the requirements of oatmeal millers and for the feeding of town horses, maximum prices are paid and charged on resale. In a situation requiring the purchase of home-grown oats which would not otherwise find a market, the minimum price only would be paid, subject to practical and technical considerations. Irrecoverable costs and losses are incurred in respect of drying, storage and transport. Small quantities of home grown pulses are purchased for resale without loss as ingredients in National Pigeon Mixture.

The Home-Grown Cereals Division controls the distribution of imported and home-grown edible pulses. In the case of home-grown green peas, these are allowed to pass from farm to pea-picker and from pea-picker through wholesalers to retail grocers without direct intervention by the Ministry. Margins are prescribed at each stage of distribution, but these operations do not affect the trading results of the Ministry.

In the case of imported edible pulses, the Ministry sells to the first-hand distributor or processor. Price structures are laid down and margins fixed at each stage of distribution.

The Division has also purchased Algerian Wine to sell at a low cost price and thus provide a "floor" in order to keep the price of table wines down to a reasonably low level. This purpose has been served and purchasing has now ceased. Sales of Services surplus rum do not affect the trading results as proceeds are credited to "Services rendered to Other Government Departments" Account, but cash requirements are affected thereby.

Basis of Estimates covering Home-Grown Cereals, etc.

5. As in the case of imported commodities, separate estimates are prepared for each commodity sub-divided according to the various subsidy schemes, etc. Costs and receipts are estimated by reference to the prices prescribed by Statutory Instruments and according to quantities likely to be available. The latter are estimated by reference to the latest figures of acreage and the previous average yields per acre, having regard to the probable offtake through normal trade channels. Transport and storage charges are estimated, in the light of previous experience, as also is the cost of drying. Losses in weight during storage or during drying are estimated by reference to previous average results and any known factors tending to vary the average.

Method of Apportioning Estimated "Overhead" Expenses

6. For estimating purposes the general "overhead" expenses of the Division, comprising Headquarters and establishment charges, interest, traders' remuneration, commission, expenses on empty sacks, demurrage, etc., and transport costs from first store to other stores are apportioned between four groups, i.e., imported wheat and coarse grains, imported flour, imported edible pulses and home grown grains, mainly on the basis of expected sales during the financial year. Storage and fire insurance are also apportioned on the basis of the anticipated level of stocks during the year.

From these figures is obtained an average "overhead" rate per ton for each group of commodities. All other expenses are estimated separately for each commodity in accordance with past experience and likely future variations.

Cereal Products

7. As explained in Schedule F, flour millers receive rebate payments on account. Rebates on Imported Wheat are given in the form of an allowance shown separately as a deduction from invoices in respect of Imported Wheat purchases rendered by Port Area Grain Committees. Rebates on Home Grown Wheat are paid by cheques from the Ministry.

The forecast of the cash requirements is based on the rebate allowances which are calculated on the supplies of wheat (and imported flour for mixing in) estimated to become available month by month to meet the anticipated demand for flour.

According to the trend of millers' trading results in earlier years a forecast is made of the probable payments (in addition to rebates) to millers, and of recoveries from them. Provision is also made in the estimates to meet the anticipated payments to millers on account of the excess production award granted under the Supplemental Remuneration Agreement dated 6th November, 1945.

Based on weekly returns of receipts and payments with a forecast of cash requirements for the ensuing week, advances are made in accordance with requests from Re-Commissioned Mills Ltd., a Ministry-controlled company, to finance the operation of the 16 National Grain Silos for the drying and storage of home grown wheat which the Company purchases and sells at controlled prices. The probable cash requirements are forecast from the estimated intake and releases of wheat to the controlled flour millers.

Bakery, etc.

8. *Bread Subsidy.*—Bakers obtain their supplies of flour at the same subsidised price as other trade users. The maximum selling price of bread authorised under the Bread (Maximum Price) Order is not sufficient to cover the cost of production and distribution and provide for the permitted rate of net profit of 5s. per sack of flour baked into bread, and accordingly a bread subsidy is paid to bakers in respect of all bread which is price-controlled. The rates of subsidy are fixed by the Bakery Division on the evidence of periodical investigations of costs and profits arising on the manufacture of bread. During the financial year to 31st March, 1949, it is estimated that the total cost of the bread subsidy will be approximately £9,187,000 which is equivalent to approximately 7s. 6d. per sack or 0.41d. per 1½ lb. loaf. The permitted profit of 5s. per sack represents just over ¼d. per 1½ lb. loaf.

Claims for Bread Subsidy are submitted by about 17,000 bakers every eight weeks on a Form prepared and issued by the Ministry. These claims, when received, are scrutinised by the Bread Subsidy Branch of the Division and test-checked by Investigating Accountants attached to the Branch, who visit bakers' premises for this purpose.

Biscuit Levy.—Under a Treasury Charges Order, a levy is imposed on biscuit manufacturers at a rate equivalent to the cost of the flour subsidy at any time on subsidised flour used for biscuit manufacture. The Division is responsible for the collection of the levy, for which purpose a form of return is prepared and sent out to each biscuit manufacturer for every four weeks' rationing period. During the financial year to 31st March, 1949, the total amount of the levy, reckoned at 45s. per sack of 280 lbs. of flour, is approximately £2,700,000.

Biscuit manufacturers have a right of appeal against the payment of the levy if it can be shown to the satisfaction of the Ministry that, because of the levy, their average net profit would fall below 6s. per cwt. The position in any such case is rectified by allowing an appropriate increase in the maximum prices of all or any of the biscuits produced by the manufacturer, to restore the net profit to not less than 6s. per cwt., the firm continuing to be responsible for payment of the levy. No appeal against the levy is expected to be made during the financial year to 31st March, 1949. The number of manufacturers affected by the levy is 280 medium and large sized, and about 800 small, manufacturers.

The present rate of levy (45s. per sack) is equivalent to about 13s. per cwt. of biscuits, or just under 1½d. per lb.

Cash Requirements based on Trading Estimates

9. The build up of the estimated cash requirements of the Divisions for 1948-49 is detailed in Schedule D which shows the cash required to meet the excess of payments over receipts less items not paid for in cash by the Divisions. Adjustment is also made for the value of goods received from Argentina under the Andes Agreement, in respect of which payment was made in advance in the 1947-48 financial year.

The Schedule also shows a reconciliation of the figure of net cash requirements split up under the net trading loss, increase in stock levels, rebates to controlled millers, etc.

SCHEDULE A

	Cost of Sales after adjusting for stock changes	Sales Proceeds	Net [Profit] or Loss
	£'000	£'000	£'000
Appendix A—Imported Wheat and Flour	133,701	121,464	12,237
Appendix B—Imported Feeding Grains	54,861	26,660	28,201
Appendix C—Other Imported Com- modities	4,042	4,479	[437]
Appendix D—Home-grown Cereals ...	3,555	2,152	1,403
	196,159	154,755	41,404

SCHEDULE B

Expenses included in Schedule A

	£'000
Freight, marine insurance, customs duty and landing charges	36,054
Storage, warehousing and insurance in the United Kingdom	1,825
Inland transport charges	901
Commission, expenses of agents and distributors	1,300
General overhead expenses	1,500
Interest on Exchequer advances	1,350
Depreciation	10
Net cost of transactions in sacks and bags	120
Stock losses, less recoveries	75
Miscellaneous	461
	<u>£43,596</u>

SCHEDULE D

Cash Estimate 1948-49 and Reconciliation with Trading Estimates

CASH ESTIMATES	Cash Estimate		
	Schedule	£'000	£'000
1. Total Estimated Payments			
Imported Wheat and Flour	A	137,006	
Imported Feeding Grains	A	81,006	
Other Imported Commodities	A	4,179	
Home Grown Cereals	A	3,580	
Commodities shipped direct Overseas	C	33,781	
Home-milled Flour, etc. (a)		4,921	
Wines and Spirits		54	
Payments to Controlled Flour Millers		21,937	
Subsidy to Bakers		9,187	295,651
2. Less Payments included above, but not made by Cereals Division			
Rail Carriage		450	
Road Haulage		250	
Overheads (including Buffer Depot Charges)		1,800	
Interest		1,350	
Ministry of Works and Building—Rent		70	
		3,920	
3. Less Proportion of advance payment made to Argentina in 1947-48 under the "Andes" Agreement to be set off against supplies in 1948-49 ...		36,900	40,820
4. Net Estimated Payments			254,831
5. Gross Estimated Receipts			
Imported Wheat and Flour	A	121,464	
Imported Feeding Grain	A	26,660	
Other Imported Commodities	A	4,479	
Home-grown Cereals	A	2,152	
Commodities shipped direct Overseas	C	33,781	
Home-milled Flour, etc. (a)		4,944	
Wines and Spirits		643	
Receipts from Controlled Flour Millers		2,820	
Biscuit Levy		2,700	
Goods taken over from Salvage Division		100	
		199,743	
6. Less Rebates allowed to Controlled Flour Millers (b)		60,451	
		139,292	139,292
7. Net Estimated Receipts			
8. Net Cash Requirements			115,539

SCHEDULE D—continued

	Cash Estimate		
	Schedule	£'000	£'000
RECONCILIATION			
9. <i>Net Trading Loss</i>			
Loss on Imported Wheat and Flour	A	12,237	
" " Imported Feeding Grains	A	28,201	
" " Home-grown Cereals	A	1,403	
		41,841	
<i>Less Profit on Other Imported Commodities</i> ...	A	437	
		41,404	
10. <i>Rebates and Payments on Account to Controlled Flour Millers</i>		79,730	
11. <i>Subsidy to Bakers</i>		9,187	
		130,321	
12. <i>Less Biscuit Levy</i>		2,700	127,621
		3,920	
13. <i>Less Payments not made by Cereals Division</i> ...			
Proceeds of sales of surplus foodstuffs (Wines and spirits)		589	
Proceeds of sales of goods taken over from Salvage Division		100	
Proportion of advance payments under "Andes" Agreement		36,900	
Variation in Debtors and Creditors		162	41,671
			85,950
<i>Add Increase in Stock Levels</i>		29,589	29,589
14. <i>Net Cash Requirements</i>			115,539

NOTES:—

(a) Consists of (i) home-milled flour taken over from controlled flour millers and sold to pre-war flour importers for distribution in U.K.

(ii) home-milled wheat offals and home-produced maize products purchased from flour millers and other processors and shipped to Northern Ireland for animal feeding.

All these commodities are sold at cost.

(b) Rebates allowed to Controlled Flour Millers form part of the Flour Subsidy.

SCHEDULE E

Composition, Functions and Remuneration of Port Area Grain Committees
Origin and composition of the Port Area Grain Committees

1. The Port Area Grain Committees were originally formed in 1938 when the Grain Trade placed its services at the disposal of the Food Defence Plans Department of the Board of Trade in the event of war. The Committees were composed of the principals of grain importing firms with offices at the seven ports selected, i.e., London, Liverpool, Hull, Bristol, Belfast, Glasgow and Leith (Edinburgh).

On the outbreak of war the purchase and importation of imported cereals and the arrangements for loading in the exporting countries became the responsibility of the Cereals Control Board, acting through its Cereal Imports Committee whose functions also included the administrative supervision and control of the seven Port Area Grain Committees. The operations and functions of the Port Area Grain Committees prior to September, 1939, were so designed that at the outbreak of war, by the use of Grain Trade personnel and office accommodation they became the handling, storing and distributing organisation of the Cereal Imports Committee.

In June, 1940, the Cereals Control Board (with its committees) was disbanded and the Board's responsibilities were taken over by the Cereals Division of the Ministry of Food. In subsequent re-organisation the Cereals Division was split into a number of separate Divisions, one of which, Imported Cereals Division, discharges the functions formerly carried on by the Cereals Imports Committee of the Cereals Control Board.

At the Port Area Grain Committees the services of the Flour Importing Trade are utilised but in addition the Flour Importers distribute home milled flour.

Functions of the Port Area Grain Committees

2. The work of the Port Area Grain Committees consists of arranging and controlling the discharging of all vessels carrying cereals and cereal products to the United Kingdom, the acquisition of warehouse space and the transport of the landed cargoes to such warehouses, the supervision of stocks held in stores and their final distribution to flour millers and other processors, wholesale grocers and distributors of animal feeding stuffs, and the necessary work involved in purchasing, storing and distributing home grown cereals. Damage, condition and loss of weight claims are initiated and pursued by the Committees, following very closely the pre-war customs of the Grain Trade, but in compliance with instructions from Head Office.

All financial matters arising from these operations are dealt with by the Committees, in accordance with instructions issued by Imported and Home Grown Cereals Finance Division, payment being made from banking accounts held in the Committee's names and maintained in credit by transfers from the general banking account of the Cereals Division. Receipts of cash are banked by the Committees to the credit of the general banking account of the Cereals Division. Detailed stock and accounting records are maintained by each Committee.

Remuneration

3. The Agreements with the Grain Trade and the Flour Importing Trade provide for the payment by the Ministry of the actual operating expenses of the two Trades as approved by the Ministry plus a fixed annual global sum for remuneration for all services which the two Trades may reasonably be requested to perform for the Ministry.

SCHEDULE F

Remuneration and Control of Flour Millers

The activities of flour millers are and have been since the outbreak of war in September, 1939, controlled by various orders and circulars issued by the Ministry from time to time. Their remuneration is covered by an Agreement known as the Flour Millers' Remuneration Agreement, dated 10th November, 1941. This Main Agreement has been extended to 28th August, 1948, by Supplemental Agreements dated 16th July, 1943, 6th November, 1945, 4th October, 1946, and 12th February, 1948. It has been agreed that there should be a further extension of the Agreement to 3rd September, 1949, but the renewal terms are at present under negotiation. The Supplemental Agreements referred to provide for the extension of the Main Agreement on virtually the same terms as the Main Agreement, except that as from 29th August, 1942, millers receive some additional remuneration on excess production.

The main body of flour millers are parties to this Agreement but there are a few very small millers who, for one reason or another, have not adopted the Agreement. They are dealt with outside the terms of this Agreement but are treated, as far as is possible, on the same basis as those who are parties to the Agreement.

As millers have to purchase wheat at the full un-subsidised prices fixed by the Ministry and are restricted to selling flour at fixed subsidised prices controlled by the Ministry, it is not possible for them to operate without receiving cash advances on the purchase of wheat to cover their costs of the production and distribution of flour. Consequently payments on account are made to millers to place them in funds until they are able to render their yearly Profit and Loss Accounts as provided for in the Main Agreement. These payments on account are mainly in the form of "wheat rebates" based on purchases of wheat. The calculation of the rebates as a rate per ton of wheat purchased by millers takes into account the cost of the wheat plus an estimated amount for milling and other costs and an amount to cover a portion of the remuneration. From this total is deducted the approximate selling prices of the products and the resulting figure is paid to millers as a rebate per ton on wheat purchased.

As the above rebates are a flat rate for all flour millers they are not sufficient in certain cases and other payments to millers are made from time to time.

All these payments are on account and are brought to credit in the yearly financial accounts the millers render before a final settlement is made.

Under the Remuneration Agreement each miller receives, subject to a small addition for excess production a yearly payment equivalent to his yearly average profit for three consecutive years of the four years ended 31st December, 1938. Surpluses on trading are payable to the Ministry and deficiencies are payable by the Ministry.

March, 1949.

ANNEX 9

THE NATIONAL ASSOCIATION OF CORN AND AGRICULTURAL MERCHANTS

The Marketing of Home-Grown Grain

PART I.—COMMODITIES HANDLED AND MARGINS

1. The National Association of Corn & Agricultural Merchants Limited represents practically all the firms engaged in the home Corn Trade, the chief activities of which are:—

- (a) Marketing of home-grown grain.
- (b) Manufacture of compound feedingstuffs, provender and oatmeal milling and gristing of farmers' grain.
- (c) Production, selection, purchase, cleaning and dressing of seed grain and agricultural seeds.
- (d) Distribution of animal feedingstuffs, seeds, seed grain, fertilisers and other farm requisites.
- (e) Marketing of hay and straw.

Wheat

2. There are over 50 different varieties of wheat grown in this country. Some are suitable for milling into bread, cake and household flour, others make flour suitable for biscuit manufacture and breakfast foods.

3. The portion of the crop directed to reproduction purposes is subject to special selection and handling at all stages.

4. The quality of home-grown wheat varies particularly according to variety, and in all cases as regards moisture content, from season to season, from one district to another, from farm to farm, according to weather conditions at harvest time and subsequently. The amount and character of impurities vary from one consignment to another. There are even variations within the same consignment. The condition of the grain in the sacks may vary according to whether the grain as threshed came from the top, middle or bottom of the stack.

Present Machinery for Marketing Wheat

5. The bulk of the home-grown wheat trade is conducted by the merchants, although a small proportion of wheat is purchased from the local farmers direct by the country millers.

6. The usual practice is for the farmer to notify the merchant (at his office or local Corn Market) that he is about to thresh. The merchant when required arranges what sacks are to be used, the alternatives being:—

- (a) Contractors' sacks (which include those hired from the railway companies).
- (b) The merchant's own private sacks.
- (c) Ministry of Agriculture and Fisheries sacks (mostly used when harvesting by combined harvester-threshers).

7. After threshing the farmer brings a sample of the wheat to the merchant, who, after examining it, purchases it as:—

- (a) Millable (i.e., wheat that is sweet and in fair merchantable condition, commercially clean as regards admixture and tailings, and commercially free from heated or mouldy grains or objectionable taint).
- (b) Potentially millable (i.e., wheat which by treatment can be converted into millable wheat at a reasonable cost), or
- (c) Non-millable (i.e., wheat that is neither millable nor potentially millable).

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8. Should farmer and merchant fail to agree as to the quality of the wheat, the farmer has the right to appeal to the Local Wheat Committee (consisting of farmers, millers and merchants) appointed by the Minister of Agriculture through the Wheat Commission.

9. If the wheat is either millable or potentially millable, it is disposed of by the merchant to a miller. This he does by taking his samples to the most suitable markets. He has to keep closely in touch with his miller-customers in all districts, because mills from time to time become congested and unable to take further supplies, so that the merchant must be in a position to know which mills are prepared to buy in order to effect clearance of the wheat from the farm as soon as possible. By this means, a deficit in one area is filled from the surplus in another, and a supply according to requirements is ensured all over the country. The merchant also knows which mills can take in and deal with wheats containing impurities such as smut or garlick because of their special machinery.

10. In the event of the grain having a high moisture content the merchant arranges immediate delivery to a drying plant, to avoid deterioration. Many merchants have installed driers to facilitate quick handling.

11. To arrange transport, which is his next function, the merchant must ascertain:—

- | | | |
|--|------------|-----------|
| (a) That the wheat is ready for delivery | } if it is | |
| (b) That railway wagons are available | | } removed |
| (c) Whether there are embargoes on the railway | | } by rail |

12. The wheat may be sent by rail, road or water. Many merchants who are within reasonable distance from the mills use their own or hired transport, frequently securing return loads, such as millers' wheatfeed, feeding-stuffs or fertilisers, thus economising in vehicles and transport costs.

13. If the wheat is sent by rail, the merchant sends forwarding orders to the farmer's nearest station and either delivers to the station with his own lorries or arranges for this to be done either by a local haulage contractor or by the farmer himself.

14. In certain areas it is economic to forward wheat to the mills by water, which has its own problems, necessitating permanently installed plant and expert direction.

15. After delivery has been made to the millers, the merchant's work is still not completed, for he acts in the capacity of a buffer between farmer and miller and has to deal with:—

- (a) All complaints that arise owing to quality of the wheat differing from purchase sample. This work is very heavy after a harvest such as we had last year.
- (b) Frequent differences (either in excess or short) between the number of sacks stated to be taken from the farm and the number received by the millers.
- (c) Short-weight or over-weight, which arises owing to the use by the farmer of a faulty machine or one which has not been placed on a level floor, or owing to the necessity for using inexperienced labour. The work entailed has increased enormously in the last few years, owing to increase in pilfering from the sack.
- (d) Refusal of part of the consignment, which may occur owing to its being non-millable, this being either returned or retained by the miller and examined by the local Wheat Committee for certification as non-millable. In either case it has to be disposed of by the merchant.

16. When the sacks have been emptied arrangements have to be made to return them.

17. If the grain has been moved by rail (a) in railway or contractors' sacks, the miller returns them to the railway company or contractor; (b) in private sacks, these are returned to the merchant who has to check them over, clean and repair them, and trace any missing sacks.

18. If the grain has been despatched by road, the sacks are either returned on the lorry, in which case the merchant checks them, cleans and repairs, and traces missing sacks; or they are retained for a time by the customer.

19. When so retained, in the case of private sacks, they are either picked up later by lorry or returned by rail. In the case of contractors' sacks, they are transferred to the miller, and the railway company or contractors are advised and given particulars as to the number, station or place from which they were hired, and destination for transfer.

20. In considering the amount of work entailed for the merchant, it should be borne in mind that the size of a transaction, whilst difficult to estimate, varies from 1 ton to 25 tons (10 to 250 sacks), but most transactions are in small lots.

21. If the wheat is non-millable, the sample has to be sent to the Local Wheat Committee for certification as such. After the certificate has been received, the farmer may retain the permitted proportion of the wheat for feeding to his own stock. The Wheat (or the balance as the case may be) may then be sold by the merchant, but instead of going for flour milling it has to be disposed of to a buyer who will use it for animal feeding stuffs. The same procedure will apply to this transaction as in the case of millable wheat, except that in many instances the wheat is in bad condition, and therefore perishable, which necessitates immediate attention, before further deterioration sets in.

Barley

22. The quality of Barley varies from season to season, from one district to another and from farm to farm. The amount and character of impurities vary from one consignment to another. There are even variations in quality and moisture content within the same consignment as in the case of wheat.

Present Machinery for Marketing Barley

23. The conditions under which barley is marketed under control approximate very closely to those ruling pre-war, there being a free market between the minimum and maximum prices, which this year are respectively 92s. 0d. and 120s. 0d. per quarter of 4-cwts.

24. The method of marketing is on similar lines to that employed prior to the war in the marketing of wheat, but there is one very big difference, namely, that whereas the difference in the prices paid for wheat of differing qualities is small, the difference in the prices paid for barley of differing qualities is very large. Even prior to the war, the average price of barley was sometimes in the region of 30s. 0d. per quarter of 4-cwts. with a price variation of as much as 50 per cent. This was due to the very marked variations in the quality of barley grown in this country, the many different types of barley required by malsters and brewers and the other uses for which barley was required.

25. Long experience has proved to the individual brewer the type and quality of barley that he requires, depending not only on the type of beer required for his trade, but also on such things as the chemical analysis of the water he uses. The nicety of his requirements is accentuated by the fact that the brewer manufactures different grades of beer. For instance, pale ale beers which are, under ordinary trading conditions, kept for a long time, or perhaps exported, require a fine-quality barley, but within this description there are several types, and brewers have their preferences which are affected by results obtained in actual commercial practice.

26. There are five main categories of barley used for separate and distinct purposes, namely:—

- (a) Malting.
- (b) Manufacture of animal foods.
- (c) Pearling and flaking for human consumption.
- (d) Flaking for brewing.
- (e) Seed.

27. Barley malt is also used for many other purposes, such as:—

- (a) Manufacture of vinegar.
- (b) Manufacture of breakfast foods of various sorts.
- (c) Manufacture of spirits by distillers.
- (d) Manufacture of malt extracts for use by confectioners, in dog biscuit processes, in the manufacture of medicinal food and malted milk.

28. Judging the different qualities in order to know the right customer for each individual lot calls for great skill, which can only be acquired by long experience, for whilst the customer is only interested in the type of barley he wishes to purchase, the merchant must have adequate knowledge of every type of barley that every one of his customers will buy, in order that he may know how to place each lot in the best available market. Only by so doing can he build up and retain his trade both with his farmer and with his customers.

29. It is one of the outstanding features of the barley trade that whereas barleys may be suitable in one district in a particular year for certain purposes, the next year they may be entirely unsuitable, due to varying weather conditions. It follows that the problems of one in a certain area are not necessarily those of the next. Only wide merchanting experience over a period of years can overcome the varying problems. That is why brewers and malsters often place their buying orders with particular merchants who know their requirements. From the point of view of both farmer and consumer (brewer, malsters or other) malting barley merchants are, because of their specialised knowledge, able to place the barley correctly, according to its suitability. The farmer himself cannot possibly know who is the appropriate ultimate buyer of a particular sample.

30. It is apparent from the foregoing that no system of grading would be practicable for barley, and it is clear that the price structure must allow for variation in price according to quality and conditions.

31. The barley trade generally is subject to bigger risks than is the wheat trade, for, owing to the wide difference in price between the best and worst qualities, the allowances required in the case of bad deliveries are often very large. Also, where fine barleys only are required by a brewer, if a lower quality is delivered he is unable to use it, even at an allowance, and the barley then has to be resold elsewhere.

32. All the incidental merchanting services detailed under the marketing of wheat apply also in the case of barley.

Oats

33. Oats are largely consumed on the farm, except in Scotland and the North of England. However, a certain proportion in all districts is sold by growers and used for:—

- (a) Consumption on the farm.
- (b) Feeding to other livestock.
- (c) Feeding to poultry.
- (d) Oatmeal and flaked oat manufacture for human food.
- (e) Seed.

34. The quality of the oats produced varies, but the difference in values included to be smaller than in the case of other home-grown cereals.

Cereal Seeds

35. Closely allied to the marketing of the above-mentioned cereals, but presenting problems that are complex and somewhat different, is the marketing of cereal seeds.

36. All sales of cereal seeds are subject to the provisions of the Seeds Act (1920) and Seeds Regulations (1922) when sold to farmers for sowing.

37. Many agricultural merchants have specialised in this trade and have trained expert staffs, who select stocks, inspect growing crops, and if necessary rogue them whilst growing.

38. Cereal seed merchants contract with farmers who specialise in the cultivation of seed corn to grow pedigree varieties for them, guaranteeing the payment of an increased price over the market value current at the time the produce is available. The merchant recleans and mercurially dresses the produce of the crop, and sells to farmers the cleaned, selected and dressed seed thus obtained.

39. Under control there has been a free market in seed grain, variety of sort and quality making it not only most difficult, but also too complex to attempt to impose a maximum price by Order. This free market in cereal seed assured an unfailing supply throughout the war period.

40. In the selling of seed corn the local knowledge and experience of the merchant is very valuable to the grower in advising him as to the suitability of varieties to his soil, and of the likelihood as to the demand for such varieties when the crop has been grown.

Maximum Permitted Gross Margins on Transactions in Main Home-Grown Cereals

41. The gross profits permitted for the whole of the work set out in the previous paragraphs, including the cost of financing the transaction, is at present as follows:—

	<i>Growers' Price April, 1949</i>	<i>On Sale by Merchant</i>	<i>Profit Margin</i>	<i>Profit</i>
	per cwt.	per cwt.	per cwt.	per cent.
	s. d.	s. d.		
WHEAT fixed ...	23 9	24 1	4d.	1·403
BARLEY:				
(a) for human consumption maximum	30 0	30 7½	7½d.	2·08
(b) millable	23 0	23 6	6d.	2·01
OATS maximum	21 3	21 9	6d.	2·33
RYE fixed ...	23 0	23 6	6d.	2·01
		maximum		

PART II.—REPLACEMENT OF OLD PLANT AND BUILDINGS

42. In common with other businesses the Trade has found it impossible to accumulate sufficient capital to provide for the adequate replacement of old plant and buildings. Present and past taxation does not permit adequate depreciation allowances sufficient to meet present day replacement costs which are often up to 300 per cent. higher than pre-war.

43. Another great difficulty is the inordinate delay in obtaining replacements of plant and motor vehicles, some of which have to be retained in use although no longer economic in operation.

44. Some sections of the trade have also experienced considerable difficulty and delay in building operations.

PART III.—PLAN INTERMEDIATE TO A RETURN TO PRE-WAR CONDITIONS

45. As soon as conditions permit we recommend for home grown cereals a return to a system based on the principles of the Wheat Act which was an outstandingly successful piece of marketing machinery.

46. The outstanding features of the Wheat Act are:—

- (a) It ensures a reasonable price to the grower.
- (b) It does not interfere with the import of overseas wheat.
- (c) It is mostly operated by the Corn Trade and, therefore, the management costs are extremely low.
- (d) The deficiency payment is highest when world prices are lowest, and therefore the consumer is getting his bread at a low price.
- (e) It gives the grower the chance to obtain increased prices by reason of his skill as a grower and his farm's proximity to his market.

47. Certain modifications would be necessary to the present Wheat Act were its principles applied to the marketing of all home grown cereals, which, of course, include barley and oats.

A memorandum on the Wheat Act is appended.

PART IV.—RECRUITMENT AND TRAINING OF STAFF

48. The Trade, in common with others, is suffering from a shortage of trained staff. To meet this problem the Trade established a separate educational body—The Institute of Corn & Agricultural Merchants.

49. Its first task was to deal with the rehabilitation of Servicemen. A number of six-months residential courses have been held at Agricultural Colleges with a view to bringing up-to-date the knowledge of these men. Further, a correspondence course was organised for men still in the Services. This course has proved to be so successful that it is now a permanent feature of the Institute.

50. The Institute now has a full programme of technical courses designed to place the latest agricultural and scientific information in the hands of firms and their staffs for service to their farmer-customers. Courses have been held at the following colleges and institutes:—

- National Institute of Agricultural Botany, Cambridge.
- Royal Agricultural College, Cirencester.
- Harper Adams Agricultural College.
- Seale-Hayne Agricultural College.
- University College of Wales.
- King's College, Newcastle.
- Essex Institute of Agriculture.
- Nottingham University School of Agriculture.
- Aberdeen University.
- Edinburgh and East of Scotland College of Agriculture.
- West of Scotland Agricultural College.

51. The Institute also organises educational visits for employers and employees with the object of keeping their technical knowledge up-to-date.

52. The Institute issues to the Trade an educational journal containing technical information. The journal has a wide circulation amongst employers and employees, and in fact outside the Trade itself.

C. G. METSON, *Secretary*.

Cereal House,
Mark Lane,
London, E.C.3.

6th April, 1949.

APPENDIX

The Wheat Act, 1932

- (1) The Wheat Commission consisted, in addition to the Chairman, of:—
- Five members representing the interests of the growers of home-grown millable wheat.
 - Three members representing the interests of the millers of flour.
 - One member representing the interests of the importers of flour.
 - Three members representing the interests of the dealers in home-grown millable wheat.
 - Five members representing the interests of the consumers of flour (of whom one at least was to represent the interests of the bakers).
 - Not less than three members representing the interests of such other classes of persons as appeared to the Minister to be affected by the operation of the Wheat Act.
- (2) The fundamental principle of the Wheat Act is a deficiency payment of uniform amount. This is due to the British farmer upon all the millable and potentially millable wheat grown by him. The fund from which these deficiency payments are made is raised by a levy upon all millers and importers of flour when the ascertained average price of wheat sold during the cereal year is less than the standard price fixed by Parliament. The amount paid is the difference between the said average price and the standard price. The payment is based on the quantity of wheat sold and certified as millable. The Wheat Commission fixed the maximum quantity which they anticipated would be grown, which was termed "the anticipated supply," and if the amount marketed exceeded that quantity, the deficiency payment per cwt. was reduced proportionately.
- (3) It is particularly worthy of note that under this Act the higher the deficiency payment received by the grower, the lower is the price the consumer pays for bread.
- (4) Because this deficiency payment is the difference between the average price of home-grown wheat (as regulated by the price of imported wheat) and the "standard price," any increase in the deficiency payment rate is due to a reduction in the cost of the four-fifths of imported wheat used in the production of the loaf.
- (5) Under the Wheat Act, committees known as Local Wheat Committees, consisting of representatives of growers, millers and merchants, were set up throughout the country. Their main functions were:—
- (a) To approve of persons applying to be authorised merchants, and
 - (b) To act as an appeal committee in the event of the refusal of an authorised merchant to certify wheat which, in his opinion, contrary to that of the grower, did not come within the definition of millable wheat.
- (6) A Flour Millers' Corporation was also established to purchase millable wheat for which no other market was available.
- (7) The effect of the Wheat Act was to encourage the growing of wheat of suitable quality.
- (8) Wheat unsuitable for milling into flour (that is, as we now term it, non-millable wheat) did not rank for deficiency payment.
- (9) In order to differentiate between millable and non-millable wheat, those merchants approved by the Local Wheat Committees and "authorised" by the Wheat Commission had the task of certifying if wheat were millable and of issuing certificates for the quantity of such wheat delivered off the farm, and the Wheat Commission, in paying deficiency payments, acted on those certificates.

ANNEX 10

THE NATIONAL FEDERATION OF CORN TRADE ASSOCIATIONS

Steps to be taken to regain the predominating position held by the United Kingdom in the International Grain Trade

Summary of Memorandum

Before the War the U.K. was by far the largest international importer of Grains of all descriptions and it was the normal function of the Grain Trade to supply these requirements.

The commitments into which the Trade entered in order to supply these requirements enabled it in addition to do a large international trade in grain both to the Continent of Europe and elsewhere throughout the world.

Under present conditions the Ministry of Food is the sole importer in the U.K.; the Grain Trade is therefore debarred from performing its primary function and as a further consequence the opportunity for it to share in any international trade in grain has largely disappeared. As a result, not only has a loss of profit occurred to the Grain Trade itself, but also the invisible exports earned by Banking, Shipping and Insurance have been affected.

During a period of scarcity such as has occurred during the War, long term contracts and bulk purchases may well serve a useful purpose in ensuring supplies.

The statistical position of Wheat, Maize and Feeding grains has recently undergone a radical improvement and present world supplies of these commodities appear to warrant a fundamental revision of the policy of bulk buying and long term contracts.

The Members of the N.F.C.T.A. are anxious to have the earliest possible opportunity of regaining their pre-war position in the international grain trade and with that end in view they submit the following recommendations:

- (a) That the present arrangements for meeting the requirements of L.F.C. countries should be so modified as to provide an opportunity for the Grain Trade to share in the trade to these countries.
- (b) That subject to adequate safeguards the Ministry should be prepared to agree to the Grain Trade disposing of certain stocks, originally purchased by the Ministry of Food and destined for the U.K. These stocks would be available for other destinations on the understanding that they would be replaced by the Trade in accordance with the Ministry's requirements.
- (c) That the Ministry should abandon the present method of purchasing grain on bulk buying basis and should enter into no more long term contracts, and that in future all purchases should be made by the Imported Cereals Division through the Grain Trade in the U.K.

The Part Played by the U.K. Grain Trade Before the War

1. Prior to the outbreak of war in 1939 a very considerable part of the world's trading in grain was done by the members of the Grain Trade in the United Kingdom. Whereas the important grain centres of Chicago, New York, Winnipeg, and Buenos Aires confined their operations to the produce of their respective countries, the Exchanges of London and Liverpool traded in grain from every source, not only for home consumption but for use in every importing country throughout the world. This trading between foreign countries, together with the very important auxiliary services which followed it, such as shipping, insurance and banking, brought a very considerable benefit to this country in the shape of invisible exports.

2. The reason for the importance of London and Liverpool is not hard to find. The United Kingdom, apart from the natural advantage of its geographical position, is by far the largest importer of grain in the World and in order to meet its requirements, efficiently and economically, it was, and is, imperative to have a constant and well regulated flow of supplies moving from all sources. Traders (contrary to views sometimes expressed), did not "speculate" or hold large stocks abroad awaiting an advance in price. They "hedged" their holdings, sometimes by selling "futures" and frequently by means of a system of purchases and sales of different classes of grains in the international markets. This hedging was in fact a form of insurance against market fluctuations. The U.K. markets truly reflected any change in world demand and supply, freight, or exchange—a reflection which the markets of no exporting country could, or did, do with the same accuracy.

3. This continued movement enabled the trader here to offer grain in all positions, thus not only assuring regular supplies to the U.K. at the cheapest price under the most economical form of handling, but also as a result of these regular supplies, satisfying the demands of a large number of foreign countries. It is a significant fact that even in years when some crops failed, the requirements of Great Britain were always foreseen and satisfied on the most favourable terms, and despite wide fluctuations in Grain Markets in Exporting Countries the price of flour in U.K. remained relatively steady and the cost of a loaf of bread in the U.K. was cheaper than anywhere else in the World.

War Time Activities

4. When hostilities began the British Grain Trade concentrated on the important task of maintaining supplies to the United Kingdom. British concerns handed to the Ministry of Food the benefits of their organisations and the services of their staffs. Without doubt it was the existence of the large pre-war contracts and stocks held by merchants and millers, and their peace-time ramifications, that made it possible to feed this country during the earlier years of the war.

5. As the war progressed, British traders were forced to abandon their predominant position in the international market, and in a large number of cases they were obliged

to introduce their foreign buyers to firms in the exporting countries, who lost no time in exploiting their advantages by encouraging direct trading. This was one of the penalties paid by the British trade during the war.

6. It is impossible to estimate accurately what this loss of trade represents in invisible exports—it has been assessed in some quarters at several £ million. Whatever this figure is, there can be no doubt that the profit on the sale of millions of tons of cereals has been passed to the foreigner, together with chartering, insurance, and banking profits.

Post-War Conditions

7. During the war there was a tendency for the governments of the consuming countries to adopt various systems of bulk buying and to enter into long-term contracts. Such methods of buying were necessary whilst hostilities were in progress in order to assure supplies, and were advantageous whilst grain was scarce and prices were continually advancing; but monopolistic powers on the part of the consuming countries have led to the assumption of similar monopolistic powers by selling governments, to the great disadvantage of countries such as ours. It is worthy of note that owing to weather conditions the yields of all types of cereal crops are likely to vary widely year by year, and in consequence arrangements which may be suitable for the sale and purchase of other commodities in which production can be more or less controlled such as rubber and tin will not be found suitable in normal conditions for the sale and purchase of all types of grain. To enter into long-term contracts therefore or into large bulk purchases of grain after a period of shortage when prices are high may well prove to be a highly unprofitable undertaking.

8. Additionally both bulk purchases and long-term contracts inevitably provide grounds for criticism of the Governments concerned. If the market rises the producer complains that his government has sold his produce too cheaply whereas if the market falls (and the present trend of all grain prices is sharply downward) the importing government will find that it has contracted to pay prices considerably higher than those ruling at the time of delivery and may well have difficulty in avoiding consequential criticism.

Recommendations

9. It is the urgent desire of the members of the National Federation of Corn Trade Associations to have an opportunity of regaining their pre-war position in the International Grain Trade and to that end the following suggestions are submitted to show how with the help of the Government the first steps towards improvement can be achieved. A certain amount of encouragement was received when authority was given to traders to deal in cereals for shipment from exporting countries to foreign buyers for whom the Ministry of Food do not act as procurement agents, and limited facilities were given to acquire foreign exchange for the purpose. This has resulted in a certain amount of business being done, but the scope is extremely limited while present conditions persist, and opportunities denied to the British Grain Trade are taken advantage of by firms on the Continent who enjoy greater freedom.

10. The Trade in general requires much more flexibility and opportunity to resume the rendering of adequate services to its customers. It is not sufficient for a British trader to be permitted to obtain an offer of cereals from one country and to submit it to another. What is needed is for the British trader to be able to offer to the consumer the cereals needed and in the position required, and thus give the service that no exporter nation can be in a position to cater for, but which is within the power of Great Britain because of her unique position as the largest importer. Before the outbreak of war the main factor in the channelling of offers through the United Kingdom was the fact that the Grain Trade here provided shippers with a continual demand for the U.K. markets. This demand no exporter could afford to disregard, and in their desire to secure a good proportion of this business shippers were also prepared to use the services of the U.K. Grain Trade for the disposal of their supplies to practically every grain importing country in the world.

11. If sufficient freedom could be given to the British Traders whereby the Ministry would allow them to draw on Ministry stocks, they could, at times, meet urgent demands from other countries, and could give an undertaking to replace such stocks in the United Kingdom, at some later date suitable to the Ministry. By that means the Traders could, to a limited extent, resume their business with the exporting countries, while foreign importers would be encouraged to resume trading through the United Kingdom.

This proposal for replacements might well be welcomed by the Ministry who from time to time would gain advantage through more elasticity in the dates of arrivals of grain in the United Kingdom, particularly when cheap storage space was not readily available.

The Ministry's supplies would be unaffected, but invisible exports would be created. The I.C.D. could maintain control throughout.

It may well be that if this proposal is adopted the Division of the Ministry concerned might feel some embarrassment in selecting an individual firm to handle the business; if this is so the N.F.C.T.A. would be prepared to nominate either a sub-committee or a single individual who could at one and the same time act as agent for the Ministry and also fairly represent all grain trade interests.

12. At present the Ministry of Food is purchasing and shipping grain, on an agency basis, to Ceylon, Malaya, Hong Kong, Malta, Palestine, the Arab Sheikdoms, Eire, etc. Members of the Trade, acting as officials of the Ministry of Food, are doing the executive work in connection with these operations. The Federation considers that the time has now arrived when these countries should be informed that the Ministry no longer desires to act as their procuring agent. This would result in their requirements having to be met in the open market and thus enable the Grain Trade in the U.K. to participate in such business. If, however, for political or financial reasons the Ministry wishes to retain an overriding power of direction as to the sources from which the needs of these countries shall be obtained the responsibility for the actual procurement of these requirements might be handed over to a sub-committee or Agent as indicated in paragraph 11, who could arrange for procurement through trade channels.

13. It is felt that either of the steps set out in paragraph 12 would give the Trade a better opportunity of broadening its international business, and this in turn would lead to an increase in the amount of trading in some of the less important types of grain. A substantial amount of business is already passing in such commodities, particularly to those continental countries whose policy towards de-control is in advance of our own. Before the war the United Kingdom was the focal point for practically the whole of such business, owing to the fact that imports to the United Kingdom were larger by far than to any other European country. For one reason or another, mainly financial, the United Kingdom no longer imports certain types of outside cereals in the same quantities as before the war, and consequently exporting countries are making their offers direct to continental destinations. This tendency is growing and is detrimental not only to the Grain Trade but also to the country as a whole, in view of the substantial earning power which this business carried with it before the war.

14. The Federation is of opinion that the desires of the Ministry and the Trade in regard to the re-establishment of the United Kingdom as the focal point of the International Grain Trade can only be attained by greater freedom and full use of the Grain Trade in the purchase of requirements for U.K. consumption. As has already been pointed out in paragraph 10, it was largely due to the fact that the trade supplied pre-war U.K. needs, that it was able in addition to participate in the supplying of Continental needs to such a large extent.

The Federation submits that the supply position of all grains has so changed that a complete revision of the policy of bulk buying by the Ministry is now warranted.

In July 1944 the Federation submitted its views on this subject and recent events have done nothing to modify its opinion. Of the points that were then raised, we would cite the danger of friction between buying and selling governments, the difficulties and delays in concluding contracts, the uneconomic handling of supplies, and the power of selectivity by the seller in any bulk selling arrangement—a matter which does not arise in a free market. Over and above all these points there is at this present juncture the absolute necessity of procuring the greatest possible quantity of cereals within the limitations of the finance allocated for that purpose, and of employing the cheapest possible method of securing these supplies. The present abnormal price level makes such a policy imperative, and in fact its importance has been emphasised by the Minister of Food himself.

15. The Federation would draw urgent attention to the fact that freedom of trade in cereals is more advanced in certain importing countries than it is in the United Kingdom and the steps being taken by the Belgium Government provide additional evidence that the longer there is delay in moving towards freer trading here, the more difficult it will be to re-establish the United Kingdom as a great International Market.

16. The Federation therefore propose that steps be taken forthwith to arrange that all requirements for the United Kingdom from whatever source (other than those for which commitments have already been made) should be purchased by the Imported Cereals Division on behalf of the Ministry of Food through Trade channels. With regard to those long-term contracts which have already been entered into, the Federation believe that it might be of benefit if they too could be welded into the over-all scheme whereby the Trade played a more active part in their execution than at present.

If this proposal is accepted it will be for decision whether the Grain Trade shall be permitted to make a profit on grain sold to the Ministry. If the decision favours such a profit the existing scheme for Remuneration of the Grain Trade may need revision.

17. *Precis of Recommendations*

- (a) That the present arrangements for meeting the requirements of certain countries should be discontinued in order to provide an opportunity for the Grain Trade to meet such requirements.
- (b) That where possible the Ministry should be prepared to agree to the Grain Trade disposing of certain stocks, originally destined for the U.K. to other destinations on a replacement basis (see paragraph 11).
- (c) That the Ministry should abandon the present method of purchasing grain on a bulk buying basis and should avoid any further long-term contracts in grain, and so long as the Ministry of Food remains the sole buyer, purchases should be made by the Imported Cereals Division through the Grain Trade in the United Kingdom (see paragraphs 14-16).

In submitting the foregoing proposals, the National Federation of Corn Trade Associations is convinced that only by such means can any real progress be made in recapturing the International Trade with all its attendant earning power, and benefit to freight, banking, insurance and other ancillary services.

Baltic Exchange Chambers,

24, St. Mary Axe,
London, E.C.3.

20th October, 1948.

ANNEX 11

THE NATIONAL ASSOCIATION OF BRITISH AND IRISH MILLERS

Answers to questions put by Sub-Committee C of the Select Committee on Estimates

I. *To what extent proposals have already been put forward to the Ministry for the decontrol of milling?*

Answer :

1. Specific proposals in the form of a detailed scheme for complete or partial decontrol have not yet been submitted to or by the Ministry.

2. The Ministry has, however, been informed of the general desire on the part of the industry that decontrol should be effected to the fullest practicable extent as soon as possible. Arrangements have in fact been made for a further joint examination of this matter by representatives of the Ministry and the Industry in an effort to determine how far this could be accomplished now.

3. It is perhaps advisable to indicate briefly the nature of the present form of Control in order that the difficulties attending its withdrawal or modification can be appreciated.

- (a) The end products (flour and wheat offals) have in accordance with Government policy to be sold at fixed prices far below their cost of production based on the actual cost of raw material (wheat and conversion charges). This necessitates a large subsidy from the Exchequer.
- (b) Restriction of foreign currency and inter Governmental trading arrangements have perpetuated the buying of wheat by the Government and its subsequent allocation to individual millers in such quantities, of such qualities and at such prices as may be decreed by the Government. Millers have no longer any choice of wheats either as to quality or price.
- (c) The rate of flour extraction (i.e., the proportion of flour to wheat offals produced from the wheat) is laid down by the Government and is uniformly applied to all mills.
- (d) Customers are registered with individual millers and broadly speaking delivery of flour is controlled by the Government.
- (e) Export of flour is prohibited, except for a negligible quantity under licence.
- (f) Owing to destruction of certain mills by enemy action, or to irregular arrivals of imported wheat, or to difficulties in storage of English wheat or to other abnormal circumstances, flour and particularly wheat may be subject to uneconomic hauls and handling.
- (g) The financial arrangements broadly provide that the Ministry reimburses all costs incurred by individual millers (subject to the Ministry's right to disallow any extravagant item) including the Inland Revenue Wear and Tear Allowance and pays to the industry a global sum represented by the aggregate annual average profit earned by the industry in a period of three years before the war.

It will, therefore, be apparent that the industry is, to all intents, controlled productively, commercially and financially.

It may well be impracticable under current economic conditions to restore to the industry at this stage complete freedom in certain matters such as the purchase of imported wheat but it is considered that pending full decontrol in this sense, something can be done as an intermediate step in relaxing the unduly rigid control. The industry hopes that it will be possible for a modified basis of control to be evolved at an early date.

II. *Whether decontrol of milling can be effected without the decontrol of the other processes in the handling of wheat?*

Answer :

From the industry's point of view the ideal would be complete decontrol including that of the purchase and handling of wheat. But if this is not practicable (and it has been indicated that the milling industry recognises that this may be so at this time) a modified form of decontrol of milling should be possible while still retaining governmental control of the purchase of wheat.

III. *The limitations at the present time on retention of customer goodwill?*

Answer :

The absence of any choice in the nature of the raw material and the lack of any freedom in the rate of extraction robs the miller of much of his control over the quality of his finished product and consequently renders him unable to cater for his customer's special requirements or particular tastes. Moreover the insistence upon the manufacture of one standard grade of flour militates against the development of special and new products.

It is true that the registration of customers and the uniform application of the regulations renders this the same for all but it undoubtedly operates to retard the development of the industry as a whole.

It may be useful to explain briefly what the registration of customers involves. Under the Flour (Registration) Order, 1942, dated 2nd September, 1942 (C.M.C. 237), bakers using up to 20 sacks of flour per week were restricted to two millers from whom they could obtain their supplies. Those using from 21 to 250 sacks per week were restricted to three millers, whilst those using from 251 to 500 sacks per week were restricted to four millers. Those using over 500 sacks per week were restricted to five millers. It will be appreciated that this Order restricted the deliveries of millers, as the baker had to register with the millers he selected and could only obtain his flour from them. This meant the loss of the goodwill of some of the millers' previous customers.

The continued restriction on the export of flour renders it virtually impossible to retain the goodwill built up in the markets existing before the war (of which the principal were Scandinavia, Finland, West Indies and West Africa). Unless there is an early relaxation in this respect these markets will be permanently lost—if this has not already occurred.

As a result of the high flour extraction rate, the supply of milling by-products (used for livestock feeding) has diminished by almost 900,000 tons per year in comparison with the pre-war supply. Consequently, the goodwill for milling by-products which had been built up by the industry systematically and progressively among the farming community in pre-war years has, to a large extent, disappeared.

IV. *To what extent efficient plant is being penalised by the existing arrangements?*

Answer :

Any saving in cost resulting from the installation of new plant or the application of improved methods accrues to the benefit of the Ministry and not to the miller. The miller is allowed 6 per cent. (in itself materially less than a commercial return) on the capital expenditure incurred thereon but only to the extent that this represents a *net* increase in the value of his total fixed assets as compared with those in operation before the war. And since the current total is heavily reduced by the accumulated depreciation over a period of years a *net* increase is exceptional. Moreover the miller automatically loses whatever income he may have been formerly drawing from the investment of the funds used to finance the capital expenditure.

The reward for efficiency is virtually frozen at the level existing in the standard period before the war and for the most part any improvement or recession affects the Ministry and not the person responsible for it.

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V. *A note on the incentive generally and the extent to which services which were made available by the trade before the war are still being made available, whether they are greater or less; with a note also on the proportion of uneconomical mills and the optimum capacity of the trade.*

Answer :

(a) *Incentives*

While the industry has responded to the need for greater production within the limits of available supplies of raw material (production has been maintained since the outbreak of war at an average of about 25 per cent. above the pre-war level) this has been done without any adequate return. For the first three years of the war no profit at all was allowed on this additional output. Since then a small profit margin (approximately 30 per cent. of the pre-war standard average margin per unit of output) has been given on the extra output and this decreases as the output rises.

As a result the average profit per unit of output is less than it was in the pre-war standard period despite the considerable general inflation which has taken place.

Provision for depreciation and obsolescence is restricted to the Inland Revenue allowance based on historical cost whereas the cost of replacement of fixed assets is probably between three and four times the original cost. It is difficult to understand how it can be expected that continuity of operations and productive efficiency can be maintained on this basis particularly when there has been no widening of the pre-war profit margin or any material fund represented by the refund of Excess Profits Tax to which impost only a negligible liability was incurred by the industry.

Incentives in the ordinary way are almost entirely lacking and exist only in the sense of responsibility of the industry and their hitherto reasonably successful efforts to continue operations on a basis designed to avoid the impairment of efficiency when there is a return to competitive markets and normal commercial conditions.

(b) *Services*

The services now performed by the milling industry are basically identical with those rendered before the war with the one exception that the industry is not allowed to make its own arrangements for the purchase of wheat. Handling of wheat is still carried out by the industry. The character of the service has extended in that special difficulties have to be met in the handling and preparation of increased quantities of English wheat, the transporting and storage of flour for undermilled areas (as a result of wartime destruction), the over running of plant, the technical problems associated with higher extraction and the intermittent supply and quality of raw material and the general problems associated with operation under close Government control.

(c) *Proportion of uneconomical mills*

It is difficult under the present abnormal circumstances and with the information at the industry's disposal to suggest any reliable figure as representing the proportion of uneconomical capacity, and it will be appreciated that the matter is bound up with the large capital programme for replacing capacity destroyed in the war and the necessary deferment of major expenditure on modernisation. It is the industry's intention to proceed with this programme as fast as the necessary licences can be obtained and labour, materials and equipment can be made available. The matter is also affected by the level of demand for flour under conditions when a more varied diet is available to the public.

Once the modernisation programme is carried through and the demand satisfied, the problem will solve itself.

(d) *Optimum capacity*

Output at the present time is of the order of 5,000,000 tons a year. Existing capacity on the basis of a 144-hour week (ignoring that under construction or projected but allowing for a continuation of the present mixing in of imported flour) would be capable of producing about 12½ per cent. more.

VI. *Any proposals that can be made which have not already been made for decontrol of the trade?*

Answer :

The whole question of some measure of decontrol and the method of remuneration under the agreement is at present a matter for discussion with the appropriate Government Department.

VII. *Any other points that you may wish to incorporate in the memorandum?*

Answer :

At the examination on 7th April, the Sub-Committee enquired as to the methods previously employed by the millers in purchasing imported wheat. It would perhaps be advisable to elaborate the oral answers then given by explaining that imported wheat was bought in three principal ways:—

- (1) From the grower or agents acting on his behalf in the country of origin.
- (2) From shippers who acquired the wheat in the country of origin and arranged internal transport, ocean freight and insurance.
- (3) From distributing merchants in this country.

The method employed by individual millers varied according to the nature and extent of their requirements and their view of the most economical method applicable thereto. Purchases under the first head would normally be confined to one or two of the largest millers. Purchases under the second head would apply to most of the larger millers. Purchases under the third head, which normally concerned lesser quantities, would (although effected on occasions by all millers) in the main be carried out by the smaller units.

Brokers might enter into certain of these transactions according to their ability to provide knowledge and services more economically than could otherwise be obtained.

It should be pointed out that the merchants and brokers performed an important function in catering for the requirements of a large section of the milling trade, and the service rendered by them was carried out in a satisfactory manner.

19th May, 1949.

ANNEX 12

MINISTRY OF FOOD

Milk Division

Milk Estimates 1948-49

Functions of the Division

1. The Milk Division is concerned with the distribution and utilisation of liquid milk in the United Kingdom and is responsible for the direction of supplies both to distributors of liquid milk and to manufacturers. The Division co-operates with the Agricultural and Health Departments on matters affecting the fixing of monthly producers' prices for milk, and its quality and cleanliness.

The trading activities of the Division cover broadly:—

- (a) The purchase of milk in England and Wales, in Northern Ireland, in certain parts of Scotland outside the areas of the three Milk Marketing Boards, and its disposal to distributors and manufacturers.
 - (b) The manufacture of milk into milk products in certain parts of Scotland outside the areas of the three Milk Marketing Boards, and in Northern Ireland, and the disposal of the products to the Milk Products Division of the Ministry.
2. In the greater part of Scotland, milk is supplied to distributors through the agency of three Milk Marketing Boards which operate under the direction of Milk Division. The Milk is not purchased by the Ministry, but the Division meets the deficiencies of the Boards, and the cost is included in the Division's Trading Accounts and estimates.
3. Part of the remuneration of distributors is met by means of direct payments or allowances by the Ministry of Food. In England and Wales these represent a considerable proportion of the total remuneration.
4. As part of the Government's policy of family allowances, milk is supplied free to children under the Milk-in-Schools Scheme and free or at reduced prices to children and expectant mothers under the Welfare Foods Service. The cost of these schemes is included in the estimates of Milk Division.

System of Distribution

5. There are broadly four ways in which milk reaches the consumer from the farm:—

- (a) direct to the consumer from the farmer (producer retailer) who may have to supplement his production by supplies drawn from other farms or a wholesaler;
- (b) to the retailer and thence to the consumer;
- (c) to the wholesaler, then to the retailer and finally to the consumer;
- (d) to a country depot and thence through a wholesaler and retailer or through a retailer alone to the consumer.

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In England and Wales all milk (other than retail sales by producer-retailers of milk of their own production) is purchased by the Ministry of Food from the Milk Marketing Board and sold to distributors and manufacturers. In Northern Ireland milk is bought direct from producers by the Ministry of Agriculture (Northern Ireland) acting as agent for the Ministry of Food. In Scotland the arrangements are somewhat different, the Ministry of Food at no time owning the milk (except for small quantities produced outside the areas of the three Milk Marketing Boards in Scotland). The different systems in operation in the various parts of the United Kingdom are referred to below.

England and Wales

Outline of trading transactions in England and Wales

6. All milk sold off farms in England and Wales (with the exception of retail sales by producer-retailers of milk of their own production) is purchased by the Milk Marketing Board at prices previously agreed by the Ministry of Agriculture in consultation with the Ministry of Food. In order to encourage winter production, producers' prices are heavily weighted in favour of the winter months. In addition to these prices a temporary wartime production bonus is paid. Premiums are also paid by the Board to producers of tuberculin tested milk, accredited milk and milk from attested herds. The Board is responsible for carriage to the point of first destination, and makes standard haulage deductions from the prices paid to producers. Formerly the producers met the full cost of transporting milk to the consuming areas. Part of this charge has been replaced by a contribution towards the cost of transport from country depots to consuming areas, which is referred to in the next paragraph.

7. The Ministry purchases the milk from the Board and sells it to the trade and to institutions and to other large buyers. At the first destination the property in the milk passes instantaneously from the producer through the Milk Marketing Board and the Ministry to the distributor, manufacturer or other buyer. The prices paid by the Ministry to the Board are calculated half-yearly, and are designed to cover the prices paid to the producers and the Board's expenses after deducting profits from the Board's Creameries, net levies of producer-retailers and a contribution towards the cost of transport outwards from country depots. The temporary wartime production bonus and certain quality premiums are reimbursed separately by the Ministry. Since 1943 an additional 1d. per gallon has been paid to the Board on all milk purchased by the Ministry. This penny was granted for the purpose of enabling the Board to standardise producers' haulage deductions and to make bonus additions to producers' prices. The Board maintains records of transactions between the Ministry and purchasers of milk, attends to the collection of the amounts due, and, in return for a fee, guarantees payment of the debts.

8. All distributors, whether country depot proprietors, wholesalers or retailers, pay the same price for milk, but wholesalers and retailers buying milk direct from the Ministry receive an "ex-farm" allowance (to cover the extra cost involved in receiving milk direct from farms) unless they fail to provide churns. Handling and transport allowances are paid by the Ministry to proprietors of country depots on consignments of milk despatched to consuming areas or directed to factories for manufacture; the handling allowances include provision for the cost of receiving milk ex-farm. Further allowances are paid where the milk is heat-treated by a depot proprietor. Wholesalers are also remunerated by direct payment from the Ministry according to the functions which they perform, while retailers receive allowances on milk which they heat-treat. Precautions are taken to avoid payment of claims by more than one distributor for the heat-treatment of the same milk. Where the Ministry authorises the use of milk for manufacturing purposes, rebates are allowed to the purchasers; these have the effect of reducing the amount paid for the milk so utilised to the appropriate price for the milk manufactured into each class of product.

9. Grants are paid to producer-retailers in order to maintain the pre-war relationship between their remuneration and that of other producers and retailers. Payments in the form of grants are also made to farmhouse cheesemakers.

Method of preparing Estimates for England and Wales

10. For the estimates, the cost of the milk purchased by the Ministry is obtained by multiplying the monthly prices payable to the Board by the quantity of milk expected to be purchased in each month, while the estimated proceeds of the sales are calculated by reference to the Ministry's selling price. Remuneration and allowances to depot proprietors, wholesalers and retailers are based on past experience of the extent of the various services performed by them in relation to total production; manufacturing rebates are obtained from the quantities of milk included in the manufacturing programme and the net realisation prices of milk for the various products which are expected to be manufactured.

11. Special features of the milk estimates are the uncertainties regarding the effect on production of changes in weather conditions, the supply and prices of feeding stuffs, and numerous other factors; and the difficulty of forecasting the demand for milk for liquid consumption and the size and character of the manufacturing programme. Few of these changes are predictable with any degree of accuracy. Moreover milk is a perishable commodity which cannot in its liquid form be stored for future use.

Scotland

Outline of activities in Scotland

12. In the areas of the three Boards in Scotland, milk is not purchased by the Ministry, but is sold by the producers to or through the Boards (with the exception of retail sales by producer-retailers of milk of their own production, and sales by certain other special "category" producers) at standard prices which enable the milk to be retailed at the controlled prices. The standard prices are fixed by the Boards in accordance with the directions of the Ministry and are paid to the Boards by distributors and other buyers of "ex-farm" milk. The Boards pay producers for the milk at prices previously agreed by the Department of Agriculture for Scotland after consultation with the Ministry of Food. Producers are also paid a temporary wartime production bonus, and quality premiums where they qualify for them. Grants are paid to producer-retailers and farmhouse cheesemakers as in England and Wales. Handling and transport allowances are paid to country creameries. The Boards also pay allowances, on behalf of the Ministry, to distributors who heat-treat milk. The differences between the prices paid to the producers and those charged to distributors, and the net administrative expenses (after deduction of creamery profits) form the deficiencies of the Boards, which are met by the Ministry, together with the heat-treatment allowances and other payments to distributors.

13. In certain parts of Scotland outside the areas of the three Milk Marketing Boards, special Ministry of Food marketing schemes, which were introduced during the war, are administered by the Boards as agents of the Ministry. The prices in such areas, and the conditions relating to the purchase and sale of milk, etc., are the same as in the areas of the Boards which administer the Schemes.

Northern Ireland

Activities in Northern Ireland

14. In Northern Ireland, the distribution and utilisation of milk is controlled by the Ministry of Agriculture (Northern Ireland) as agent of the Ministry of Food. Milk produced in Northern Ireland is sold by the producers to the Ministry of Agriculture (Northern Ireland), which acts as agent of the Ministry of Food. Producers' prices, etc., are determined at the same time and in much the same way as those in England and Wales, although there is a different system of grading and premiums. Producer-retailers' grants are calculated on similar lines to those in Great Britain. Allowances are also paid to wholesalers and heat-traders. In the autumn and winter arrangements are made, when necessary, for milk to be despatched to Great Britain.

15. Separate estimates are prepared for Scotland and Northern Ireland, the cost being estimated by reference to the prices and allowances peculiar to each country.

Welfare Schemes in England and Wales and in Scotland

16. *Milk-in-Schools Scheme.*—The Milk-in-Schools Scheme in England and Wales and in Scotland provides, at present, one-third of a pint of milk per day free to every child at school. The dairyman supplying the milk recovers the full retail price for the milk supplied under the Scheme from the Ministry. The cost of the scheme is computed by reference to the estimated number of children attending school.

17. *Welfare Foods Service.*—Children under the age of five years and expectant mothers in England and Wales and in Scotland are normally entitled to one pint of milk per day at a reduced price, or free if the income of the parents is below prescribed limits. The dairyman obtains the full retail price for the milk supplied under the Welfare Foods Service by making a claim upon the Ministry for the difference between the retail price and the amount charged by him to the beneficiary. The estimated number of children under the age of five years and expectant mothers is used as a basis for assessing the cost of the Welfare Foods Service. The cost of similar services in Northern Ireland is met by the Northern Ireland Government.

Estimates and cash requirements for 1948-49

18. Appendix A sets out the estimate of Milk Division for 1948-49. The cash requirements of the Division are arrived at by adjusting the estimated trading loss for debtors and creditors at the beginning and end of the year, and items which are not payable in cash. Appendix B shows the adjustments in respect of the 1948-49 estimates.

APPENDIX " A "

Estimate for 1948-49

	<i>Schedule</i>	<i>£ million</i>	<i>£ million</i>
Cost of purchases in England and Wales	I	130.00	
Payments to producers in England and Wales:—			
Temporary war-time production bonus	II	2.50	
Quality Premiums	III	5.00	
Net grants to producer-retailers and farm-house cheesemakers	IV	2.00	
Selling value of milk	V		139.50
			132.75
			6.75
Manufacturing Rebates	VI		7.50
Remuneration and allowances to depot proprietors, wholesalers and retailers	VII		12.50
			26.75
Net Expenditure in Scotland	VIII		5.75
Net Trading Loss in Northern Ireland	IX		2.75
Overhead expenses, interest and sundry charges	X		2.25
			37.50
<i>Net Trading Loss of the Division excluding Welfare Schemes</i>			37.50
<i>Welfare Schemes:</i>	<i>Schedule</i>		
Net cost of supplying milk to children and expectant mothers free or at a reduced price under the Welfare Foods Service	XI		22.00
Cost of supplying milk free to children under the Milk-in-Schools Scheme	XII		8.50
			68.00
<i>Net Trading Loss of the Division including Welfare Schemes</i>			68.00

APPENDIX " B "

Reconciliation of Trading and Cash Estimates for 1948-49

	<i>Cash Estimate Deficit £ million</i>	<i>Surplus £ million</i>
Net Trading loss of the Division including Welfare Schemes (as per Appendix A)	68.00	
Services included in the Trading Estimates not paid for in cash by the Division		2.25
Variations in debtors and creditors at:—		
31st March, 1949, as compared with 31st March, 1948		0.75
	<u>£ 68.00</u>	<u>£3.00</u>
Net cash requirements	65.00	
Receipts from Sales proceeds	96.80	
Estimated total payments	<u>£161.80</u>	

SCHEDULE I

(The figures in this and the following Schedules are tentative estimates from which the outcome may differ widely owing to the weather.)

Cost of purchases in England and Wales

1948	Million gallons	Price in pence per gallon	Amount £ million
April	98.50	25.00	10.26
May	116.25	20.25	9.81
June	108.50	20.25	9.16
July	101.00	22.00	9.26
August	90.50	25.50	9.62
September	80.50	27.50	9.22
October	81.00	32.50	10.97
November	78.00	36.75	11.94
December	80.50	37.75	12.66
1949			
January	82.50	37.50	12.89
February	78.50	36.00	11.77
March	93.00	32.50	12.59
	1,088.75		£130.15
Weighted average		28.69 per gallon	

SCHEDULE II

Estimates for 1948-49

Temporary War-time Production Bonus

	Million gallons	Rate per gallon	Amount £ million
1948 April-September	345	0.50d.	0.72
1948 1949 October-March	285	1.50d.	1.78
	630		£2.50

SCHEDULE III

Estimates for 1948-49

Quality Premiums

	Millions of gallons	Rate of Premium per gallon	Amount £ million
(a) <i>Wholesale Producers</i>			
(i) All tuberculin tested milk	180	4	3.00
(ii) Milk from an attested herd which is accredited milk	6	2½	0.06
(iii) Accredited milk which is not T.T. and is not milk from an attested herd	284	1½	1.48
(iv) Milk from an attested herd which is not accredited or T.T. milk	33	1	0.14
(b) <i>Producer-retailers</i>			
All T.T. Milk (part)*	29	2½	0.33
(c) <i>Farmhouse Cheesemakers</i>			
(i) All T.T. Milk	1	4	0.02
(ii) Accredited Milk which is not T.T. and is not milk from an attested herd	1	1½	0.01
(iii) Milk from an attested herd which is not accredited or T.T.	—	—	—
	534		£5.04

* The quality premiums of producer-retailers, other than that part of the T.T. premium shown above, are included in the price at which the Ministry buys milk from the Milk Marketing Board.

SCHEDULE IV

*Estimates for 1948/49**Grants to producer-retailers and farmhouse cheesemakers*(a) *Producer-retailers*

							<i>Million gallons</i>	<i>Rates of grant in pence per gallon</i>	<i>Amount £ million</i>
1948									
April	...	...	...	...	...	12.50	—	—
May	...	...	...	...	...	13.75	—	—
June	...	...	...	...	...	13.50	—	—
July	...	...	...	...	...	13.00	—	—
August	...	...	...	...	...	12.50	—	—
September	...	...	...	...	...	11.50	3.00	0.14
October	...	...	...	...	...	12.00	4.00	0.20
November	...	...	...	...	...	11.50	7.00	0.34
December	...	...	...	...	...	11.00	7.00	0.32
1949									
January	...	...	...	...	...	11.50	7.00	0.34
February	...	...	...	...	...	11.50	6.00	0.29
March	...	...	...	...	...	12.00	4.00	0.20
						146.25		1.83	

Average rate of grant on the total gallonage ... 3.00 per gallon

(b) *Farmhouse cheesemakers*

1948									
April	...	...	...	...	...	0.30	18.75	0.02
May	...	...	...	...	...	0.50	12.75	0.03
June	...	...	...	...	...	0.50	12.75	0.03
July	...	...	...	...	...	0.45	14.50	0.03
August	...	...	...	...	...	0.40	17.50	0.03
September	...	...	...	...	...	0.35	19.50	0.03
1948 1949									
October-March	...	...	...	...	...	—	—	—
						2.50		£0.17	

Average rate of grant on the total gallonage ... 16.32 per gallon

SCHEDULE V

*Estimates for 1948-9**Selling Value of Milk*

							<i>Million Gallons</i>	<i>Net price in pence per gallon</i>	<i>Amount £ million</i>
1948									
April	...	...	...	...	...	98.50	29.25	12.00
May	...	...	...	...	...	116.25	29.25	14.17
June	...	...	...	...	...	108.50	29.25	13.22
July	...	...	...	...	...	101.00	29.25	12.31
August	...	...	...	...	...	90.50	29.25	11.03
September	...	...	...	...	...	80.50	29.25	9.81
October	...	...	...	...	...	81.00	29.25	9.87
November	...	...	...	...	...	78.00	29.25	9.51
December	...	...	...	...	...	80.50	29.25	9.81
1949									
January	...	...	...	...	...	82.50	29.25	10.06
February	...	...	...	...	...	78.50	29.25	9.57
March	...	...	...	...	...	93.00	29.25	11.34
						1088.75		£132.70	

For the purpose of the estimates the Ministry's net selling price (wholesale price less ex-farm allowance) is used in calculating the sales figures.

SCHEDULE VI

Estimates for 1948-9

<i>Manufacturing rebates</i>		<i>Million gallons</i>	<i>Rebate in pence per gallon</i>	<i>Amount £ million</i>
Butter	from milk produced outside Cornwall } April/Aug. 1948 and March, 1949	11.00	18.07	0.82
		2.50	17.68	0.18
Butter	from milk produced in Cornwall } April/Aug. 1948 and March, 1949	1.50	17.23	0.10
		0.50	16.69	0.03
Cheese		36.00	21.25	3.19
Stilton Cheese		1.00	2.25	0.01
Milk Powder, Condensed Milk, etc.		80.00	10.25	3.42
Other Products		2.00	7.00	0.06
		134.50		£7.81

SCHEDULE VII

Estimates for 1948-49

*Remuneration and allowances to depot proprietors,
wholesalers and retailers in England and Wales.*

	<i>Gallons Millions</i>	<i>Amount £ Million</i>
<i>Depot transport</i>		
Road under 15 miles	50.00	0.10
Road 15 miles and over	300.00	1.50
Rail	200.00	1.40
Road to station	40.00	0.05
<i>Main Supply Depot Remuneration</i>		
At 1.20d. per gallon	250.00	1.25
At 0.85d. ,,	300.00	1.06
At 1.35d. ,,	30.00	0.17
At 2.00d. ,,	30.00	0.26
Part Depot Remuneration at 0.25d. per gallon	90.00	0.10
Feeder Depot Remuneration	6.50	0.02
<i>Depot heat-treatment allowances</i>		
At 0.50d. per gallon	30.00	0.06
At 0.25d. ,,	80.00	0.08
<i>Wholesale Remuneration and Heat-treatment Allowances</i>		
At 2.50d. per gallon	70.00	0.73
At 2.25d. ,,	80.00	0.75
At 2.00d. ,,	50.00	0.42
At 1.25d. ,,	10.00	0.06
Exceptional transport allowances (Road)		0.3
" " " (Rail)		0.03
<i>Heat-treatment allowances to retailers</i>		
At 1.75d. per gallon	520.00	3.79
At 0.50d. ,,	40.00	0.08
Station Collection Allowance		0.08
Surplus Milk allowance		0.03
London Allowance	250.00	0.52
		£12.57

SCHEDULE VIII

Net expenditure in Scotland

<i>Scottish Milk Marketing Board (estimated by the Board)</i>						<i>£ million</i>	<i>£ million</i>
Deficiency as in 1947-48	...	...	...	...	...	4.60	
<i>Add</i> Estimated increase in producers' prices less recovery from consumers	...	...	...	...	...	0.03	
						<u>4.63</u>	
Special Marketing Scheme for Islay, Coll and Gigha	...	...	...	...	...	0.07	
						<u>£4.70</u>	5.00
<i>Aberdeen and District Milk Marketing Board</i>	...	...	...	...	...	0.40	
Special Marketing Scheme for Banffshire	...	...	...	...	...	0.05	0.50
						<u>£0.45</u>	
<i>North of Scotland Milk Marketing Board</i>	...	...	...	...	...	0.15	
Special Marketing Scheme for Morayshire	...	...	...	...	...	0.05	
„ „ „ „ Orkney	...	...	...	...	...	0.05	0.25
						<u>£0.25</u>	<u>£5.75</u>

SCHEDULE IX

*Ministry of Agriculture, Northern Ireland**Trading Account for the year ending 31st March, 1949*

	<i>Gallons</i>	<i>£</i>	<i>£</i>		<i>Gallons</i>	<i>£</i>
Total Purchases	... 76,420,000		9,152,698	Whole Milk Sales	76,420,000	6,818,941
Loss due to spillage	...	16,000		Skim Milk Sales	... 4,250,000	139,323
Carriage and freight	...	150,000		Contribution from Milk Fund	...	86,000
Processing and handling	... ..	200,000		Manufacturing margin on butter made in Ministry depots		25,000
Depot expenses	...	150,000		Estimated Deficiency		2,617,434
Sundries	... ..	18,000				
		<u>534,000</u>				
		<u>£9,686,698</u>				<u>£9,686,698</u>

SCHEDULE X

Overhead Expenses, Interest, and Sundry Charges

	<i>£ million</i>
Ministry Overhead Expenses	... .. 2.00
Interest on Exchequer Advances	... .. 0.25
Fee for guarantee of payment of debts	... .. 0.15
National Milk Testing and Advisory Scheme	... .. 0.04
	<u>£2.44</u>

SCHEDULE XI

*Estimated cost of Liquid Milk for the year 1948-49**England and Wales*

Children ...	3,720,000		£	£
Less Users of N.D.M. ...	457,000			
	<u>3,263,000</u>	assume 100 per cent. uptake of 1 pint per day for 365 days = 148,873,375 galls. at 3s. 4d. per gall. ...		24,812,229
		Less recovery on 98 per cent. = 145,895,908 galls. at 1s. per gall. ...		<u>7,294,795</u>
				17,517,434
E.M.'s ...	402,000	assume 100 per cent. uptake of 1 pint per day for 365 days = 18,341,250 galls. at 3s. 4d. per gall. ...	3,056,875	
		Less recovery on 98 per cent. = 17,974,425 galls. at 1s. per gall. ...	<u>898,721</u>	2,158,154
				<u>19,675,588</u>

Scotland

Children ...	450,000			
Less Users of N.D.M. ...	83,000			
	<u>367,000</u>	assume 100 per cent. uptake of 1 pint per day for 365 days = 16,744,375 galls. at 3s. 1½d. per gall. ...	2,604,681	
		Less recovery on 98 per cent. = 16,409,487 galls. at 1s. per gall. ...	<u>820,474</u>	
				1,784,207
E.M.'s ...	46,000	assume 100 per cent. uptake of 1 pint per day for 365 days = 2,098,750 galls. at 3s. 1½d. per gall. £326,472		
		Less recovery on 98 per cent. = 2,056,775 galls. at 1s. per gall.	<u>102,839</u>	
				223,633
				<u>2,007,840</u>
				21,683,428
				say 100,000
				<u>21,783,428</u>
Handicapped children	...	...	...	say £22,000,000

SCHEDULE XII

*Cost of milk supplied under the Milk-in-Schools Scheme**England and Wales*

Number of children ...	5,350,000	Consumption based on 400 attendances (200 days) at ¼rd pint per day = 44,583,500 gallons at 3s. 4d. per gallon	7,430,600
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Scotland

Number of children ...	690,000	Consumption based on 400 attendances (200 days) at ¼rd pint per day = 5,575,000 at 3s. 1½d. per gallon	... 894,500
			<u>£8,325,100</u>

April, 1949.

ANNEX 13

MINISTRY OF FOOD

*Milk Products Division**Estimate for 1948-49*

A. GENERAL

1. The Division is responsible for the acquisition and distribution of Milk Products and to this end it is the sole importer of all types of Butter, Butterfat, Cheese, Condensed Milk and Milk Powder, with the exception of small quantities of Full Cream Roller Powder imported under licence for the manufacture of proprietary infant foods. All Home-produced Butter, Cheese, Condensed Milk and Milk Powder, with certain minor exceptions, is purchased ex creamery by the Division.

2. *Butter and Cheese.*—Butter, hard Cheese and processed cheese are straight-rationed and are sold ex store to wholesale distributors through the Butter and Cheese Association Ltd., acting as agents of the Division in Great Britain, and through the Ministry of Agriculture in Northern Ireland. Small quantities are also sold for manufacturing purposes. Imported fancy cheese is points-rationed and is sold by the Division ex store through individual First Hand Distributors.

3. *Condensed Milk.*—Condensed Milk for domestic consumption is sold by the Division to the Condensed Milk Pool Ltd. for distribution to the trade. Sub-standard Condensed Milk is sold direct by the Division to Manufacturers for the manufacture of Chocolate and sugar confectionery.

4. *Milk Powder.*—Home-produced full cream and half cream roller powder is reserved for the manufacture of infant foods, part being retained by the Division for packing as National Dried Milk; and part being released to manufacturers for the manufacture of their own proprietary infant foods. All other Milk Powder is sold by the Division to manufacturers and users through the Milk Powder Pool Ltd., as agents for the Division in Great Britain, and through the Ministry of Agriculture in Northern Ireland. Sales cover distributions for animal feeding purposes, Invalid Foods, Hospitals and Schools and for the manufacture of flour, sugar and chocolate confectionery and ice-cream when supplies are available.

5. Direct sales of all commodities are made by the Division to the Services Departments, British Red Cross, N.A.A.F.I., the Control Commission for Germany, Crown Agents for the Colonies, etc.

6. Straight-rationed Butter and Cheese are sold at subsidised prices in accordance with the Cost of Living Stabilisation Policy. Milk Powder for animal feeding purposes is sold at subsidised prices by arrangement with the Ministry of Agriculture in pursuance of the same Policy. The prices of Butter and Cheese for manufacturing purposes, points-rationed cheese and Milk Powder—other than for animal feeding purposes—are not specifically the subject of subsidy. Selling prices for all commodities are at all stages of distribution controlled by Maximum Prices Orders.

B. PURCHASES

7. Imported Butter, Cheese, Condensed Milk and Milk Powder are purchased under bulk contracts from the main sources of supply on f.o.b. terms.

8. Home-produced milk products are purchased ex creamery. The purchase prices are based on periodic investigations into costs of representative manufacturers, plus agreed margins for profit varying according to the commodity and type of pack. Milk is sold to manufacturers by the Milk Marketing Boards at special subsidised prices for the manufacture of Milk Products. Home-produced cheese is purchased by the Division through factors acting as buying and collection agents. The remuneration for factoring was negotiated on the basis of costings of a pre-war period and one-third of the remuneration is paid to the operating factor and the balance of two-thirds into an equalisation fund administered by the trade for distribution among all factors, operating and non-operating, on a datum basis.

9. Home-produced full cream milk powder is packed in 20-oz. tins for distribution as National Dried Milk and the costs of packaging are included in the purchase price paid by the Division to the manufacturers. National Dried Milk is sold to Welfare Foods Division at a price based on the packers price plus the costs incurred by Milk Products Division.

C. COMBINED MILK AND MILK PRODUCTS THROUGHPUT SCHEME

10. Under a Trust Deed entered into between the Minister, the Trustees and the Trade, owners of milk distributing and milk products manufacturing depots in Great Britain contribute to or participate in a Trust Fund according to the variation in

throughput of each depot from a datum throughput. The object of the Scheme is the correction of the incidence of fixed charges arising from fluctuations in throughput as compared with the datum year. The surplus or deficit in the Trust Fund, including the costs of the Scheme, is for account of the Ministry. The contribution to or participations in the Scheme of individual owners are however added to or deducted from their costs for the purpose of ascertaining the cost of production on which the purchase prices are based.

D. CHEESE PROCESSING

11. Cheese is required to be processed and packed in tins for the requirements of Service Departments and damaged and salvaged cheese is processed to render it fit for sale on the ration. The processing is carried out by Associated Cheese Processors Ltd. in terms of an agreement with the Ministry. This Association was formed in furtherance of a scheme for the concentration of the processed cheese industry under which 15 factories were closed down and seven factories retained as operative units. The purpose of the Association is to administer the Concentration Scheme and to process cheese for the Ministry. In terms of the agreement the Association is remunerated for the processing of cheese on the basis of the approved costs ascertained annually, plus an agreed margin to cover profit and the maintenance costs of closed down units.

E. ANIMAL FEEDING STUFFS SUBSIDY

12. Certain varieties of Milk Powder are sold for animal feeding at subsidised prices. The subsidy shown in the Estimates of Milk Products Division represents the difference between the Ministry's normal selling (unsubsidised) prices and the prices on sales of milk powder for animal feeding.

F. COMMISSION TO AGENTS

13. Butter and Cheese Association Ltd. (B.A.C.A.L.) is an Association of pre-war importers of butter and cheese, home manufacturers of butter who were also distributors, and home cheese factors. It was originally formed, as a consequence of restrictions placed upon the trade, for the purpose of the equalisation of earnings on a datum basis; but later, at the request of the Ministry, it became operative as the sole agent of the Division for the distribution of butter and cheese, all individual members ceasing to trade. In July, 1946, individual members resumed their trading activities and now act as sub-agents of B.A.C.A.L., which remains in being for the convenience of the Ministry and the equalisation of earnings as between individual members. Following costings investigations into margins earned pre-war by first hand distributors of butter and cheese, margins were fixed by negotiation at 2s. 3d. per cwt. for butter and 1s. 6d. per cwt. for cheese. These rates remained unchanged when B.A.C.A.L. became operative and have subsequently been continued.

14. The Milk Powder Pool Ltd. is an Association of pre-war first hand distributors of milk powder formed to act as agent for the Ministry in the distribution of milk powder other than infant foods. Its remuneration was fixed by negotiation at the rate of 2s. 3d. per cwt. for the first 11,500 tons, and 1s. 6d. per cwt. thereafter, with a maximum of £45,000 in any one year. The remuneration earned by the Pool is distributed to the members through an equalisation fund based on a datum performance.

15. The Condensed Milk Pool Ltd. is an Association of pre-war importers and manufacturing distributors acting as first hand distributors of condensed milk. The Pool, which does *not* act as agent for the Ministry, was formed for the purpose of achieving economies in the distribution of condensed milk. Distribution is carried out through the offices of certain members who act as branch managers of the Pool in each distribution area. Margins were originally negotiated on the basis of costings reports on the margins earned pre-war and those originally fixed have been reduced in the light of economies effected from time to time. Condensed milk is sold ex store to the Pool which re-sells the milk at a slightly higher price to cover carriage and expenses.

G. STOCKS

16. Imported stocks are valued wherever possible on c.i.f. duty paid prices according to the country of origin. Home produced stocks are valued at the ex factory cost. Stocks in transit are valued on a c.i.f. basis.

H. BASIS OF ESTIMATES

17. The basis on which the Estimates are compiled is set out in Schedule A, which shows the estimated trading results analysed under the main commodities. The cash requirements of the Division are arrived at by adjusting the estimated trading loss in respect of all items which are not payable or receivable in cash. The reconciliation between the trading and the cash estimates is also shown on Schedule A.

18. Schedule B gives details showing the purchases according to country of origin. Schedule C shows the details of the charges on imports and the general expenses.

SCHEDULE A
Trading Estimates for 1948-49

	Total	Butter	Cheese	Condensed Milk	Milk Powder
	£ millions	£ millions	£ millions	£ millions	£ millions
Purchases—Imported (Schedule B (i))	81·3	57·5	20·7	2·5	0·6
Insurance, Freight, Duty, Port Dues, Landing Charges and Carriage to Store (Schedule C.)	7·3	4·4	2·4	0·4	0·1
Home Production (Schedule B (ii))	88·6	61·9	23·1	2·9	0·7
	17·1	1·4	1·9	7·0	6·8
Total Purchases	105·7	63·3	25·0	9·9	7·5
Stock Levels Adjustment Increase or (Decrease)	6·2	4·5	2·3	·2	(·8)
Cost of Sales	99·5	58·8	22·7	9·7	8·3
Sales	71·0	36·8	15·0	10·2	9·0
Gross Trading Loss or (Profits)	28·5	22·0	7·7	(0·5)	(0·7)
Expenses and Charges, etc. (Schedule D)	7·1	3·2	1·5	1·1	1·3
Net Loss or (Profit)	35·6	25·2	9·2	0·6	0·6
Quantities estimated to be distributed		242,000 tons	150,500 tons	110,000 tons	56,000 tons

Reconciliation of Trading and Cash Estimates for 1948-49

	£ millions
Net Loss as above	35·6
Add Stock Levels Adjustment	6·2
	<hr style="width: 100%;"/>
	41·8
<i>Deduct</i>	
Charges and Expenses not payable in Cash by the Division.	
Port Dues	0·1
Carriage	1·1
Butter Storage	0·7
Interest	1·1
Overheads	1·6
	<hr style="width: 100%;"/>
Net Cash Requirement	37·2
	<hr style="width: 100%;"/>
Payments for Purchases, Charges and Expenses	106·1
	<hr style="width: 100%;"/>
Receipts from Sales, less Commissions and Discount and Animal Feed Subsidy	68·9
	<hr style="width: 100%;"/>

SCHEDULE B
Trading Estimates for 1948-49

								Total	Butter	Cheese	Condensed Milk	Milk Powder	
								Value £ millions	Value £ millions	Value £ millions	Value £ millions	Value £ millions	
(1)	<i>Purchases—Imported</i>												
	New Zealand	...	...	...	...	...	...	40·6	28·6	11·1	0·4	0·5
	Australia	...	...	...	...	...	...	17·3	15·2	2·0	—	0·1
	Canada	...	...	...	...	...	...	4·5	—	4·5	—	—
	Holland	...	...	...	...	...	...	1·8	—	1·2	0·6	—
	Denmark	...	...	...	...	...	...	16·0	13·7	1·5	0·8	—
	Eire	...	...	...	...	...	Landed	0·7	—	—	0·7	—
	France	...	...	...	...	...	...	0·4	—	0·4	—	—
	Total	...	...	...	...	...	...	81·3	57·5	20·7	2·5	0·6
(2)	<i>Home—Production</i>							...	17·1	1·4	1·9	7·0	6·8

SCHEDULE C
Trading Estimates for 1948-49

	Total	Butter	Cheese	Condensed Milk	Milk Powder
	£'000	£'000	£'000	£'000	£'000
Freight and Marine Insurance... }	6,360	3,820	2,130	320	90
Duty and Landing Charges	200	—	200	—	—
Processing	1,140	700	250	130	60
Storage	60	30	10	10	30
Insurance in United Kingdom	1,100	550	340	180	30
Carriage	1,360	860	450	—	60
Commissions	320	250	20	40	10
Stock Losses	790	—	—	—	790
Animal Feed Subsidy	300	40	30	200	30
Throughput Scheme	1,590	760	290	350	190
Overheads	1,130	560	200	200	170
Interest					
	14,350	7,570	3,920	1,430	1,430

April, 1949.

ANNEX 14

MINISTRY OF FOOD

*Sugar Division**Sugar Estimates 1948-49**Functions of the Division*

1. The main function of the Sugar Division is to ensure fair distribution to all domestic users and to manufacturers of the total supplies of sugar available.

The Trading activities of the Division, therefore cover broadly:—

- (1) The purchase and importation of raw sugar, allocation of raw sugar to refiners, regulation of the "melt" of raw sugar and control of the distribution and prices of refined sugar at all stages.
- (2) The purchase from and resale to the British Sugar Corporation Ltd. of the production of sugar from home grown beet and the control of distribution and prices of the refined sugar arising therefrom,

2. The Division also regulates, wholly or in part, the following allied commodities:—

- (1) *Syrup and Treacle*.—The production of Syrup and Treacle is co-ordinated by a Syrup and Treacle Makers' Committee but price control is regulated by a Maximum Prices Order covering retail prices.
- (2) *Glucose*.—As glucose is a sugar substitute it is necessary to control distribution and prices to maintain a suitable relationship between the selling prices of sugar and glucose. The selling price of the latter is regulated by a Maximum Prices Order.
- (3) *Saccharin, etc.*—The distribution of saccharin and dulcin powder is regulated by permit and the selling price is controlled by Maximum Prices Order. While there is no control on the distribution of saccharin tablets manufactured from the powder, wholesale and retail prices are limited by Order.

Outline of Trading Purchases transactions connected with Imported Raw Sugar

Raw sugar is imported from both Commonwealth and foreign sources of supply.

- (1) *Commonwealth Supplies*.—Under existing arrangements the Government has undertaken to purchase the exportable surplus of each Commonwealth producing country until 1952. The countries involved are British West Indies, British Guiana, Mauritius, Australia, Fiji and East Africa.

The Ministry of Food purchases the sugar on the basis of c.i.f. price, subject to annual review. The various producers are represented in London by brokers and contracts are effected between the latter and the Division for the part of the exportable surplus to be provided by the particular producer.

- (2) *Foreign Supplies*.—The main sources at the present time are San Domingo and Haiti, Cuba and Mexico.

San Domingo and Haiti.—Under present arrangements, the Ministry enters into an agreement with the shippers to purchase the exportable surplus of each crop. Subsequently, contracts for specific quantities of sugar are drawn up between the Ministry and the London representatives of the individual shippers concerned.

Cuba, Mexico.—The Ministry receives offers of raw sugar from London sugar brokers acting on behalf of shippers in the producing countries. On the acceptance of such offers, contracts are drawn up between the Ministry and the broker.

Charges

As raw sugar is sold to refiners "free alongside refinery" the Ministry accepts responsibility for payment of freight and insurance and for the charges incurred in transferring cargoes from ocean vessel to refinery.

Sales and Home Distribution

Raw sugar is sold to the refiners "free alongside refinery" at a fixed price which has not varied during the period of control. This price is related to a fixed notional selling price allowed to refiners for refined sugar and refiners account to the Division for the difference between the notional price and the first-hand selling price.

Refiners' first-hand, wholesale and retail prices are governed by Maximum Prices Order and distribution flows through the normal trade channels. Sugar sold for domestic consumption is subsidised by the Ministry while sugar sold for manufacturing purposes is sold at the economic price. Thus, the Sugar Division levies a surcharge on refiners for sugar sold for manufacturing purposes.

Refiners' Remuneration.—The margin between the prices at which the refiners buy raw sugar and the notional selling price of refined sugar on which they adjust their accounts with the Division allows for payment of duty and refining costs on the pre-war basis. To compensate the refiners for increases in costs over the pre-war figures, an additional monthly payment is made on a recalculation of costs under a formula based on the experience of representative refineries for a period of 75 weeks ending in September, 1939.

British Sugar Corporation.—In pre-war years one of the Corporation's main sources of revenue consisted of income from producing raw sugar from sugar beet, the prices received for the raw sugar being, of course, the world raw sugar prices. Since 1939, however, the Ministry has been the sole importer of raw sugar into the United Kingdom. The Ministry, therefore, buys the entire campaign production of raw sugar from the Corporation at a price based upon the average cost of imports of cane sugar during the year in which the campaign occurs, adjusted by a calculation to give effect to the difference between customs duty levied on imported sugar and the excise duty levied on home grown sugar. The Ministry resells the production to the Corporation at the price at which imported sugar is sold to other refiners.

Method of preparing Estimates for imported raw sugar

3. For estimating purposes, the cost of raw sugar purchased by the Ministry is arrived at by applying (a) in the case of Commonwealth supplies, the price fixed by the annual review of prices to the quantity which it is estimated will be available for export from the various sources, and (b) in the case of foreign supplies, the average price of contracts entered into (or at which it is anticipated contracts will be effected) to the quantity of sugar purchased (or which it is anticipated it will be necessary to purchase) for shipment to the United Kingdom during the year.

The sales value is arrived at in the case of raw sugar sold to refiners for home requirements by applying to the estimated tonnage which will be allocated to refineries during the year the fixed selling-on prices for Commonwealth and foreign sugar.

Method of preparing Estimates for Home Grown Sugar

4. The methods adopted in calculating the purchase and sales prices are described in detail in paragraph 4. For the purposes of the estimate, the rebate payable to the British Sugar Corporation (i.e., the difference between the purchase price payable by the Ministry and the price at which the production is resold to the Corporation) is applied to the quantity of sugar which it is anticipated will be produced during the campaign.

In preparing early estimates for any financial year it is impossible to indicate results accurately as the production is dependent on unknown factors such as acreage, planting, growing and harvesting conditions which may materially affect the quantity of sugar ultimately obtained. The practice, therefore, has been to adopt a "standard" production of 500,000 tons which is adjusted up or down during the course of the campaign according to reports received from the Corporation.

5. Schedule A gives a summary of the estimated trading results for 1948-49 together with details of expenditure (Schedule B).

Cash Requirements based on Trading Estimates

6. The cash requirements of the Division are arrived at by adjusting the estimated trading loss in respect of all items which are not payable or receivable in cash.

Schedule C shows the adjustments in respect of the 1948-49 estimates.

SCHEDULE A
Estimates for 1948-49

	<i>Total</i>		<i>Imported</i>		<i>Home Grown</i>	
	'000 tons	£'000	'000 tons	£'000	'000 tons	£'000
<i>Estimated Purchases: (Raw Sugar)</i>						
<i>Imported</i>						
<i>Foreign Caribbean Sources</i>						
San Domingo	—	—	—	—	—	—
Cuba	—	—	—	—	—	—
Mexico	—	—	—	—	—	—
		6,813				
		9,726				
		1,694				
		<u>18,233</u>		18,233		
<i>Commonwealth Sources</i>						
British West Indies	—	—	—	—	—	—
Mauritius	—	—	—	—	—	—
Australia	—	—	—	—	—	—
Fiji, East Africa, etc.	—	—	—	—	—	—
		19,752		19,752		
<i>Home Grown</i>						
1948-49 Beet Campaign	—	—	—	—	—	18,165
		<u>18,165</u>				
		56,150		<u>37,985</u>		<u>18,165</u>
<i>Add: Freight, etc. and insurance</i>	—	—	—	4,975	—	—
Landing charges	—	—	—	1,063	—	—
		<u>62,188</u>		<u>44,023</u>		
Adjustment of Stock values	—	—	—	3,993	—	—
		<u>66,181</u>		<u>48,016</u>		<u>18,165</u>
<i>Less Estimated Sales Value: (Raw Sugar)</i>						
Imported	1,550	28,150	—	1,550	—	—
Home Grown—1948-49 Campaign	500	10,865	—	—	500	10,865
	<u>2,050</u>	<u>39,015</u>		<u>1,550</u>		<u>10,865</u>
Estimated loss on Sales	<u>2,050</u>	<u>27,166</u>		<u>1,550</u>	<u>500</u>	<u>7,300</u>

<i>Deduct: Excess of Manufacturing Levy over Domestic Consumption Subsidy:—</i>									
Manufacturing Levy	—	13,066	—	—	—	—	—	—	—
Domestic Consumption Subsidy	—	229	—	—	—	—	—	—	—
		<u>12,837</u>							
Surcharge levied on Refiners' Export Sales	—	1,000		—	10,230	—	3,607		
		<u>13,837</u>			<u>13,329</u>		9,636		3,693
<i>Add: Expenses per Schedule B</i>	—	—	7,352	—	6,071	—	1,281		
			<u>20,681</u>		<u>15,707</u>		<u>4,974</u>		
<i>Add: Pulp and Molasses prices adjustment payable to British Sugar Corporation Ltd. per Schedule B</i>	—		600						
<i>Net Loss</i>			<u>21,281</u>						

SCHEDULE B

1948-49 Estimates

Analysis of Expenses, etc.

	£'000							
Freight, Insurance and Landing Charges.	6,038	<p><i>Commonwealth Supplies:</i> It was agreed at the commencement of the war that the Ministry should pay the same c.i.f. price to all shippers leaving them with the same advantages and disadvantages <i>vis-à-vis</i> one another as they had in peace time. The Ministry agreed to accept liability for extra freight and insurance over pre-war rates included in the c.i.f. price. Estimates are based on the appropriate rates for purchases from each country.</p> <p><i>Foreign Supplies:</i> These supplies are purchased on f.o.b. terms and accordingly freight is calculated on the full rates in force for purchases from each country.</p> <p>Landing charges vary from port to port. The estimates are based on the average rate for the previous year.</p>						
Excess of manufacturing (Cr) levy over Domestic Consumption subsidy.	12,837	<p>Refined sugar for Domestic Consumption is sold at a subsidised first-hand selling price of 40s. 3d. per cwt. and for Manufacturing purposes at the economic price of 59s. 2d. per cwt. The Ministry's financial arrangements with the refiners assume a fixed notional selling price of 40s. 6d. per cwt. and the refiners account to the Ministry for the difference between 40s. 6d. and the price at which sales are made in excess of this figure. The Ministry, on the other hand, pays the refiners the difference between the notional and the actual selling prices of domestic sugar. The estimates are based on the quantity of refined sugar which it is anticipated will be distributed during the year namely:—</p> <table border="0" style="margin-left: 40px;"> <tr> <td>for Manufacturing purposes ...</td> <td style="text-align: right;">700,000 tons</td> </tr> <tr> <td>for Domestic Consumption ...</td> <td style="text-align: right;">917,000 „</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1,617,000 „</td> </tr> </table>	for Manufacturing purposes ...	700,000 tons	for Domestic Consumption ...	917,000 „		1,617,000 „
for Manufacturing purposes ...	700,000 tons							
for Domestic Consumption ...	917,000 „							
	1,617,000 „							
Surcharge levied on Refiners' export sales.	1,000	<p>The prices at which such sales are made are based on the replacement cost of raw sugar and accordingly a surcharge is levied on the refiners to recover the subsidy element in the original sale of the raw sugar.</p>						
Transport	2,800	<p>Certain costs of distribution of refined sugar are the responsibility of the Ministry and accordingly it is necessary to include in the estimate a sum calculated on the anticipated movements of refined sugar during the year at the average rate of carriage charges during the previous year.</p>						
Storage	250	<p>This charge represents the cost of storing raw sugar which in certain circumstances is placed in warehouse before being transferred to refinery and on refined sugar stored in Ministry and other depots prior to distribution. The estimate is based on the costs incurred in the past adjusted for known variations.</p>						
Rent and Rates of Government Stores.	35	<p>Prior to the War, Government-owned stores were erected at certain British Sugar Corporation factories and are used for the purpose of storing both raw and refined sugar. The Division pays the local rates levied thereon and is charged a notional rent annually by the Ministry of Works.</p>						
Fire Insurance	8	<p>Fire insurance on stocks is based on the premium payable.</p>						

SCHEDULE B—*continued*

	£'000	
Commissions	1	Small quantities of imported crystallised sugar are frequently sold for direct consumption. The brokers handling the distribution of this sugar received commission at the rate of 1½d. per cwt. The estimate is based on past experience of the quantity of sugar so distributed.
Refiners' Operating Cost	2,000	This estimate, based on the anticipated invoicings of refined sugar during the year, represents the monthly payment to refiners under the formula designed to compensate them for increases over pre-war costs of refining.
Sugar Package Costs Adjustment.	400	The formula referred to above takes into account the cost of packing sugar in a standard jute bag. This particular payment is made to cover increases in the costs of paper and card-board packings since pre-war.
Interest	300	Interest represents a charge to the Division based on cash withdrawals.
Overheads	1,458	Represents the Sugar Division's share of Ministry of Food administration, apportioned between the various Divisions on the basis of turnover.
British Sugar Corporation excess costs.	100	This payment represents (a) the amount paid to the British Sugar Corporation to relieve them of interest charges incurred on the Ministry's behalf in carrying stocks of refined sugar in excess of pre-war and (b) costs adjustment, designed to give them the same advantage as refiners derive from the formula in respect of their refining. The estimates are based on the experience of previous years.
	<hr/> 7,352	
Pulp and Molasses prices adjustments payable to the British Sugar Corporation.	600	The prices of beet pulp and molasses produced by the Corporation are controlled by the Ministry of Food and Board of Trade at prices below the economic level. The Ministry therefore makes a payment designed to relieve the Deficiency Payment of the effect which these low prices would otherwise have on the account. The estimate is based on the payment which it might be necessary to make in a year in which the beet processed would produce 500,000 tons of sugar.
	<hr/> 7,952 <hr/>	

SCHEDULE C

Reconciliation of Trading and Cash Estimates for 1948-49 as submitted December 1947

	Deficit £'000	Surplus £'000
Net Trading Loss	21,281	
Variation in stock levels at end of the year compared with the beginning—decrease		3,993
Services included above, not paid for in cash by the Division:—		
(a) Rail carriage, road haulage and Port dues		600
(b) Storage: Accommodation provided by the Ministry of Works		30
(c) Overhead expenses		1,458
(d) Interest		300
(e) Salaries of local officers payable by Division but chargeable to Administrative Finance Division		4
	<hr/> 21,281	<hr/> 6,385
Net Cash requirements:—		
as shown in Civil Estimates 1948-49, Class X.2, Subhead H		14,896
Receipts from Sales Proceeds, etc.		43,914
Estimated total payments		<hr/> 58,810 <hr/>

PAYMENTS TO BRITISH SUGAR CORPORATION LTD.—£3,000,000

Civil Estimates 1948-49. Class X2, Sub-head E

The £3,000,000 represents an estimate of the amount of the Deficiency Payment which will be required by the Corporation in respect of the year 1948-49.

The Sugar Industry Organisation Act of 1936 recognised that the sources of the Corporation's income were insufficient to allow it to pay its way and provision was made to enable the Treasury to make compensatory payments subject to certain conditions. Since 1939, when the Ministry of Food took over the functions of the Sugar Commission, the Ministry have continued to make such payments to the Corporation. A simplified procedure was authorised by the Sugar Industry Bill, 1942, and the compensatory payments now take the form of Deficiency Payments.

In December, 1947, when the estimate for 1948-49 was prepared the 1947-48 campaign was still in progress and only a preliminary forecast of the results was available. In calculating the 1948-49 payment it was assumed that the existing estimate for 1947-48 would be substantiated by actual results and that apart from variations in the cost of beets and in the cost of imports of raw sugar, the conditions during the 1948-49 campaign would not change materially. After allowing for these variations and relating the 1947-48 estimated payment to a "standard" production of 500,000 tons of sugar, it was calculated that a Deficiency Payment of approximately £3,000,000 would be required in 1948-49.

April, 1949.

ANNEX 15

MINISTRY OF FOOD

*Tea Division**Tea Estimates—1948-49**Functions of the Division*

1. The Tea Division is responsible for the purchase, importation, and distribution of tea supplies in the United Kingdom. The following is an outline of the trading activities of the Division:—

- (i) Purchases are effected by direct annual contracts with producing estates in India, Pakistan, Ceylon and East Africa ;
- (ii) The tea is shipped to this country after having been taken over on f.o.b. or ex-warehouse terms ;
- (iii) On arrival shipments are warehoused and made ready for allocation ;
- (iv) Ownership passes from the Ministry when tea is allocated to Primary Wholesalers. Thereafter it proceeds down the chain of distribution subject only to rationing and price control regulations.

2. Additional supplies (less than 1 per cent. of total importations) are handled by private traders under licence. These consist of China and Formosa teas for consumption in this country and others of any origin which are held in bond for re-export. Such transactions do not pass through the Ministry's Trading Account.

Details of Trading Operations

3. Contract prices consist of a basic value separately ascertained for each estate plus agreed allowance for increased costs of production determined broadly for each country or producing area. These prices remain constant for a complete crop year despite the variations in the quality of tea delivered by each estate at the different seasons of the year.

4. Contract performance, payment and shipping arrangements are administered by Tea Controllers or Commissioners who are directly employed by the Ministry in each country of production.

5. Payment of import duty is effected by the Division under prime entry arrangements on arrival of shipments in this country. Charges incurred for freight, insurance, landing and warehousing and other services are also paid by the Division.

6. Valuation, allocation and invoicing to Primary Wholesalers are carried out by Selling Brokers. Valuations, unlike purchase costs, depend on the intrinsic value of each invoice and remain basically at pre-war standards. From time to time, however, surcharges of uniform value have been imposed in order to bring average selling prices closer to average cost prices.

Basis of Estimates

7. The estimates are based on latest information as to purchase requirements for the ensuing year. The likely quantity from each producing country or area is applied to estimated costs at each stage from purchase to the point of sale. Sales are based on estimated ration levels and are evaluated at estimated average selling prices which do not vary appreciably from year to year. The value of stocks is calculated on the assumption that purchases are disposed of on the "first in—first out" principle.

8. The estimates mentioned in the preceding paragraph are prepared in Trading Account form. Schedule (A) attached sets out those applicable to the financial year 1948-49. In Schedule (B) a more detailed analysis of the expense items is furnished.

Cash Requirements based on Trading Estimates

9. The cash requirements of the Division are arrived at by adjusting the estimated trading loss in respect of all items which are not payable or recoverable in cash. Schedule (C) furnishes details of the adjustment necessary in respect of 1948-49 estimates.

Local Organisations

10. Certain Local Organisations are directly maintained by the Division; further details of which are set out in Schedule (D).

SCHEDULE A
1948-49 Trading Estimates

<i>Estimated purchases</i>	£'000	£'000
India (inc. Pakistan)	29,687	
Ceylon	17,150	
East Africa	750	
Other sources	266	
	<hr/>	47,853
add Freight Marine Insurance Landing, Warehousing and Duty		12,304
		<hr/>
		60,157
		<hr/>
Adjustment of stock values		366
		<hr/>
<i>Cost of Sales</i>		£59,791
		<hr/>
Estimated Sales value (380 m. lbs.)		52,950
		<hr/>
Trading Loss		6,841
Expenses		2,348
		<hr/>
<i>Net Loss</i>		£9,189
		<hr/>

SCHEDULE B

Analysis of Expenses

£'000	
2,779	Freight, Marine Insurance, Landing and Warehousing. Freight is based on current rates from each producing country. Marine Insurance is computed on the basis of c.i.f. cost and appropriate premiums.
9,525	Duty Duty is calculated at 6d. per lb. on Empire teas which form the bulk of purchases and 8d. per lb. on Non-Empire.

£12,304

SCHEDULE B—*continued*

		£'000	
Cash Discounts	... ..	300	Cash Discounts are allowed to buyers for payment within a specified prompt date.
Warehouse Rent	... ..	250	Warehouse Rents are incurred on Ministry owned stock. Estimate is based on previous year's experience.
Carriage Inwards	... ..	150	Carriage Inwards represents the cost of transport and is based on the previous year.
Selling Brokers' Remuneration		300	Brokerage represents the remuneration paid to the Selling Brokers for their services.
Proportion of Ministry of Food Overheads.		838	Charge for overheads represents Tea Division's share of Ministry of Food administration costs.
Local Organisation expenses	...	60	This charge represents estimated expenditure of £28,500 each for the Indian and Ceylon Organisations. A further amount of £1,000 was provided for East Africa and £2,000 for expenses of the Distribution Committee in this country.
Interest	... ..	450	Interest represents a charge to the Division based on cash withdrawals.
		<u>£2,348</u>	

SCHEDULE C

Reconciliation of Trading and Cash Estimates for 1948-49 submitted December 1947

	<i>Cash Estimate</i>	<i>Surplus</i>
	<i>Deficit</i>	
	£'000	£'000
Net loss (as per Budget Estimate Dec. 1947)	9,189	
Variation in stock levels at end of year as compared with beginning (increase)	366	
Services included in above not paid for in cash by the Division:—		
Rail Carriage	45	
Port Dues	100	
Overhead Expenses	838	
Interest	450	
<u> </u>		1,433
Customs Duty, i.e., Extra-Statutory Refunds to exporters	21	
	<u>9,576</u>	<u>1,433</u>
Net Cash Requirements per Civil Estimates 1948-49 in Class X Vote 2 Subhead H	8,143	
Receipts from Sales Proceeds, etc.	52,950	
Estimated total payments	<u>£61,093</u>	

SCHEDULE D

*Local Organisations Directly Maintained by Tea Division*1. *Overseas*(a) *India*

The Tea Controller for India has a staff and Headquarters in Calcutta. There is also an Assistant Tea Controller with staff at Coonoor, South India.

The Tea Controller, in his capacity as Tea Agent for the United Kingdom, also administers the separate contracts with Estates situated in Pakistan. The Ministry reimburses the Government of India for the cost of and expenses incurred by these organisations. Provision in the 1948-49 estimates was £28,500.

(b) *Ceylon*

The Tea Commissioner for Ceylon has a staff and Headquarters at Colombo. The Ministry meets the full costs of this organisation directly, the 1948-49 provision being £28,500.

(c) *East Africa*

The Tea Commissioner for Nyasaland acts in a part-time capacity, the Ministry contributing towards the cost of his office and clerical assistance. In order to deal with shipments at Beira, a commercial organisation is employed at an agreed agency rate. The provision in 1948-49 for East Africa was £1,000.

2. *United Kingdom*

(a) *Selling Brokers*

The Division retains and utilises the service of pre-war Selling Brokers which consist of 23 firms and companies as well as a central establishment known as the Selling Section which was formed for the purpose of meeting the requirements of the Ministry's control. The Selling Brokers perform all services necessary for inspection, allocation, valuation and invoicing of teas to Primary Wholesalers. The remuneration taken for purposes of the estimates was £300,000 per annum although an increase of £30,000 was accorded from 3rd September, 1948.

(b) *Port Officers*

Port Officers and small staffs are maintained at London, Liverpool and Glasgow in order to supervise the importation, transportation and warehousing of arrivals. The cost of these establishments is met by Administrative Finance Division and, therefore, included in the Ministry's main overhead expenses.

(c) *Distribution Committee*

This consists of a small representative Committee drawn from the distributive side of the trade. It has formed a valuable liaison between the Ministry and the distribution trade. The expense of maintaining this Committee is borne directly by the Division, the sum of £2,000 being provided in the 1948-49 estimates.

April, 1949.

ANNEX 16

MINISTRY OF FOOD

Cocoa Division

Estimate of Cocoa Division for 1948-49

Functions of the Division.

1. The main functions of the Cocoa Division are to purchase cocoa beans on the most favourable terms; by averaging of costs, to stabilise allocation prices; and to ensure fair distribution to manufacturers of cocoa products of the total available supplies.

2. The activities of the Division, therefore, cover broadly:—

- (i) The purchasing, import, handling, grading, storage, and distribution of all cocoa beans;
- (ii) Presentation of the United Kingdom's requirements to the I.E.F.C. Cocoa Committee and the implementation of allocations made by the Committee;
- (iii) Co-operation with other Government Departments and interests in preparing plans for developing cocoa production and eradicating cocoa diseases;
- (iv) The maintaining of close contact and collaboration with the manufacturers' organisations on the day-to-day problems of supply and distribution of cocoa and cocoa products.

3. The Division also operates an Export Replacement Scheme under which cocoa beans are sold to manufacturers at prices closely related to world levels.

4. Exceptionally, the Division undertakes, in close contact with the West African Marketing Boards, through the Gold Coast Cocoa Marketing Co. Ltd. and the Nigerian Produce Marketing Co. Ltd., the making good of temporary shortages of supplies of cocoa beans to other countries, Ministry stocks being replaced from West Africa.

Outline of Trading Transactions

5. Cocoa beans fall into two main groups, namely, the standard quality types and the high quality types. The standard types are obtained mainly from British West Africa, Brazil, French West Africa, and Portuguese West Africa. High quality types are mainly obtained from the British West Indies, Latin American countries, Ceylon, and Samoa.

6. Purchases of British West African cocoa are made directly from the West African marketing companies. Purchases from other areas are normally made through importing agents of the shippers, but the Colonial Governments take an active part in the negotiations for West Indian cocoa. Purchases are either on a c. & f. or on an f.o.b. basis.

7. Direct responsibility is undertaken for the performance of all services on landing and warehousing of cocoa, namely, supervision of landing, customs clearance, supervision of warehousing, arranging for carriage and storage and maintenance of stock records. Cargo Superintendents are, however, employed at the main ports and the customs clearance is attended to by the Port Food Movement Officers.

8. Direct responsibility is also undertaken for the allocation of all cocoa beans to manufacturers. The standard qualities are allocated in accordance with entitlements related in the main to pre-war usage. In the case of exports and Service and other priorities, however, cocoa beans are allocated in replacement of actual usage. Liaison with the trade is effected through the Wartime Associations, namely, the Cocoa and Chocolate (War Time) Association, the Sugar Confectionery (War Time) Association, and the Cake and Biscuit (War Time) Alliance. These also assist in the machinery for allocation of cocoa beans for exports and priorities, but the Division collects the cash and issues delivery orders. Cocoa which is appreciably damaged is valued and disposed of separately. Sales of standard quality cocoas are made direct to manufacturers. The home market allocation prices are fixed for lengthy periods. This is necessitated by the complicated nature of the price fixing mechanism for chocolate and sugar confectionery under the existing retail price control. Retail prices for over 2,000 items are involved, and it takes from two to three months to revise these prices when a change is required.

9. The high quality cocoas from the West Indies, after sale by the Ministry, are passed through the hands of intermediaries described as the Selling Agents. This is a survival of the pre-war practice. High quality cocoas from other areas are sold direct by the Ministry after allocation to the manufacturers. Exceptionally, all sales of damaged high quality cocoa are made through brokers.

10. In relation to the Export Replacement Scheme, allocation prices for cocoa of standard quality are fixed in advance for 3-monthly periods on the basis of the anticipated average world market prices. These prices are determined at the end of each price period for the next-but-one period. This gives the manufacturers the benefit of forward prices for a minimum of three and a maximum of six months. Manufacturers can claim replacements of cocoa beans equivalent to their usage of beans in manufactured products exported in the various price periods. Separate prices are quoted in relation to the destination of the exported product, namely, a standard price for most areas, and a special price which applies to the "specially desirable" (i.e. mainly the dollar) markets. Appropriate price adjustments are made for intermediate products used as ingredients, namely, cocoa butter and couverture.

Basis of Estimates

11. The purchase costs are estimated for each country of origin in relation to the last purchase or anticipated market level of purchase for each type of cocoa bean. The proportions of the different types are normally based on the quantities received in the past.

12. The sale proceeds for the standard grades of cocoa beans are estimated by reference to the method of disposal, i.e. for the home market and for export replacement purposes. High quality cocoa beans are normally sold at average cost. Trading has been assumed to be on a no-profit-no-loss basis.

13. The value of stocks is calculated on the assumption that purchases are disposed of on the first-in-first-out principle.

14. Schedule A summarises the estimated trading results in 1948-49. Schedule B details expenditure.

Cash requirements based on trading estimates

15. The cash requirements of the Division are arrived at by adjusting the estimated trading result in respect of all items which are not payable or receivable in cash and for the difference between opening and closing stocks. Schedule C shows the adjustments in respect of the 1948-49 estimates.

SCHEDULE A

	Tons	Total	Standard Quality	High Quality
<i>Estimated Purchases</i>		£'000	£'000	£'000
British West Africa			21,600	—
British West Indies			—	660
<i>Add: Freight Marine Insurance</i>		22,260	21,600	660
Port Dues and Duty		2,116	2,056	60
Adjustment of stock values		24,376	23,656	720
Cost of Sales		2,556	2,656	100
Estimated Sales Values		21,820	21,000	820
British West Africa	106,500	22,426	21,585	721
British West Indies	3,000			120
Western Samoa	500			
	110,000			
Trading Profit		606	585	21
Expenses		606	585	21
Net Profit/Loss		Nil	Nil	Nil

SCHEDULE IB

Analysis of Expenses on Imported Raw Cocoa Beans

	Standard Quality £'000	High Quality £'000	
Freight, Marine Insurance, Port Dues, Landing Charges and Duty.	2,056	60	Freight is based on the appropriate freight rates for the purchases from each country. Marine Insurance is charged at a fixed percentage on the c.i.f. costs. Port Dues vary from port to port. The estimates are based on the average rate for the previous year. Landing Charges vary from port to port and include master portorage, etc., and receiving, housing and delivery at Port Warehouses. The estimates are based on the average rate for the previous year. Duty is calculated at the Empire rate.
Grading Fees	4.2	0.1	Grading Costs represent the fees estimated to be payable to the London Graders upon whose assessments the grade of each mark is determined.
Handling	4.9	0.1	Handling Charges represent the estimated cost of Cargo Superintendents who act as Agents for the Division.
Storage	58.0	2.0	As the costs include charges for ancillary operations in warehouse as well as a charge determined by the time the goods remain in store, the estimates are based on the cost incurred in the past, adjusted for known variations.

SCHEDULE B—continued

Analysis of Expenses on Imported Raw Cocoa Beans—continued

		<i>Standard Quality £'000</i>	<i>High Quality £'000</i>	
Transport	... ..	237·0	9·0	Transport costs represent road and rail transport. While flat rates apply for both services cocoa beans are moved a varying number of times. The estimated cost is therefore based on charges incurred in the past, adjusted for increased use of Port Warehouses and increases in rates.
Fire Insurance	... ..	9·7	0·3	Fire Insurance is based on the premium payable during 1947.
Brokerage and Sales Commission	... ..	—	0·7	This charge represents estimated payments to intermediaries of brokerage of 2d. per cwt. on sale of West Indian cocoa and of commission of 2½ per cent. on sales of damaged high quality cocoa.
Interest	... ..	126·0	4·0	Interest represents a charge to the Division based on cash withdrawals.
Overheads	... ..	145·0	5·0	The charge for overheads represents the Division's share of Ministry of Food Administration Costs, including buffer depot charges.
		<u>584·8</u>	<u>21·2</u>	
Total	... ..	<u>2,640·8</u>	<u>81·2</u>	

SCHEDULE C

Reconciliation of Trading and Cash Estimates for 1948-49

	<i>Deficit £'000</i>	<i>Surplus £'000</i>
Profit/Loss Nil	—	—
Variation in stock level at end of year as compared with beginning—increase	2,556	
Services not paid for in cash by the Division		
Rail Carriage and Road Haulage		220
Overheads		150
Interest		130
		<u>500</u>
	<u>2,556</u>	<u>500</u>
Net cash requirements, as shown in level Estimates, Class X, 2, Subhead H	2,056	
Receipts from Sale Proceeds, etc.	22,426	
Estimated total payments	<u>£24,482</u>	

April, 1949.

ANNEX 17

THE TREASURY

Marine and Fire Insurance

The normal peacetime principle is that the Government carries its own risks and does not insure its property. Early in the war, however, when the Government became the sole importer of most of the imported foodstuffs and raw materials, this policy had to be reconsidered. It was decided early in 1940 that it would strike too big a blow at the insurance organisation, as an important element in the national economy, if the whole of this very large volume of business were removed from the insurance market, and it was accordingly agreed that, in order not to cripple the organisation, the Government should place insurances on its imported food and raw materials with the market.

2. This arrangement has continued ever since, the contracts being renewed annually and the rates of premium being reviewed on the annual renewals. Evidence on this point has been given before the Public Accounts Committee in 1946-47*. Although the war is over, there has not yet been any sufficient change in the circumstances to justify terminating the wartime arrangement. In fact although some commodities have been decontrolled, the Government is still the sole importer of many main commodities just as it was throughout the war. Our advisers tell us that if H.M. Government withdrew its own business from the insurance market, this would strike a serious blow at the competitive position of the insurance companies in overseas markets (where there are substantial foreign exchange earnings) and that this applies as much (or more) at the present time as it did during the war.

3. There is a further consideration, namely, that although the original object of placing the insurance with the market was to avoid unduly crippling the insurance organisation, it has in fact had the effect of relieving the Departments of a good deal of work. The import of food and raw materials on a large scale entails a lot of work in following up claims for loss and damage and arranging salvage matters. If the cargoes are insured with the market, all this work falls on the underwriters, and this in fact is part of the services rendered by them. The importing Departments, therefore, have been able to do without any large claims and salvage branches for the last nine years, and it would be extremely difficult for them at the present time, with the great shortage of manpower, to collect adequately trained staff to do this work. Moreover, the long experience of the underwriters in this field is not to be lightly lost.

4. The services include: in marine insurance, representation abroad, possible action in cases of negligence, use of the Salvage Association machinery in protecting cargoes when casualties take place either at home or abroad, technical knowledge in agreeing amounts to be paid to salvors as well as amounts recoverable, and in general average cases, technical knowledge to ascertain the correctness of the intention to treat them as such and allocation between the various cargo interests; in fire insurance, research into fire prevention, preventive measures such as the Fire Companies' inspection service and investigation of causes for action against third parties.

5. These insurances relate to both Food and Supply and the attached tables cover the whole field. (The Departments concerned are the Board of Trade, and the Ministries of Food, Supply, and Agriculture and Fisheries.) The tables show premiums paid, claims and the net percentage of premiums left with the underwriters.

TABLE 1

(Position as at 31st December, 1948)

Year	Total amount insured	Premiums paid	Claims	Net per cent. of premiums left with underwriters†
	£m	£m	£m	per cent.
1940	570·1	2·008	2·817	—40·3
1941	619·1	3·401	2·943	13·5
1942	594·6	3·959	2·163	45·4
1943	608·9	4·151	2·018	51·4
1944	667·3	3·362	2·677	17·7
1945	664·0	2·779	·552	37·5
1946	900·5	2·528	1·201	30·7
1947	1,150·0 (approx.)	3·022	1·568	28·7
Summary 1940-7 (Est.)...	5,774·5	25·210	15·939	27·2

NOTE.—The present arrangement, effective from 1 July, 1948, is that the underwriters retain any profit not exceeding 15 per cent. of the premium income, retain one half of the difference between 15 per cent. and 25 per cent. and surrender in full any profit exceeding 25 per cent. Thus the maximum which the underwriters can retain is 20 per cent. of premium income, to cover administrative expenses and provision for future losses as well as profit.

* By Sir Edward Bridges. See Third Report Questions 4442/61 and Appendix 11.

† After allowing for agreed return of profits to the Government.

TABLE 2

Year ended 31 March	Total amount insured	Premiums paid	Claims	Net per cent. of premiums left with underwriters
	£m	£m	£m	Per cent.
1941	186·6	·408	·350	14·2
1942	275·1	·583	·270	53·7
1943	355·3	·719	1·135	—57·8
1944	460·1	·914	·568	37·9
1945	562·5	1·101	·503	54·3
1946	474·8	·999	·668	33·1
1947	315·3	·566	·427	24·6
1948 (Estd.)	339·4	·616	1·358	—120·4
1949 (Estd.)	—	·363	·329	9·3
Summary 1941-9 (Estd.)	—	6·269	5·608	10·6

NOTE.—The percentage left with the underwriters has to cover administrative expenses and provision for future losses as well as profit.

Treasury Chambers,
23rd March, 1949.