WAR CABINET, 66.

Minutes of a Meeting of the War Cabinet held at 10, Downing Street, on Wednesday, February 14, 1917, at 5:30.

Present:

The Prime Minister (in the Chair).


In attendance:

The Right Hon. R. E. Protheroe, M.V.O., M.P., President, Board of Agriculture and Fisheries.

Sir R. H. Rew, K.C.B., Assistant Secretary of the Board of Agriculture.

The Hon. E. G. Strutt, J.P.

The Right Hon. the Earl of Selborne, K.G.

Sir Arthur Lee.

Mr. A. D. Hall, M.A., F.R.S.

Professor Adams.


Mr. G. M. Young, Assistant Secretary.

Mr. Thomas Jones, Assistant Secretary.

Agriculture: *

1. THE War Cabinet had under consideration a Memorandum by the President of the Board of Agriculture on the serious position of agriculture, and the necessity for a system of guaranteed prices (Appendix I).

In regard to the proposed guarantee of prices, the President of the Board of Agriculture, Mr. Strutt, and Mr. Hall expressed the view that it was necessary to give the farmer some inducement to grow more food. At present the farmer was discouraged, and considered that the attitude of the Government towards him had throughout been antagonistic and unsympathetic. The farmer was in a rut, and made excuses to himself; he opposed the employment of women and of substituted labour on the land. There was no doubt that the farmer could do much better than at present, but he could not be persuaded to do so without security in the shape of guaranteed prices.

Sir Henry Rew, representing the Food Controller, doubted whether the offer of a guarantee against commandeering below certain fixed prices would make the difference between inducing the farmer to sow or not to sow.

* The discussion of this subject was begun at the previous Meeting (War Cabinet, 65). Lord Selborne, Sir Arthur Lee, and Professor Adams attended for the evening meeting only.
Lord Selborne said he agreed with the policy advocated in Mr. Prothero's Memorandum. He also favoured a guaranteed minimum wage for the labourer, and power being taken by the State to see that the land of the country was rightly used. These views were generally shared by the members of the Reconstruction Sub-Committee on Agricultural Policy. The danger of the present situation was that in the farmer's view the profitable and least risky course was to continue grass-farming.

Great difference of opinion was expressed as to the probable movements of prices in the period following the end of the war, and as to whether the lower minima suggested by Mr. Prothero would not tend to rise to the higher minima, below which it was suggested the State should not commandeer produce. It was difficult to foretell the post-war position, having regard, on one hand, to the shortage which will exist in the Central Powers, France, and Italy, the reduced production due to the deterioration of the soil and the shortage of fertilisers, and the drain on shipping tonnage in connection with demobilisation; on the other hand, there might be a surplus in Russia and the United States, and, owing to the stimulation of agriculture and greater use of machinery, possibly in the United Kingdom and the Dominions.

The problem confronting the War Cabinet was stated as follows: If they declined to give the guarantee to farmers, the country might, in view of a possible intensification of submarine warfare, find itself in a serious position owing to a decrease in home production of cereals, due to the refusal of the farmers to cultivate crops. If, on the contrary, the farmers were guaranteed the prices, it might result in a position after the war in which the State was paying for crops prices far in excess of what the state of the international market required.

The War Cabinet decided that:

(a.) The Government should enter into a contract with the farmers, and guarantee a scale of minimum prices for wheat and oats for a period of six years, and for potatoes for three years, beginning with 1917, the guaranteed prices to be as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Wheat</th>
<th>Oats</th>
<th>Potatoes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>60/- per 504 lb.</td>
<td>38/6 per 336 lb.</td>
<td>6/- per ton.</td>
</tr>
<tr>
<td>1918</td>
<td>55/-</td>
<td>32/-</td>
<td>4/- 10s. per ton.</td>
</tr>
<tr>
<td>1919</td>
<td>55/-</td>
<td>32/-</td>
<td>4/- 10s.</td>
</tr>
<tr>
<td>1920</td>
<td>45/-</td>
<td>24/-</td>
<td>4/- 10s.</td>
</tr>
<tr>
<td>1921</td>
<td>45/-</td>
<td>24/-</td>
<td>4/- 10s.</td>
</tr>
<tr>
<td>1922</td>
<td>45/-</td>
<td>24/-</td>
<td>4/- 10s.</td>
</tr>
</tbody>
</table>

(b.) The Government should review the position in 1920 so as to give the farmer due notice of the termination of the contract, or of any changes therein which it was proposed to make.
(c.) The Government should undertake not to commandeerv produce during 1917, 1918, and 1919 for less than, in the case of wheat, 70/-; oats 45/-; potatoes 8/- per ton for 1917, and 74/- per ton for 1918 and 1919.

(d.) As a part of the policy of guaranteed prices, the Government should secure a wage of 25/- a week to agricultural labourers during the period of the guarantee, and should make provision for the establishment of Wage Boards; for compelling owners and tenants to make the best use of the land under their control; and for preventing rents being raised during the period of the State guarantee, except in special cases, e.g., where the landowner himself pays tithes, such special cases to receive the sanction of the Board of Agriculture.

The Prime Minister undertook to make a statement in the House of Commons in explanation of the above decisions.

2. The War Cabinet decided that—

The Weekly Summaries of External Political Affairs prepared, under the direction of the Secretary, by Lieutenant-Colonel Sir Mark Sykes, Bart., M.P., and Captain L. O. M. S. Amery, M.P., should be circulated to Mr. Massey, the Prime Minister of New Zealand, and Sir Joseph Ward, the Finance Minister of New Zealand, and to the other representatives of the Dominions and India at the forthcoming Special War Cabinet Meetings, after their arrival in this country (War Cabinet, 40, Minute 1).

(Initialled) D. Ll. G.

2, Whitehall Gardens, S.W.,
February 15, 1917.
Memorandum by the President of the Board of Agriculture and Fisheries.

The position of agriculture is serious. The confidence of the farmer has been dangerously disturbed during the last two months. Unless it is restored, and restored immediately, production will shrink, and the country will be left with a very diminished supply of home-grown food for 1917, and little effort will be made to increase production for 1918.

Food is wanted, and in as great abundance as possible. A system of guaranteed prices lasting over a series of years seems to me to be the only possible means which would restore confidence to the farmer and encourage him to embark upon increased production, with its attendant initial outlay and risk, without fear that a sudden change in the market may render his venture unprofitable. High prices will probably continue for some time after the cessation of hostilities because of the delays of demobilisation, the continued absorption of tonnage for that purpose, and the shortage of both men and food in Europe, consequent on the war. But the farmer is not convinced of this. He has an idea that the stocks of food in the world are as large as ever, and that they will immediately be liberated on the conclusion of peace, with a consequent fall in prices to the level which he knew in the nineties. He does not mean to be caught with an increased area of arable land should this fall occur. Recent interferences with market prices have also filled him with the fear that, even if prices are high, his produce may be commandeered at unremunerative rates.

During the war the average rate of agricultural wages has been raised by nearly one-half. The farmer is now asked to part with still more of his skilled men to the Army, and to replace them by untrained and therefore less efficient men recruited by the Director of National Service, at a rate of wage as high as, or higher than, he had been paying to the man he has lost. With the lack of tonnage, fertilisers are dear and scarce, feeding stuffs will become still scarcer: all these causes have combined to double his costs of production.

The rise in the rate of wages has come to stay. No one who has the interests of the country-side and farming at heart wants to go back to the old level; but the new standard wage which this policy contemplates does render it necessary to assure the farmer that he will obtain prices capable of paying them. Without this assurance he cannot think of maintaining, much less of expanding, his production. The guarantees that are to give him this assurance and security in adopting a forward policy are:

First, minimum prices to which the State contracts to make up the price, so that the return to the farmer does not fall below the minimum. This principle will apply at varying rates to 1917, 1918, 1919, 1920, 1921, and 1922.

For the harvest of 1917 the minimum price for wheat of 60s. will not be disturbed; oats will remain at 38s. 6d., potatoes at 9l. per ton. For the harvests of 1918 and 1919 the minimum prices will be: for wheat 55s.; for oats, 32s.; for potatoes, 4l. 10s. The actual prices will in all probability remain above these minima, so that the guarantee is unlikely to prove costly to the State.

Second, comes the limiting prices below which the State undertakes not to commandeer produce. For 1917, these limits will be: for wheat, 70s.; for oats, 45s.; for potatoes, 5l. For 1918 and 1919 the limits will be: for wheat, 70s.; oats, 45s.; potatoes, 7l. This guarantee involves no outlay on the part of the State— it only limits the powers of the State to deprive the farmer of potential profits.

In the remaining three years, 1920-22, only the minimum guarantees will be continued on a lower scale: for wheat, 45s.; for oats, 24s.

By this system, the farmer is secured by the minima against disastrous, though very improbable, losses which might be caused by a break in the markets. By the limits, he is secured from what he regards as an injustice. The natural price is never raised to the consumer, though the State may be called upon to bear some loss should the natural price fall below the guaranteed minima.

The State thus makes a bargain with the farmer for a period of six years, offering him security in his business in order that he may extend production. Two years before the bargain terminates the position will be reviewed—not as regards the existing guarantee for the remaining two years, but as to the policy that is to follow. It would be impossible for the Government to pledge itself for any period longer than the six years,
but the agriculturist may take the present offer as an assurance that the State does realise the prime importance of agriculture in the national economy, and that whatever bargain may then be made will not be unfair to the farming community.

These guarantees will be accompanied by legislation securing a standard wage of 25s. a week—the rate of wages which has been fixed by the Director of National Service—while the war lasts, to be followed by a system of Wage Boards to put this difficult question on a satisfactory basis. The Legislature will also provide for pressure on landowners to secure that the land should be used in the national interest. It may also be considered necessary during the war period to limit the power of landowners to raise rents without the sanction of the Board of Agriculture.

The policy thus outlined above would be only an instalment of further steps in the direction of putting rural conditions on a sound footing as regards housing, reclamation, education, village life, rural industries, such as sugar beet and potato factories, &c.

A. D. H.
E. G. S.

February 14, 1917.