The Home Wheat Quota Scheme.

Memorandum by the Chancellor of the Exchequer.

I have given anxious consideration to the Report of the Agricultural Development Committee on the matter of a Home Wheat Quota Scheme, and I beg to submit my observations and conclusions upon it.

I may call attention to the fact that apart from the Minister of Agriculture and the Secretary for Scotland, who can hardly be regarded as quite impartial in this matter, only three of the other five members of the Committee support the recommendations of the Report. The Secretary for Scotland makes it quite clear that he only supports the Home Wheat Quota Scheme on the condition that he gets an equivalent State grant for Scottish agriculture. This is quite natural but it disposes of the complacent assumption of the Report that a demand for a State subsidy to other branches of agriculture can be resisted. It is idle to assume that we can stop at subsidising wheat because the industry is in a bad way. In a speech reported in the 'Daily Herald' on April 11th, Mr. W.B. Taylor, K.P., asks for the extension of the Quota to other agricultural products. And all our other staple industries are in a parlous condition and are equally entitled to claim State subsidies. We cannot stop at agriculture - coal and iron and steel are already clamouring for such assistance. In an article in the Morning Post on April 7th, welcoming the conversion of the Government to its protection policy (based on the inspired revelation in the 'Daily Herald') this point is made.

The Report admits that the plan will increase the price of bread, and it will certainly do that to a greater extent than the
figures given in the Report. The Report assumes that the plan is neither "Protection nor a crude subsidy". If it is not this, in Heaven's name what is it? It will admittedly put millions into the pockets of the wheat trade at the expense of the consumers. It is the crudest of all possible subsidies. It is Protection without the one benefit of Protection, in that it brings no revenue to the Exchequer.

The Report recommends the adoption of this plan as the practical redemption of the "pledge" given in the Government statement in the House on August 1st, 1930. The reference in this statement to cereal growing has been strangely misunderstood. The Quota plan cannot be regarded as having any relation to that "pledge". In the first place the conclusions of the Imperial Conference have not yet been reached. But apart from that, the "pledge" was "to undertake whatever practicable steps can be devised to put cereal growing in this country on an economic foundation". These words rule out such a scheme as the Quota, for I am not convinced that it is practicable and it does not do anything at all to put wheat growing on an economic foundation. An industry which is to get a 100 per cent subsidy cannot certainly be "on an economic foundation".

The primary object of this scheme is to secure a guaranteed price for British wheat growers at the expense of the British consumer. The method by which this object is to be secured is that, under powers to be given by the Marketing Bill, British farmers should establish a Wheat Marketing Board, which by itself or its agents shall have a monopoly of the purchase and sale of home grown wheat. Then under the present scheme the market for this wheat would be secured by the provision that millers should be compelled to purchase a minimum proportion of their requirements in the form of home grown wheat. It would be for the Wheat Marketing Board to see that the requisite supplies were forthcoming and for the Minister of Agriculture so to fix the proportion or quota month by month as to provide for the regular absorption of the available supply.

It is not possible for the layman to judge with...
confidence whether the complicated system of quota certificates proposed will in practice work smoothly and effectively. If, for example, the Minister fixes the quota wrong, difficulties would apparently arise. The Ministry of Agriculture and the Board of Trade appear to be confident that they can be overcome, but it is significant that there are no assurances that the trade is equally satisfied. The opinion of the millers, so far as I have seen it expressed, is strongly opposed to the scheme.

Assuming, however, that the machinery will work, the position will be that, as the millers are obliged to buy the British Wheat crop and as the growers' organisation will have a monopoly of it, the latter will be able to force up the price. The price which they may charge is however to be subject to a statutory maximum which, or something near it, will in effect become a guaranteed price for the farmer.

What that price is to be is not explicitly stated, but in paragraph 15 of O.C. 30 (a) it is suggested that, if the premium to the wheat grower over market prices is 15/- a quarter and the quota is 15%, the increase on the price of the 4lb. loaf would not exceed one farthing. On that assumption the total subsidy to the growers would amount to over 24 millions a year, but it seems unlikely that the farmers would regard a price of less than 45/- or even 50/- a quarter as of any use to them at all, and as the present market price is below 25/-, the premium or subsidy may be at least 20/- if not 25/- a quarter. This would mean an increase of 4d. in the price of the loaf and would give the growers £5 or £7 millions a year at the expense of the consumer.

I repeat that the first thing to be clearly understood is that the scheme is undisguised Protection. It is designed to secure an increased price from the consumer of an article of food and to transfer the whole amount into the pockets of the wheat growers in this country. There is to be no incidental
advantage to the Exchequer by way of revenue as in the case of a protective duty and it is not claimed that the device will do more than maintain the existing acreage, so that there is not expected to be any increase in the present volume of employment.

The Secretary for Scotland professes that he would be content with an Exchequer grant of at least £600,000 spread over 5 years for agricultural research and experiment generally. Apart from the fact that other forms of English agriculture would have an equally strong claim that something should be done for their benefit, it seems most unlikely that the Scottish oat-growers would regard money spent by the Scottish Department of Agriculture, however wisely, upon agricultural research and experiment as their equivalent for money put into the pocket of the English wheat grower. It is significant that under the Corn Production Acts of 1917 and 1920 a wheat subsidy had to be extended to oats and two-thirds of the subsidy of about £18 millions paid in 1921/22 was in respect of the latter crop. If the wheat grower was given a premium of 20/- a quarter under the present scheme at the expense of the consumer the equivalent which the grower of oats might demand from the taxpayer would scarcely be less than 10/- a quarter. This would cost for Great Britain as a whole about £8 millions a year.

Apart from ultimate reactions upon industry, it is submitted that, whatever might be the original intention in adopting the scheme now proposed, the present Government or future Governments would most certainly be forced in the long run to extend corresponding benefits by way of subsidies or protective duties to many other forms of agriculture.

The political implications involved are clearly stated in the reservation by the First Lord of the Admiralty and the Financial Secretary to the Treasury contained in paragraph 29 of the Committee's Report. But I would like to add to what they say that it would be political suicide for the Government to
to put forward such a proposal. It would completely identify us with the Beaverbrook-Conservative programme. It would receive the strong opposition of the Liberals and it would split our own Party from top to bottom. I earnestly hope the Cabinet will not accept the recommendation of the Report.

F.S.

Treasury Chambers,
S.W.

April 13th, 1931.