The Wheat Act of 1932
A Forerunner of Modern Farm Price Support Programmes

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INTRODUCTION

THE 1932 Wheat Act (22 & 23 Geo. 5, Ch. 24) deserves a special place in the history of twentieth-century British agriculture. Its passage marked the beginning of a long series of Acts generally designed to improve the relative income position of farmers and farm-workers. It also introduced a system of 'deficiency payments' to growers which has become the chief means of subsidizing the great bulk of British agricultural output. A study of the experience initiated in 1932 should help to reveal the merits and demerits of this type of subsidy. It should also show how political thinking about farm subsidies has changed since the early 1930's.

Government support for wheat prices introduced by the Act in 1932 was essentially a matter of giving relief to practically bankrupt wheat farmers, mainly in the eastern counties of England. At that time there was no shortage of wheat; quite the contrary. Britain was the centre of the world wheat market. Well over 90 per cent of the wheat consumed for food was imported. British wheat contributed only one-sixth of the total used for human and animal consumption. It was generally accepted to be in Britain's best interests to encourage the flow of relatively cheap grain from overseas in exchange for manufactures. The slogan "no tax on bread" had been popular for years, and subsidies for wheat growers had been avoided by successive governments.

However, renunciation of free trade in 1931–2 and the drastic fall in world wheat prices induced the government to place duties on foreign wheat and a levy on all sales of flour in order to provide payments for British wheat-growers. As most flour was either imported or made from imported wheat, this meant that a relatively small levy would bring in an appreciable amount for distribution as 'deficiency payments' on British millable wheat.

In the 1920's it had seemed that wheat-growing for bread would soon largely disappear in Britain. World production had increased considerably. The major wheat-exporting countries were taking rapid advantage of improved methods of cultivation, harvesting, and better strains of wheat, to give them a greater advantage in wheat-growing as compared with most European countries. However, certain interests did not readily admit the logical end, which was to accept more or less complete dependence on overseas supplies of grain. Numerous attempts were made by official and political organizations to revive agrarian protection, to "stop the drift from the land," halt the decline in arable area, and ensure a "strong agriculture" for defence purposes. The fact that Britain could produce more food if agrarian interests received "proper attention" was of more significance to these interests, mainly dominated by the Farmers' Unions, than that imported food could be bought much more cheaply. However, the change in the political outlook at the end of the 1920's and protectionist policies subsequently adopted helped to alter the political climate, which had previously regarded any form of protection for British agriculture as impossible.

Wheat was the most important cash crop in English farming when the Act of 1932 was passed. It occupied a larger area and was more widely distributed by regions and in rotations than any other arable crop, except oats which were mainly consumed on the farms where they were grown. Farm returns from sale of wheat in the 1920's represented between 4 and 6 per cent of total sales of agricultural produce. Wheat occupied about 10 per cent of the arable area and about 5 per cent of the total cultivated area. It was most important in eastern and north-eastern England, where just over half the wheat was grown.

British wheat, then as now, was a predominantly soft wheat with a low gluten content. It is not very suitable for modern methods of bread-making and is mainly used for livestock feeding, biscuits, pastry, and cakes. The British loaf of the 1930's traditionally contained only a very small proportion of home-grown wheat. The greater part of the grist was high gluten flour from imported hard wheats.

British wheat, being harvested in relatively small lots under varying conditions, is not readily available to mills concentrated heavily in cities on or near the coast, such as those at London, Southampton, Liverpool, and Glasgow, in sufficient amounts and sufficiently uniform in grade to compete effectively with the pick of the world's exported wheats. In addition, domestic wheat generally contains much more moisture. This factor frequently damages the milling quality. British wheat is thus hardly comparable in general texture to most imported supplies, and the method of marketing differs as most British wheat is processed in small country mills while imports are handled at the large port mills.

It should be mentioned, however, that good yields of between one and one and a half tons per acre of soft wheat are common in the drier eastern areas of

England and that in 1932 new strains of hard wheat were already increasing in popularity.

THE WHEAT ACT, 1932

Various alternative measures to assist wheat-growers had been advocated before the 'deficiency payments' scheme was started. The Wheat Act included elements of these proposals which comprised: (i) high tariffs on wheat and flour imports (a tariff on flour imports was strongly supported by British millers), (ii) subsidies on arable or fallow land, (iii) a compulsory milling quota for British wheat (as employed in aid of wheat-growers in Germany, France, and Spain in 1929–30), (iv) a wheat import board, (v) guaranteed prices for British wheat, (vi) import quotas for Commonwealth wheat, and (vii) tariffs on imports, with some Commonwealth preference.

The object of the Wheat Bill was "to provide wheat-growers in the United Kingdom with a secure market and enhanced price for home-grown wheat of millable quality without a subsidy from the Exchequer and without encouraging the extension of wheat cultivation to land unsuitable for the crop."

The enhanced price was to be secured by means of 'deficiency payments' to wheat-growers on the basis of certified sales of millable wheat. The deficiency payment was to be the difference between the average market price of British millable wheat as calculated at the end of each cereal year (ending 31 July) and a "standard price" of 10s. per cwt. Administrative expenses of the scheme were to be deducted from deficiency payments. A secure market for millable wheat was provided by a clause which imposed upon millers the obligation to buy unsold stocks remaining at the close of any cereal year. Any losses or profits arising from the sale of these compulsorily acquired stocks were to be apportioned pro rata among registered millers in proportion to their output for the year. The Flour Millers' Corporation was established in connection with the Act. It had the responsibility of buying and disposing of stocks of home-grown millable wheat remaining unsold late in the cereal year, if ordered to do so by the Minister of Agriculture.

The standard price of 10s. per cwt was not to be guaranteed on an unlimited quantity of millable wheat. The Minister of Agriculture had to prescribe, for each cereal year, the quantity of wheat of this description which he anticipated would be sold. Should the quantity of millable wheat exceed the "anticipated supply" then deficiency payments would be reduced proportionately. The Wheat Bill stated that this anticipated supply was not to exceed 27 million cwt.

Funds to provide deficiency payments were to come from "quota payments," or levies, on all flour sold in the United Kingdom, to be collected from flour millers and importers by the Flour Millers' Corporation and paid weekly to the Wheat Commission. Special provision was made concerning quota payments on that part of the miller's output which proved, to the satisfaction of the Wheat Commission, to consist only of "meal" for use as animal or poultry feed. If any miller satisfied the Commission that his output during any cereal year would not comprise any flour other than meal, and that the whole of that flour would be consumed as animal or poultry feed, the Commission could grant him a "provender miller's certificate." It exempted the miller from liability to quota payments on his output of flour during that year. The certificate could be revoked, however, if at any time the Commission ceased to be satisfied. Special provision was also made for the repayment of quota payments in respect of flour exported and shipped as stores.

The Minister of Agriculture had the chief responsibility of putting the provisions of the Act into effect. He had to make Orders prescribing the average price of home-grown millable wheat, the anticipated supply of such wheat, and the amount of quota payments, or the cessation of these payments. Any such Order could be annulled by either House of Parliament within twenty-eight days after it had been laid before Parliament.

The main burden of administering the Act fell on the Wheat Commission which was specially formed for this purpose. It was set up as a corporate entity and not formally attached to the Ministry of Agriculture—although the Minister had to approve its bye-laws. The Commission consisted of nineteen members, all appointed by the Minister of Agriculture. It had a paid chairman and vice-chairman and seventeen unpaid members.

Wheat-growers had to register with the Wheat Commission in order to receive deficiency payments, giving details of their farms and the area under wheat. After each sale a registered grower had to apply for a "wheat certificate" from an authorized merchant. This certificate had to show the quantity, price, and other details of sale and delivery. It had to state that the wheat sold was of the last crop, grown on the specified farm occupied by the registered grower, sold as represented, and of millable quality.

The quality of wheat delivered was determined by an authorized merchant, who applied the standard prescribed by the Minister of Agriculture as laid down in the 1932 Act. Millable wheat was "wheat which 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, and capable of being manufactured into a sound and sweet flour fit for human consumption having regard to the customary methods employed in the milling industry for cleaning and conditioning wheat."[1] An

[1] Ministry of Agriculture and Fisheries. *Report of the Wheat Commission upon the Administration of the Wheat Act, 1932*. Economic Series No. 45. (London: H.M.S.O., 1938), p. 8.

appeal could be made to a regional arbitration body, called a "local wheat committee," in any disagreement about wheat quality.

The standard price of 10s. per cwt was fixed by the Act for the first three years of operation. In 1935 a committee of three was appointed to review the standard price in the light of general economic conditions and those affecting agriculture. It reported that no change in standard price was needed, but recommended that this price be reviewed regularly at three-year intervals.[1]

Ten shillings per cwt was not high in relation to comparable prices of British wheat between 1922 and 1930. The average price had not been lower than 9s. per cwt in any year of that period. It had been above 10s. per cwt in five of those years. The price fell to 5s. 8d. per cwt in 1930–1, however, or about half the level of the future standard price of 10s. per cwt.

In the debate on the Wheat Bill the Minister of Agriculture stated that "if we fix the (standard) price too low, so that the great majority of growers could not produce wheat without loss" the Bill would be of little use; on the other hand, "if the price were too high, wheat cultivation would be extended to land unsuitable to wheat production and for an excessive amount to be required in quota payments from millers and importers of flour, and ultimately from the consumer."[2]

Some doubts were raised in this debate whether the standard price was not too high. Lady Astor asked the Minister: "whether in fixing the guaranteed price of wheat at 45s. (per quarter) in the Wheat Bill, he has aimed at giving a fair profit to those who grow wheat in the country at the cheapest cost of production or at the average cost of production." The Minister replied: "In fixing the standard price of 10s. per cwt, careful consideration was given to all available information concerning cost of production. That figure was selected as likely to afford a measure of assistance to growers of wheat generally who are faced with the present abnormal conditions and without encouraging an extension of wheat to unsuitable land." Lady Astor: "Does the right honourable Gentleman think that paying a subsidy for wheat will not have the effect of encouraging farmers to grow wheat who have never grown it before and never will grow it economically?" The Minister: "The Noble Lady must not assume anything of the kind."[3]

This kind of discussion frequently neglected the fact that wheat-growing with relatively attractive, guaranteed prices would readily displace some

[1] Ministry of Agriculture and Fisheries. *Report of the Standard Price Committee.* (London: H.M.S.O., 1935), Cmd 4932.

[2] *Parliamentary Debates: Official Report.* Fifth Series, Vol. 262, Cols. 965–6.

[3] *Parliamentary Debates*, Vol. 262, Cols. 1975–6.

other grain crop. Thus, wheat became an 'economic proposition' on so-called unsuitable land.

The maximum quantity of wheat on which the standard price was assured was 27 million cwt (about 50 million bushels), implying a total crop of some 59 million bushels. Only once during the period 1923–32 had a crop of this size been surpassed. If (as it turned out) more wheat was sold than the stated maximum, quota payments would be levied to provide deficiency payments only on that amount. This would not, of course, bring the average price of home-grown wheat up to the standard price.

The flour levy was determined by the anticipated supply of British millable wheat, the estimated deficit between market and standard price, and estimated flour deliveries. It was calculated by the following formula:

$$\frac{\text{anticipated supply of millable wheat} \times \text{estimated price deficit per cwt}}{\text{estimated flour deliveries (sacks)}}$$

which gave the rate of levy per sack of flour. The first quota payment was calculated as follows:

Estimated price deficit	4s. 3d. per cwt
Anticipated supply of home-grown millable wheat ..	19·8 million cwt
Estimated supply of flour	93·5 million cwt

$$\text{Rate of levy} = \frac{19{\cdot}8 \text{ million} \times 4\text{s. } 3\text{d.}}{93{\cdot}5 \text{ million}} = \begin{array}{l}10{\cdot}8\text{d. per cwt or}\\ 27\text{d. per sack}\end{array}$$

Details of the flour levy are given in the section dealing with the operation of the Wheat Act; at this point, it may be stated that frequent changes in levy rates were discouraged because of their disturbance to the flour trade.

The anticipated supply was a fundamental quantity in the operation of the Wheat Act. It was a factor in the calculation of the millers' quota payment; until the passing of the Agriculture Act, 1937, it determined the limit of liability of the Flour Millers' Corporation with respect to unsold stocks (see p. 32). The anticipated supply also limited the amount of the deficiency payments payable by the Commission to each registered grower.

The Minister of Agriculture was required, after consultation with the Wheat Commission, to prescribe, at or as soon as practicable after the start of each cereal year, the quantity of home-grown millable wheat which he anticipated would be sold by registered growers during a particular year. The quantity so prescribed could be varied by an Order of the Minister made before the end of January in that year, but it was unalterable after 31 January.

RECEPTION OF THE ACT

Apart from general criticism because of its complexity, the Wheat Bill had keen support from the larger wheat-growers in eastern England and the general body of farmers. The latter saw (and rightly) that the Bill was the first move in the direction of general support for farm prices. Political support for the Bill came from the Conservative Party, which had strong agrarian and protectionist sympathies. Tory sentiments favoured the view that cheap bread had been obtained only at the sacrifice of farmers and other workers in agriculture, in the interest of people in the cities. The Tories held the opinion that a helping hand should be given to wheat-growers "who found themselves in a disastrous position because Britain was the last great free market for wheat."

The Labour Party and Free Traders opposed the Bill. They were concerned with the regressive nature of the "excise tax" on flour. They held that the burden of any increase in bread prices as a result of the Bill would fall most heavily on the poor. Nor did those opposing the Bill like the delegation of authority to tax, preferring subsidy payments to come out of Exchequer funds where they would be under the direct control of Parliament. Taxation of a staple commodity such as bread was also hailed as a backward step, especially as the tax would benefit such a very small segment of the population. *The Economist* found it curious that "a government which could not include wheat in its 10 per cent tariff because of its members' pledges not to tax 'staple food' (wheat and meat) and because the possible repercussions on the cost of living might even have endangered 'the safety of the pound,' could within the space of a fortnight introduce a measure which taxes the self-same article 18 per cent by throwing in twenty-nine pages of cuttlefish draftsmanship."[1]

Spokesmen for the Labour Party argued that wheat rightly had a small place in British agriculture, that there was no justification for attempting to increase its importance, and that any aid should go to other branches of farming. Fear was expressed that deficiency payments would not go to the farmers most in need, as larger farmers who were perhaps better placed to make adjustments would receive the lion's share of total payments (larger farmers, who include many wheat-growers, can voice their appeals for aid most effectively and had done so in this instance). Also that the net effect would be to maintain or increase rents rather than to benefit wheat growers (what little evidence is available, however, suggests that rents showed little immediate change after the passing of the Wheat Act).

Free traders emphasized the harmful effect of protective measures on

[1] *The Economist*, 27 February 1932, p. 451.

overseas trade. Mr Attlee condemned the Bill as "merely a device for calling a tariff a quota" as there was no incentive throughout the Bill to buy British wheat; it gave "a dole to certain industries divorced altogether from control or from any idea of reconstruction."[1]

The Economist declared in scathing terms that "the wheat legislation was, thus, not a protective measure of child welfare for an 'infant industry' like the sugar-beet industry. It was rather in the nature of a national whip-round on behalf of a picturesque village 'ancient,' probably our oldest inhabitant, whose relapse into penury would be a matter of regret but [not] of reproach to us."[2]

Opposition to the Bill was somewhat lessened by the fact that the maximum deficiency payment to wheat growers provided for only a moderate rise in the price of bread. Supporters emphasized the relief of financially distressed wheat-growers but not the increased production of home-grown wheat.

THE ACT IN OPERATION, 1932 TO 1940

Between 1932 and 1940 the Wheat Act accomplished its primary objective of bringing financial relief to wheat-growers. It also led to a relatively large and sudden increase in wheat production by providing an attractive minimum price and an assured market.

Table 1 summarizes some of the more important data relating to the operation of the Act. The table shows the relative importance of deficiency payments in the different years, the sharp rise in number of wheat-growers in the first three years of the Act—from 77,000 in 1932–3 to 95,000 in 1934–5—in wheat acreage, and the average annual quantity of wheat sold per grower.

Total deficiency payments to wheat-growers fluctuated considerably from year to year as a result of differences between annual average price and standard price, and the quantity on which the standard price was based. These payments, after administrative expenses of the scheme had been deducted, were as follows:

Year	*£ Million*
1932–3	4·5
1933–4	7·1
1934–5	6·8
1935–6	5·6
1936–7	1·3
1937–8	1·9
1938–9	9·2
1939–40	6·1

Administrative expenses were relatively very small (between 1 and 3 per cent of total flour levies); ranging from £52·7 thousand in 1932–3 (58

[1] *Parliamentary Debates*, Vol. 264, Col. 360. [2] *The Economist*, 12 August 1933, p. 313.

weeks) to £68·2 thousand in 1935–6. The deduction per cwt in the different years varied from 0·52d. to 0·68d.

TABLE 1. DATA RELATING TO THE OPERATION OF THE WHEAT ACT, 1932–3 to 1939–40

	Number of wheat growers*	Total area in wheat	Average quantity of wheat sold per grower	Average market price†	Adjusted deficiency payment‡	Total returns§
	(*thousand*)	(*thousand acres*)	(*cwt*)	*d* *per cwt*	*d* *per cwt*	*d* *per cwt*
1932–3	77	1,343	266	64·5	53·3	117·8
1933–4	87	1,745	341	55·6	58·3	113·9
1934–5	95	1,866	379	58·9	45·6	104·5
1935–6	94	1,882	359	69·2	40·2	109·4
1936–7	83	1,805	287	105·9	13·5	119·4
1937–8	77	1,836	319	100·4	19·0	119·4
1938–9	81	1,928	453	54·8	64·7	119·5
1939–40‖				55·2	76·3	131·5
1939–40	73	1,766	393	70·3	60·2	131·5
1939–40‖				85·4	46·1	131·5
1939–40				84·2	47·3	131·5

* Growers for whom accounts were opened by the Wheat Commission in any particular year.

† Average price ascertained by the Wheat Commission at the farm-gate.

‡ Deficiency payments were proportionately reduced when the quantity of wheat certified as sold exceeded the anticipated supply; thus, in 1932–3, growers received deficiency payments for 97 per cent of the wheat sold, the corresponding figures for the other years were: 1933–4, 91·3 per cent; 1934–5, 75 per cent; 1935–6, 80 per cent; 1936–7, 100·0 per cent; 1937–8, 100·0 per cent; 1938–9, 93·5 per cent; and 1939–40, 100·0 per cent.

§ The standard price of wheat was 120·0d. from 1932–3 to 1938–9 and 131·5d. in 1939–40.

‖ On the outbreak of war, the accounting year for calculating deficiency payments was divided into four seasonal periods in order to compensate farmers who sold their wheat at relatively low prices early in the fall of 1939. The four accounting periods were from: 1 August to 8 September; 9 September to 20 October; 21 October to 31 March, and 1 April to 31 July 1940.

Source: Ministry of Agriculture and Fisheries, *Report of the Wheat Commission upon the Administration of the Wheat Act, 1932. From 1 June 1932 to 31 July 1937.* Economic Series No. 45 (London: H.M.S.O., 1938), pp. 106–7, and data for 1937–8 to 1939–40 from private correspondence with the Wheat Commission.

The statutory limitation on the total deficiency payments curtailed returns from wheat-growing in 1934–5 and 1935–6 and would have exerted a similar effect in 1938–9—if the limit on which the full standard price could be paid had not been raised from 27 to 36 million cwt in the preceding year.[1]

[1] The data were as follows: in 1934–5, 75·2 per cent and in 1935–6, 80·2 per cent of total

As Table 1 shows, average annual sales per grower were relatively small, varying from 266 cwt to 453 cwt. Average quantity per grower tended to increase during the eight-year period under review; data which indicate where the increase came from are sparse. It seems very probable that average sales rose as a result of greater quantities from larger and more specialized wheat-growing farms in the eastern counties of England. Certainly the great bulk of deficiency payments went to farmers in that area.[1] No evidence is available to indicate what effect the Wheat Act had upon the amounts of fertilizer applied to wheat. Average yields varied considerably from a record 20·0 cwt per acre in 1934 (compared with 17·4 cwt in 1932) to 16·4 cwt per acre in 1937. A large part of these differences, however, was undoubtedly attributable to adverse or favourable weather at planting and harvest times.

No details are available of the distribution of deficiency payments among different sizes of farms. A later enquiry[2] not directly related to this matter suggests that about 40 per cent of total deficiency payments went to one-tenth of the growers, and roughly 15 per cent to small growers who were about half the total number.

Although the Wheat Act had the effect of approximately doubling returns from wheat-growing, above what the market would probably have offered, between 1932–3 and 1939–40, farm income did not benefit by as much as this comparison would suggest. Wheat income increased mostly at the expense of income from such alternative crops as oats and barley. Since wheat at import prices contributed only between 3 and 5 per cent of gross agricultural output, the increase in aggregate net income resulting from deficiency payments amounted to between 1 and 2½ per cent, though, of course, on farms where wheat was of special importance, the impact of deficiency payments was much greater.

Although the standard price of 10s. per cwt was not as high as wheat-growers had demanded, it was almost double the market price in 1932. At that time wheat prices had fallen more than most other farm prices. This is shown by the following price indices for wheat, and for all farm commodities between 1927 and 1932.

certified sales, respectively, were eligible for full standard price. The deficiency payment on all sales was thus reduced proportionately. The unadjusted deficiency payments for 1934–5 and 1935–6 were 60·6d. and 50·2d. per cwt, respectively, while the corresponding adjusted deficiency payments were only 45·6d. and 40·2d. per cwt.

[1] K. A. H. Murray, *Agriculture*, United Kingdom Series of the Second World War (London: H.M.S.O., 1955), p. 30.

[2] D. K. Britton, 'Frequency Distribution in British Agriculture'. Reprint from *The Incorporated Statistician*, Vol. II, No. 3, November 1951.

	1927	1928	1929	1930	1931	1932
Wheat	109	97	94	80	56	56
General index	99	102	99	91	83½	80½

(1927–9=100.) Source: Ministry of Agriculture and Fisheries, *Index of Agricultural Prices* (London: H.M.S.O., 1938), Table 1.

Thus, in 1932 the wheat price index stood at 74 (with the deficiency payment) and 56 (without the payment) compared with the general index of 80½.

Farmers received encouragement to grow more wheat, not only from higher prices, but from a more secure price, compared with prices of barley and oats (that is, until 1937, when prices of these two crops were subsidized) and a certain market. Thus, the resulting increase in wheat acreage—from 1·2 million acres in 1931 to 1·9 million acres in 1934—came almost entirely at the expense of oats and barley. The Wheat Act failed to halt the downward trend in arable acreage, one of its secondary objectives.

At the outset, it seemed probable that the Act would depress British wheat prices. Increased supplies of British wheat of a quality unsuitable for bread-making were expected to depress market prices and widen the traditional difference in price between imported hard wheat and home-grown soft wheat. New methods of bread-making required hard wheats with only a small proportion of soft wheats.[1]

A comparison of average prices of British wheat (at the farm-gate) and of all imported wheat (customs duties included) for the period 1932–3 to 1938–9 is given in Table 2.

TABLE 2. AVERAGE PRICES OF IMPORTED AND BRITISH WHEAT 1932–3 TO 1938–9

Year	Imported wheat	British wheat	Price difference
	d per *quarter* (504 *lb*)	*d* per *quarter* (504 *lb*)	*d*
1932–3	315·0	288·0	27·0
1933–4	292·5	252·0	40·5
1934–5	328·5	265·5	63·0
1935–6	364·5	310·5	54·0
1936–7	522·0	477·0	45·0
1937–8	504·0	444·0	60·0
1938–9	297·0	247·5	49·5

Source: *Report of the Wheat Commission*, p. 138, and private correspondence with the Wheat Commission.

[1] Dr A. Salter, M.P., in the debate on the Wheat Bill, estimated that English flour supplied bread for only 860,000 people out of the 44 million in England in 1932 or about 2 per cent of national needs.—*Parliamentary Debates*, Vol. 262, Col. 998.

The relatively limited market for British wheat in bread-making inevitably meant that the greater part of increased supplies resulting from the Wheat Act had to be fed to livestock.

There was a large increase in wheat feeding, either as grain or meal, to livestock in the 1930's. This resulted mainly from the lack of any restrictive provisions in the Act. It did not directly discourage imports. Only in 1936–7 was there any noticeable check in imported supplies and it largely resulted from a decline in exports from the major wheat-exporting countries.

Imports of wheat products (offals) used for livestock feeding, and particularly for poultry, increased from 260 thousand tons in 1930–1 to 691 thousand tons in 1936–7. They remained at about the 1936–7 level until the Second World War began, when they were sharply reduced. Wheat fed to livestock increased from 2·7 million tons in 1930 to 3·8 million tons in 1933–4.

It is interesting to note that in the early years of the Wheat Act, at least, sales of wheat off farms increased proportionately more than production. Thus in 1931 probably no more than two-thirds of production was sold for cash; while the corresponding figure went up to about 95 per cent a year later. Farmers were selling more wheat for cash and collecting deficiency payments. Then they proceeded to buy their own wheat back or cheap foreign wheat, for livestock feeding.[1]

Demand for wheat to feed livestock proved to be relatively elastic. This, and the fact that the Wheat Act did not attempt to reduce the feed outlet for millable wheat, were undoubtedly 'safety valves' of the scheme. Other plans to help wheat-growers had contained more rigid provisions which judging from experience in the United States would probably have caused complex problems of 'surplus'.

The demand for feed grain was such that millers had little need to fear that they would be required to buy any unsold stocks at the end of any cereal year. The increased supply of home-grown wheat was readily absorbed by the market. No important difficulties in marketing the increased supplies were reported by the Wheat Commission. The important problem of meeting competition from imports of soft wheat was met by lowering British prices.

The average annual rate of levy per sack of flour varied (see Table 3) from 11d. in 1936–7 to 66d. in 1938–9. The Commission had to keep in mind that frequent or large changes in the quota payment during a particular cereal year were disturbing to the trade. However, the Commission had a difficult task in preparing estimates for twelve months ahead. In spite of

[1] R. G. McCarslaw and A. W. Menzies-Kitchen, 'Effect of the Wheat Act, 1932 on Production', *The Farm Economist*, 1 January 1933, pp. 17–18.

these difficulties, their original estimates proved to be close to the mark and in the first three cereal years only five changes were made in the quota payment. The improvement in wheat prices during 1935–6 and 1936–7, however, necessitated a steady reduction in the rate of quota payment. Three reductions of 6d. per sack (280 lb.) occurred in 1935–6, the rate of quota payment in effect at the end of that year being 3s. per sack. Two reductions of 1s. per sack were made in 1936–7 and a reduction of 6d. per sack in January 1937, the payment being eventually suspended from 18 April to 18 September 1937.

It was clear that the fact of a change being under consideration, the nature of the change, and the date of its introduction, should be kept secret in order to prevent forestalling. On the other hand, it would have been a serious inconvenience to traders if they had not known immediately a change took effect. It was, therefore, arranged that every miller and importer known to the Commission as being regularly liable to make quota payments should be notified by letter dispatched from the Commission and that the National Press should publish an announcement on the morning of the day the new Order relating to quota payments came into force.

As stated earlier, at no time under the operation of the Wheat Act was the Flour Millers' Corporation called upon to buy any unsold stocks of wheat. Under Section 1 of this Act the Minister of Agriculture could require the Flour Millers' Corporation to buy up to 12½ per cent of the anticipated supply in any year. By Section 13 of the Agriculture Act, 1937, the maximum quantity of home-grown millable wheat which the Corporation might be required to buy was limited to 4 million cwt instead of 12½ per cent of the anticipated supply for that year. Under the same Act, the specified quantity on which the full standard price could be paid was raised from 27 to 36 million cwt.

The effect of the Wheat Act on consumers was not so drastic as its critics had forecast. Quota payments collected by the Wheat Commission from millers and importers were practically always recovered by these agents from buyers of flour at the time when the flour was delivered to buyers. About half the total quantity of home-milled and imported flour available (according to the 1930 Census of Production)—about 4·3 million tons—in the 1930's was used by bakers in bread-making, the remainder being used partly in the making of cakes, pastries, biscuits, and other kinds of food, textile finishing materials, dog biscuits, animal or poultry feed; and partly in hotels, restaurants, and private households (including home bread-making). It is not possible to state to what extent the price charged to consumers for articles made from flour (other than bread) was increased as the result of the incidence of the quota payment. The selling prices of these articles are determined with reference to total costs rather than with reference to one item of cost.

The total price paid for flour used by bakers of bread is, however, directly related to the retail price of bread.[1] It is, therefore, of interest to show how bread prices varied in relation to the price of flour and quota payments.

Table 3 shows average annual flour prices, flour levies, and retail bread prices between 1932–3 and 1938–9. Perhaps the most significant data in this table relate to the fact that when the quota payment was at its highest level, in 1938–9 (66d. per sack compared with only 12d. per sack in the previous year), the price of bread was 1d. per quartern (4 lb. loaf) cheaper than in 1937–8, when, owing to high wheat prices, the quota payment was entirely suspended for a period. The table shows that the heaviest levies were paid (indirectly) by consumers when wheat prices were relatively low. As home-grown wheat supplied only a relatively small part of total flour supplies, a relatively small total levy sufficed for deficiency payments.

TABLE 3. PRICES OF WHEAT FLOUR AND THE RATE OF THE FLOUR LEVY IN RELATION TO THE PRICE OF BREAD, 1931–2 to 1938–9

Year	Average price of flour per sack	Average rate of levy per sack	Total cost per sack	Average price of bread per 4 lb. loaf
	(280 lb) *d*	(280 lb) *d*	(280 lb) *d*	(to nearest ¼d) *d*
1931–2	276	3*	279	7
1932–3	280	31	311	7¼
1933–4	264	51	315	7½
1934–5	289	51	340	7¾
1935–6	328	42	370	8¼
1936–7	455	11	466	9
1937–8	420	12	432	9½
1938–9	276	66	342	8½

* Estimated, the first quota payment operated from 19 June 1932.

Source: *Report of the Wheat Commission*, p. 138, and private correspondence with the Wheat Commission.

Another factor which lessened the burden, especially on poorer people, was the improving level of employment of the mid- and late-1930's.

It is clear that consumers had to pay more for their bread and other articles made with flour after the Wheat Act. But the net effect of this Act—that is, the effect of larger supplies of British wheat on world prices and the

[1] Changes in bread prices shown in Table 3 were determined to a large extent by the scale of maximum prices for bread recommended by the Food Council, which justified a variation in bread price by steps of ½d. per 4 lb. loaf when the flour price varied by steps of 4s. per sack. A change in flour price would, according to this scale, justify a change in the maximum bread price only if the effect was to bring the flour price into a higher or lower position in the steps of 4s. per sack for which the scale provided.—*Report of the Wheat Commission*, p. 139.

effect of these lower prices on the price of livestock products—is less clear.

An amending Act to the Wheat Act was passed in 1939.[1] It gave legislative effect to a number of relatively minor amendments which experience had shown to be necessary. Section 2, for example, contained provisions whereby, in the future, any person who purchased growing wheat, or wheat cut but not threshed, was to be entitled to claim deficiency payments when the wheat was sold. Under the original Act, in some instances, sellers of such wheat could not be regarded as the grower and the Wheat Commission had no power to make payments. Quota payments were altered for flour (more commonly termed wheat feed) destined for livestock feeding. Under the amended Act, millers who had previously been exempt from the liability to make quota payments in respect of that part of their output of flour which proved, to the satisfaction of the Commission, to consist only of meal for use as animal or poultry feed, were now liable to quota payments on three-eighths of this meal.

The relatively large addition to wheat-growers' income at the expense of a relatively small burden to consumers resulted from the fact that British farmers produced only a small fraction of the wheat consumed for food in their country. There was some interest in this plan as offering a better means of relieving the distress prevailing among United States growers than the domestic allotment plan. But there were striking differences influencing the application of the two plans. Britain raised less than one-fifth of the wheat it consumed (in the 1930's), while the United States, on the average, raised something like 130 per cent. A levy on flour consumption in Britain which was sufficient to yield a bounty to wheat-growers amounting to very substantial sums per bushel, and in some years more than the market price (in 1933–4, for instance, see Table 1), would in the United States have yielded only a small fraction of this amount per bushel. In order to raise the price to United States growers as much as was done in Britain in the 1930's, the required levy on flour consumption would have been many times as high as the one in effect in Britain at that time—so high indeed that consumption would have been materially affected. In addition, the administration of such a scheme in the United States would have been vastly greater and more complicated—although current price support programmes indicate that administrative problems of this kind can be overcome. Another difference between the two countries was that British wheat was practically all consumed at home while some American wheats were ordinarily exported. Differences of type, quality, and regional position are also much more important in the United States than in Britain.

[1] 2 & 3 Geo. 6, Ch. 37.

THE SECOND WORLD WAR AND AFTER

On the outbreak of the Second World War the government decided for the time being to carry on with the principle of the two Wheat Acts. However, several important changes were made. Market prices were to be regulated by the government and the cereal year was divided into four periods with separate deficiency payments. Another change was that from 5 May 1940, flour levies were suspended and necessary funds to enable the Wheat Commission to function were provided by the Ministry of Food from Exchequer funds.

After July 1940, wheat prices were never lower than the standard price of 10s. per cwt; thus, until wheat was freed from government control in 1953 no deficiency payments were made. The system of issuing wheat certificates and the general operation of the Wheat Commission's organization were suspended. The expenses of the Commission, previously borne by registered wheat-growers, were after 1939–40 carried by the Ministry of Food, largely to preserve the organization of the Commission. In the period of war and post-war controls most of the Commission's staff were transferred to the Ministry of Food.

From September 1939 to August 1953, government purchasing and controlled prices replaced the market price system for practically all agricultural commodities. Wheat, flour, and bread were all placed under price control. A free market for cereals was restored in August 1953.[1] The government played an important part in the purchase of the 1953 harvest in the change-over period from state to private trading. All trade for later harvest was in private hands, deficiency payments making up the difference between market and guaranteed price.

The scheme for deficiency payments which went into effect for the 1954 harvest is largely based on the pre-war pattern.[2] New features are as follows: no statutory limitation is placed on the quantity on which the full standard price can be paid (although there are provisions to invoke restrictions); the subsidy is paid out of Exchequer funds instead of from a levy on flour; the post-war scheme covers five cereals, wheat, oats, barley, rye, and mixed corn; it is administered by a government department instead of a semi-independent Commission. Another important change is that under the terms of the Agriculture Act, 1947,[3] a measure supported by all parties, the standard price of wheat is now considered along with other commodity prices at annual price reviews.

[1] Ministry of Agriculture and Fisheries, *Decontrol of Cereals and Feedingstuffs* (London: H.M.S.O., 1953), Cmd 8745.

[2] Ministry of Food, *Home Grown Cereals Deficiency Payments Scheme* 1954 (London: H.M.S.O., 1954).

[3] 10 & 11 Geo. 6, Ch. 48.