

MILK MARKETING BOARD (MAY 2015)

The MMB was founded in 1933 to offer a secure market for all liquid milk produced in England and Wales. This guaranteed a market for the farmer and offered stability. However, because MMB had to buy everything produced, it also had to take an interest in processing and thus it became a vertically integrated marketing and processing organisation. Membership of the European Common Market in 1973 increased milk supply with a resulting reluctance to invest in processing capacity due to uncertainty of demand. MMB started diverting dairy products for intervention markets and started Dairy Crest as a wholesaler of liquid milk. Intervention stocks were causing problems and so in 1984 milk quota was introduced. This immediately resulted in an excess of processing capacity for the MMB. In 1987 competition complaints from other parts of the dairy industry resulted in MMB having to separate its profitable Dairy Crest division, as it represented an unlawful vertically integrated market dominance (i.e. control over supply and demand). As a result, MMB was left with too much processing capacity and no cash generating division. Financial failure was probably inevitable and MMB was disbanded in 1994.

<http://ageconsearch.umn.edu/bitstream/6969/2/cp02fr01.pdf>

The involvement of Mrs Thatcher in all of this is not clear. The Minister responsible at the time of the decision to disband MMB in 1994 was Gillian Sheppard:

http://hansard.millbanksystems.com/written_answers/1994/jun/16/milk-marketing-board

It is perhaps just a legacy of free-market Thatcherism that points the finger of blame at her door, but clearly Mrs Thatcher was no longer in government by 1994. I have not been able to find any references to Mrs Thatcher's involvement in the 1987 competition complaints that led to the split of the MMB, although clearly she was PM at the time so may have had some influence.

It is difficult to say with certainty whether UK dairy farmers are better off under the previous system or at present. Clearly there has been a difficult process of rationalisation from having a guaranteed first buyer to receiving an area-based support payment. Equally, the void the demise of the MMB left allowed the supermarkets to acquire a position of dominance in the supply chain that was previously occupied by the dairies. What is clear is that all farmers seek security and are often prepared to forego income in favour of long-term security. For example, under my farm's contract with farmer-owned cooperative Arla, we pay in a contribution towards reinvestment in processing capability. Thus we receive a lower milk cheque but more certainty that our milk buyer is able to compete and survive long-term.

The increasing prevalence of this form of farmer-buyer relationship bodes well for the development of deeper partnerships between farmers and purchasers of milk in the future. Unfortunately for the unhappy farmer, his destiny is rather in his own hands and blaming decisions made over 20 years ago will only get him so far in a liberalised free-market economy.

<http://www.thebullvine.com/tag/uk-milk-prices/>

With regard to exporting sheep to mainland Europe, we have no reason to believe that this vital trade would not be able to continue following Brexit, subject to the ban on the live export of animals that UKIP will introduce.

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