

A brief history of the Milk Marketing Board

A brief review of the history of the MMB and the role of the EU in its eventual demise

- The MMB was founded in 1933 in response to producer need. Milk is awkward to transport, highly perishable and sourced from multiple small production units. It naturally lends itself to farm level collaboration to improve the negotiating position of farmers and such cooperative structures evolved in one form or another in all of the major dairy producing countries. The MMB served to protect farmers both against instability and from a buyer dominated market.
- Post WW1 prices had collapsed and dairy producers, through the NFU, were threatening to strike. In 1923 a negotiating forum was established to stabilise prices, which established a differential price structure for liquid and manufacturing milk. The UK was highly exposed to imports from Commonwealth trading partners and so the scheme protected the fresh liquid part of production. Through the farming depression in the 1930s, however, this body was not enough and the NFU was instrumental in setting up of the Milk Marketing Scheme with government support. 96% of producers voted in favour and the Board was created in 1933.
- MMB was committed under statute to buy everything produced by English dairy farmers (there were Boards for the other home countries too), so it also had to take an interest in processing and selling that milk. It became a vertically integrated marketing and processing organisation and the largest such organisation of its type in the world, at its peak marketing 13,000 million litres of liquid milk a year.
- In the early years, the MMB became a party to the contract between the producer and the buyer, however WW2 and the intervention of the Ministry of Food pushed the MMB to become the direct purchaser of liquid milk. This allowed the rationalisation of farm collections and deliveries, the founding of the National Milk Records service to improve production and the delivery of AI services through Genus.
- Thus MMB evolved into four core areas: the Milk Marketing Scheme (promotional activities), Dairy Crest (collection, processing and delivery), Genus (AI services) and National Milk Recording. At its peak, the whole organisation employed 7000 people.
- Post WW2, the Labour government embarked on a period of decontrol. Production was still depressed from war shortages. The MMB offered a price guarantee for the liquid market and producers carried the cost of overproduction in the manufacturing sector. Prices were fixed in consultation with buyers.

- Into the late 1950s and production was booming. Promotion of consumption became the focus. The MMB rejected a quota system in 1961 and moved to introduce quality measures instead. Industry reform at this time was rapid, with the introduction of refrigerated storage and bulk tank collection. The UK remained exposed to the international market and global surpluses.
- In the early 1970s, EU accession was looming and buyers altered the balance of power by creating their own buyers trade forum. At this time as well, supermarkets were on the ascendance and the route to market was, therefore, rapidly changing away from doorstep deliveries. Manufacturing into added value products (rather than bulk products) was on the ascendance too, increasing the relative importance of this sector and diminishing the need for the MMB's model of differential pricing.
- The EU itself had adopted a non-British model of dairy industry protection, which relied on cooperatives and import control. Sir Richard Trehane, chair of the MMB in the early 1970s, recognised that the MMB, with price guarantees but no import restrictions, was incompatible with the CAP, but negotiations with the Commission achieved a decision to leave the matter until accession was progressed, and a reprieve was secured until 1978.
- In 1978, the MMB managed to negotiate amendments to the common market Regulations, which served to save the Board for a few years, but by the 1980s major difficulties were occurring. In 1982, the multiple pricing structure of the MMB was challenged at the European Court by the Commission, and an Irish dairy company sought damages in the national courts for the same. Both cases were lost by the MMB and damages were awarded.
- New EEC Regulations at this time undermined the Board's ability to prioritise the liquid milk market, and changed the definition of "milk" (to include low fat sub-divisions etc), effectively further reducing the amount of milk over which the MMB exercised exclusive purchasing control. Further undercutting occurred from supermarkets looking to source directly and subsequent Regulations made buyers equal to the MMB in the Joint Commission that decided prices. This effectively meant that no decision on prices would be possible.
- MMB started diverting dairy products for intervention markets. Intervention stocks were causing problems and so in 1984 milk quota was introduced. The MMB limped on, until a bad business purchase and the introduction of quotas left Dairy Crest with an excess of processing capacity which resulted in an expensive closure programme. The viability of Dairy Crest was severely undermined.
- Another competition law challenge in 1987 decided that the still profitable Dairy Crest had to be hived off from the loss making promotional activities of MMB. Financial failure was probably inevitable. The late 1980s Tory government were strongly in

favour of privatisation and there was consequently no national appetite to save the MMB. John Gummer famously announced its demise and by 1994 it was all over.

- This demise could be seen as a failure, however CAP import restrictions served to offer the same protection from volatility that the MMB was created to offer. The whole market, it was thought at the time, had evolved to a state that meant producer cooperation was no longer required to the same extent. Thus the market had altered and left no need for the MMB to continue.
- MMB was replaced by its four divisions as independent businesses, with the marketing arm taken over by Milk Marque. The Government made it clear at the time that no vertically integrated successor organisation of the European model was desirable, and the UK dairy industry was left without a cooperative structure to assist in protecting it. Many years of consolidation have followed and Milk Marque itself was disbanded in 2000 following a further competition law challenge over the way it set the price for milk.
- 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 and import protection. Equally, manufacturers and supermarkets have continued to exploit the weak bargaining position of dairy producers. However, there are now vertically integrated producer cooperatives working in the UK, for example Arla, and Dairy Crest itself has a producer organisation negotiating on behalf of member farmers.
- The “need” that the MMB was founded to meet is now starting to be met in the UK by a more European model of dairy collaboration. However, in light of the current state of affairs in the dairy industry, clearly this European model is failing to protect farmers from volatility and thus arguably one of the founding reasons to form a joint marketing group still persists. The disruption such a body could cause in a free market economy would, however, leave it vulnerable to competition law and potentially WTO challenge depending on its remit.

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