THE GEORGE BOOLE FOUNDATION LIMITED

Agricultural Commodity Marketing Boards

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INTRODUCTION

This paper is an introduction to the role and benefits of Agricultural Commodity Marketing Boards herein referred to as MBs.

This has been motivated by the current discussions surrounding the Farm Inheritance Tax, recently introduced by the government. It is hoped that for reasons related to sector survival that this proposed tax will be withdrawn.

In the meantime, this paper is being prepared as a contribution to a review of an option for farmers to improve their market positions which for over a century have faced a declining terms-of-trade or the comparison of rising prices of inputs to stable or stagnant output prices.

Besides this farm gate issue of unsatisfactory prices there is also a downstream supply chain concern that some operators have margins that far exceed those of farming enterprises involving issues more related to the general macroeconomic policies and regulations which lie outside the remit of MB legislation.

However, this does indicate that any developments introduced for MBs to help improve farm gate prices and profitability, can become more effective through macroeconomic policy legislation that can smooth or even out the distribution of margins within downstream supply chain segments.

This is not a statement of suggesting that the agricultural sector become the tail wagging the whole macroeconomy dog but rather to explain that this type of legislative change would benefit all sectors of the economy and in particular SMEs that remain responsible for approximately 50% of all output and employment in the United Kingdom.

OTHER ORGANIZATIONS

This paper has no intention of presenting any proposals that might be considered to be competitive or even to replace existing organizations but rather is produced as a contribution to the array of possible options for consideration by farmers and their representatives including the National Farmers Union (NFU), the Agricultural & Horticultural Development Board (AHDB) and MBs that already exist such as the British Wool Marketing Board and existing trade associations.

The aim has to be to establish, where justified, MBs that make use of the most efficient means of supporting those commodities deemed to justify MB support.

This paper is not detailed but rather mentions the issues considered to be most relevant to the considerations of MBs so as to provide a basic reference to items to be elaborated upon in future discussions with those interested in proceeding with carrying this topic forwards.

To cover the general potential of MBs as well as cover this macroeconomic issue this paper is divided into two sections entitled “Marketing Boards” and “Macroeconomic factors”.

MARKETING BOARDS

The current legislation covering Marketing Boards (MBs), ***The Agricultural Marketing Act (1958),*** and containing all amendments made up until 1 January 2025 is provided in Annex 1 of this document.

As a result, of a review of the specific legislation related to MBs (see above) it is apparent that many currently state-of-the-art practices or evolving practices are not included.

Therefore, this introduction will review a range of the existing and potential objectives of MBs their benefits, so as to bring the whole concept into the reality of the possibilities presented by the 21st Century reach of state-of-the-art in technologies and management capabilities as well as some cautions on the side of strategies to avoid risk.

MARKET DIMENSIONS

The value of the output of the different production lines (enterprises) in British agriculture are as follows by commodity type:

The basic values of commodity groups in British agriculture

Commodity	Value in £ billions
Animal enterprises	19.16
Dairy	5.98
Beef	3.90
Poultry	3.54
Pork	1.84
Mutton/lamb	1.58
Other animal products	1.32
Eggs	1.00
Crop enterprises	11.99
Cereals	4.44
Vegetables + flowers	3.55
Industrial	1.11
Fruit	1.04
Potatoes	1.00
Others	0.85
Total	31.00
Source:GOV.UK; Key statistics	

Table summary:

1. Six enterprises each generate commodities with a market value of between £3 billion and £6 billion in descending value as dairy, cereals, beef, vegetables & flowers and poultry.

2. Seven enterprises each generate a market value of between £1 billion and £3 billion in descending value as: pork, mutton/lamb, other animal products, industrial, fruit , eggs and potatoes.

3. The aggregate total market value is some £31 billion divided into animal products totalling some £19.16 billion and crop produce totalling £11.99 billion

4. These commodity streams each have a substantial value but it is important to avoid the creation of oversized MB operations

GENERAL FUNCTIONS OF MBs

PRIMARY FUNCTIONS

The general functions of MBs are to support the economic as well as technical operations of farmers to as to sell produce on their behalf with the intent of providing an improvement on farm gate prices than would exist without the MB.

The functions of MBs that can contribute to achieving this objective include:

Monitoring of global actual and projected (futures) supplies, consumption and prices relevant to the UK market and setting MB farm gate prices to ensure a smooth flow of commodities into the UK and/or export markets. Currently such services are undertaken by the United States Department of Agriculture, and to a lesser extent the Commission of the European Union;

The provision of essential operations including phytopathology testing, animal pathology application of adequate quality standard categories and grading linked to prices;

The provision of extension support on feasible field and post-harvest processing practice divided into poor, average and best practice or wider practice categorizations is considered to be appropriate;

The operation of commodity exchanges for the sale of produce;

The establishment of minimum farm gate prices according to the season i.e. high and low yields associated with weather;

General mapping of the United Kingdom to demarcate agroecological zones that indicate the feasibility of profitable production of crops according to types and varieties;

Monitoring of macro-changes in agroecological conditions in terms of temperatures and water status.

Provision of advice on genotypic sequencing required to maintain yields under conditions of water and temperature transitions;

Provision, where justified of centralised or regionally based processing units or packing houses;

Logistics oversight and coordination of sold produce to minimise the cost of delivery with respect to regional operations and customer locations;

Applied research & development according to each enterprise operational priorities;

Maintenance of a production technology and economics unit to study and provide advice on advancing state of the art in crop and animal genetics, mechanization and husbandry;

Assist in the promotion of commodity lines both within Britain and abroad and conducting market research to provide timely advice when opportunities arise;

ADDITIONAL MB FUNCTIONS

Commodity stabilization reserve stocks associated with imports of commodity under specific conditions;

Provision of bulk purchase of key enterprise variable inputs to secure more competitive prices for members;

Participation in processing activities in order to transform perishable commodities into stable forms;

One interesting possibility is to have a central unit coordinating all MBs created so as to develop an internal compensation scheme of assistance to provide financial support to those commodity subgroups which have been particularly impacted by weather-related falls in yields.

MACROECONOMIC FACTORS

This section provides an outline of the operation of Price Performance Policy (3P)[1] which would require a more detail presentation if this is of interest.

The current mix of macroeconomic policies applied in the United Kingdom have been a mixture of three well-established theories and policies:

- Keynesianism;
- Monetarism;
- Mundellian[2] supply side economics

These combine fiscal (taxation) policies with monetary policy decisions linked to interest rate setting and alterations in the volume of money in the economy.

Monetary policy decisions including the alterations in base interest rates are set by the independent Bank of England.

Over the last 50 years these policies have been associated with a decline in the county's balance of payments for goods to take up the position of the second most negative balance of payments for goods on the planet as a result of the collapse of the industrial and manufacturing activities in the UK.

This is a result of none of these policies having any policy instruments to promote innovation and raised productivity.

Indeed, there is no way in which any of these policies can discourage supply chain participants from concentrating margins to levels that exceed those in agriculture.

At the same time that Robert Mundell, the Canadian economist recognising that productivity and the setting of competitive prices to reduce inflation was a "***supply side***" issue in the late 1970s, Mundell named his policy ***"supply side economics***". In the same period, Hector McNeill a British economist also recognised that the issue of supply side, developed a

[1] McNeill, H. W., "The Bank of England: 1975-2025 -The Economics Consequences for the People", The George Boole Foundation, Amazon Print Service, 2024.

[2] "Mundellian" refers to the developer of this version of supply side economics, the Canadian economist Robert Mundell.

different supply side policy referred to as ***The Real Incomes Approach of which 3P is the macroeconomic policy***.

Mundell's supply side economics is in fact a lower marginal tax rate for high income earners whereas McNeill's supply side economics under 3P is a variable tax rate applied directly to business to encourage rises in productivity and which lowers taxation on those businesses that raise their productivity and set more competitive prices.

This has two significant advantages.

1. When weather results in lower yields and therefore raised unit costs taxation is automatically adjusted downwards.

2. In downstream supply chains the effect of this policy is to "flatten" margins in sequential units in the supply chain contributing to a reduction in inflation.

Whereas this policy is the only one that contained instruments designed to encourage innovation and productivity while ensuring profitability for more competitive price setting resulting higher sales as a result of market penetration and share.

The overall impact of 3P is to raise the value of the pound or increase its purchasing power which automatically raises real incomes of business and farming.

NEXT STEPS

It is suggested that this paper become a reference for a Q&A session in order to clarify any points herein and then to organise meetings to facilitate a deeper discussion on both the MB and macroeconomic dimensions with a view to helping develop a full understanding of both aspects.

The next steps would require each enterprise commodity subgroup to review their interest in establishing an MB and to explore the many different operational structures according to the perceived needs identified by each subgroup with a view to developing propositions to be put to a more representative number of each subgroup.

It is suggested that this might be organised in collaboration with the NFU and AHDB.

ANNEX 1 - AGRICULTURAL MARKETING ACT 1958

UK Public General Acts1958 c. 47 (Regnal. 6_and_7_Eliz_2)Table of contents Agricultural Marketing Act 1958 is up to date with all changes known to be in force on or before 01 January 2025. There are changes that may be brought into force at a future date.
Help about Changes to Legislation – see GOV.UK

3.A scheme may be revoked by a subsequent scheme, and...
4.The Minister shall by order revoke a scheme if an...
5.Without prejudice to any other powers conferred on him by...
5A.(1) Where the Minister considers it appropriate to do so...
6.Where a scheme is revoked, or is so amended as...

SECOND SCHEDULE

Provisions as to the incorporation, composition and winding up of boards and as to the composition of executive committees

1.A board shall be constituted by the scheme as a...
2.(1) The composition of a board shall be such as...
3.A scheme shall provide for notification to the Minister of...
4.(1) A scheme shall provide for the winding up of...
5.In the event of the winding up of a board,...
6.(1) Where a scheme is revoked by a subsequent scheme,...

THIRD SCHEDULE

Matters referred to in the definition of “the Minister”

Part I

1.Any scheme applicable in either England or Wales, or both...
2.An Agricultural Marketing Reorganisation Commission for Great Britain and Northern...

Part II

Matters in relation to which the Minister of Agriculture, Fisheries...
1.Any scheme applicable in either England or Wales, or in...
2.. . . . .
3.. . . . .
4.The Agricultural Marketing Facilities Committee for Great Britain.
5.An Agricultural Marketing Reorganisation Commission for Great Britain.

Part III

1.Any scheme applicable in either England or Wales, or in...
2.An Agricultural Marketing Reorganisation Commission for England, Wales and Northern...

Part IV

1.Any scheme applicable in both Scotland and Northern Ireland, but...2.An Agricultural Marketing Reorganisation Commission for Scotland and Northern Ireland....

Part V

Matters in relation to which the Minister of Agriculture, Fisheries...
1.Any scheme applicable only in England and Wales, only in...
2.. . . . .
3.. . . . .
4.The Agricultural Marketing Fund.
5.The Agricultural Marketing Facilities Committee for England and Wales ....
6.An Agricultural Marketing Reorganisation Commission for England and Wales.

Part VI

Matters in relation to which the Secretary of State concerned...
1.Any scheme applicable only in Scotland.
2.. . . . .
3.. . . . .
4.The Agricultural Marketing (Scotland) Fund.
5.The Agricultural Marketing Facilities Committee for Scotland.
6.An Agricultural Marketing Reorganisation Commission for Scotland.

FOURTH SCHEDULE