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Confidential Filing

PM's Lunch with Innovative Farmers.
3 May 1991

AGRICULTURE

November 1989
April 1991

Attached Folder: MAFF Briefing

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
19.4.91							
26.4.91							
1.5.91							
3.5.91							

PREM 19/3217

Mr Phillip Merricks

Miss Carolyn Sinclair

Mr W J Henderson

Mr Tony Worth

Mr Stuart Edwards

Mr David Hopkins

Mrs Elizabeth Browning

Mr Poul Christensen

Sir John Quicke

Mr Trefor Campbell

THE RT HON
THE PRIME MINISTER

The Rt Hon
John Gummer

Mrs Rosemary Berry

Mrs Sarah Ward

Mr John Kerr

Mr Ben Gill

Mr C J Beynon

Mrs Gerry Haworth

Mr Clarke Willis

Mr Richard Mayall

Mr John Jeffrey

Mr Barry Potter

ENTRANCE



LUNCHEON

10 DOWNING STREET
FRIDAY 3RD MAY 1991

The Rt Hon The Prime Minister

Sevak Ward.

DIVERSIFICATION ASSESSMENT

A PSYCHOLOGY

- 1 Do you really want to diversify?
- 2 What are your skills? a) dealing with people?
b) handyman (i.e. building)?
c) mechanical?
d) organizational (shop, etc)?
- 3 Are you happy about working weekends and evenings in addition to farm work?
- 4 Are you a quick learner about new crops, skills etc?
- 5 Are you sure you would not rather set-aside or work part-time off the farm?

B GEOGRAPHY

- 1 Are you near a city or town?
- 2 What sociological class are the people living around you?
- 3 What are their most popular leisure activities?
- 4 How good is your road and public access?
- 5 Have you good roads on your farm?
- 6 Car-parking facilities?
- 7 Are there other farmers nearby adding value to a product you could produce for them?
- 8 Any topographical features on your farm which a) add to its attraction (e.g. a steep mountain) b) severely limit its possibilities (e.g. a steep mountain).

(Remember, geography is the important subject after psychology in diversification planning. Any farmer will obviously consider soil-type and rainfall when considering new crops.)

C MATHEMATICS

- 1 Have you any capital or could you borrow?
- 2 Are you overborrowed already?
- 3 Is your labour (if any) fully employed? Where are the gaps?
- 4 Are all your assets making money?
- 5 Would you be prepared to sell any assets to raise capital?
- 6 What would you consider an acceptable return on a) capital? Your time?

D HISTORY

- 1 Any historical connections in your area which attract visitors?
- 2 The history of your farm may give you a clue as to what would do well there - or what you could produce to sell elsewhere.

ALWAYS AIM to add value - primary producers are at the bottom of the heap.

CAN YOU ADD value to your basic product by cooperating with others in the same line? This is especially true of food products which can need expensive investment in equipment and labour.

Observation
+
Imagination = Ideas

BE NICE to everyone - they could be customers.

TAKE ADVANTAGE of every grant going - but never undertake anything that would not work without a grant.

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PRIME MINISTER

DISCUSSION LUNCH WITH INNOVATIVE FARMERS

I attach briefing for your discussion with innovative farmers tomorrow.

Just two points to add.

First, as Carolyn hints in the brief, there is perhaps a little danger of Mr. Gummer pushing the discussion into themes he wishes to pursue, i.e., CAP reform and conservation. The real themes for the occasion are the need to tackle the widening trade gap in food, and the need to pursue better marketing of, and more value-added to, UK products.

Second, one of those attending the occasion tomorrow is Mr. John Jeffrey. He may be better known to you in another capacity - he is the wing-forward of the Scottish Rugby Team. He was a member of the side last year which won the Grand Slam and the Triple Crown (and of course the Calcutta Cup in their game against England).

BHP

BHP

2 May 1991

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PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS

3 MAY 1991

Index of briefing

Issues for discussion

1. Efficient production
2. Conservation
3. Farm diversification
4. Innovation and marketing

Background on topical issues

1. Fallen animals
2. Landlord/tenant reform
3. Reform of Milk Marketing Boards

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS: 3 MAY 1991**EFFICIENT PRODUCTION**

1. The framework of agricultural support under the CAP is demonstrably in need of change. Community budget costs are escalating - with an increase of 30% this year - while farm incomes throughout the Community are declining. In the UK farm incomes are at their lowest level since the war. This is clearly an inefficient system of support.

2. Support prices must be reduced and farmers must expect to take a greater proportion of their income from the market. Lower prices should boost consumption and trade but farmers will also need to become more efficient to adjust to these lower levels of support.

3. Efficiency is the key to competitiveness whether for individual farms, for UK agriculture vis-a-vis other member States, or for EC vis-a-vis other countries. The most efficient UK producers are highly competitive but our Farm Business Survey shows enormous variations between the most and the least efficient. Top quarter of dairy farms, for example, have net incomes of £50,000 compared to £5,000 for bottom quarter; for cereals, difference is between income of £34,000 and loss of £8,000. Difference is that top performers get more output per unit ie use resources more efficiently and therefore in better position to compete at lower prices.

Points to raise

4. UK farmers have already demonstrated their capacity to adapt and respond to changing circumstances. Well positioned to cope with further change. But naturally wish to see fair terms of competition. Government has demonstrated its will to fight

for a fair deal, in Community discussions of CAP reform and in GATT negotiations. Will continue to pursue this objective.

5. UK farmers start with generally superior farm structure and a proven track record for flexibility and adaptation:

- What scope is there for the efficient UK farmer to bring about further improvements in efficiency to enable him/her to adjust to lower support levels?
- Over what timescale could this be achieved and would it require adjustment aids? What might be done to raise efficiency of poorer performers?
- In the Community context, what is the best way of eliminating the marginal and uneconomic production, and what would the social and environmental consequences be?

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS

Background Statistics

1. Income Trends

Total income from farming in the UK (the return to those with an entrepreneurial interest, including farmers, spouses, partners, directors and family workers) fell in 1990 by 6.7% (14.7% in real terms). In 1989 it increased by 20.8% (12.2% in real terms).

Farming income in the UK (the return to farmers and their spouses) fell in 1990 by 14.3% (21.7% in real terms). In 1989 it increased by 29.9% (20.5% in real terms).

The earnings of hired workers rose in 1990 by 11.9% (2.0% in real terms). In 1989 they rose by 7.7% (0% in real terms).

2. Farm Size

The average area per holding (excluding those smaller than 6 Ha) is 72 Ha.

66% of the total farmed area is contained in holdings over 100Ha in size.

3. Production

Output in 1990 is forecast to have been £13228 million; inputs were £6484 million. The gross product was £6743 million, up 2.8% on the previous year. Due to increased costs, the net product increased by 1.8% only.

4. Agriculture/GDP

Agriculture contributes 1.4% of the UK's gross domestic product.

5. Borrowing

Total liabilities for agriculture in 1990 are forecast at £10.9 billion; assets were forecast at £58.9 billion.

6. Bankruptcies

There were 136 farm bankruptcies in the UK in the first half of 1990, 2.2% of all bankruptcies. In 1989 there were 142 bankruptcies, 1.7% of the total that year. These figures reflect an increasing trend in the rate of bankruptcies generally.

7. Off-Farm Income

The average off-farm income of a UK farmer is £3160 per year. This figure should be treated with caution, since not all farmers in the survey responded, and it is possible the results are biased due to the reluctance of farmers to divulge income figures.

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS: 3 MAY 1991**CONSERVATION****BACKGROUND**

1. Farmers have always had the role of maintaining the countryside. It is farming which has been largely responsible for developing the pattern of our countryside over the centuries.
2. Farmers are regarded by the public as food producers. But their success in increasing their efficiency and in producing abundant supplies to high quality standards has brought greater public awareness that the CAP has generated expensive surpluses and that intensive production damages wildlife habitats and bring about unwelcome changes to the landscape.
3. So the emphasis in what the public expects of farmers is changing. The public still wants its food produced efficiently and quality standards maintained, it wants price support reduced so that wasteful surpluses are removed, but it also expects farmers to look after the countryside. Farming is thus faced with enormous pressures - the certainty of reduced price support, and consequent squeeze on farm incomes coupled with demands that farmers should do more to preserve wildlife habitats and the landscape.
4. If farming becomes less profitable, the amounts available to maintain environmental features which are not essential to the farm business will diminish. For example, traditional stone walls and farm buildings will fall into disrepair or be replaced by cheaper alternatives, while hedgerows, copses and farm ponds are likely to be neglected. Maintenance of these features cannot be readily turned into income for the generality of farmers, although ADAS advises on the opportunities. So if the fabric of the countryside is to be maintained for the public good, some

degree of government support is needed. The range of support currently available is so designed, and the government is committed to securing reform of the CAP to ensure that it takes greater account of environmental considerations. There is a good case for some re-direction of spending from production support to measures that benefit the environment.

5. Our policy is to target environmental schemes on areas of particular importance. The Environmentally Sensitive Area Scheme pays farmers to farm in ways which manage particular habitats and landscapes that we are seeking to protect. The pilot Nitrate Sensitive Areas Scheme is targeted to reduce nitrate leaching into water sources.

6. Interest in measures of this kind (which are part-funded by the Community) is growing in other Member States and the EC Commission wishes to encourage their more widespread adoption. The Minister would like to build on our experience with these schemes in the UK.

7. Apart from specific environmental schemes, UK policy is to try to make other Community agricultural support a vehicle for environmental objectives. We would like to see the Set-Aside Scheme developed in ways which make it much more environmentally friendly. A pilot scheme in the Eastern Counties offers a premium to farmers who agree to manage their set-aside land in a variety of ways beneficial to the environment. Subject to the required EC legal base, we plan to spread this option country-wide. Another pilot scheme to encourage extensification of beef and sheep production will be applied nationally this year, again, with environmental conditions. The Hill Livestock Compensatory Allowances which provide such substantial support to upland farming are also being studied to see if we can use them to achieve greater environmental benefits.

8. In summary, our policy approach to "greening the CAP" (in which we are leaders in the Community) is two-pronged:

- to develop and, if possible extend the coverage of specific environment schemes, such as ESAs;
- to try to make environmental considerations integral to production support so that those schemes too deliver protection and where possible, environmental gains.

POINTS TO RAISE

- Public attitudes change and the public in this country now clearly believe that farmers have a dual role: as food producers and as guardians of the countryside. Is this a fair picture? How do farmers themselves view their responsibilities for countryside management?
- Government through ADAS encourages farmers to consider and take advice on ways in which the environmental features on their farms can help to supplement their farm incomes. What are the opportunities?
- Accept that farmers will need some financial support to help them maintain 'traditional' farm features and natural diversity of countryside, especially when farm incomes are under such pressure. Are Schemes like ESAs the best way forward?
- Concerned also to see environmental considerations given prominence in this round of CAP reform. Want to see development of environmentally-friendly set-aside and extensification schemes and, where practicable, delivery of environmental protection and gain from all agricultural support schemes -

currently examining Hill Livestock Schemes with this in mind. How do progressive farmers view these possibilities?

- Need support of other EC Member States who, as yet, do not attach same priority to need for environmental emphasis in agricultural support.

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS: 3 MAY 1991**FARM DIVERSIFICATION**Background

Government has recognised the need to help the rural economy and farmers in particular cope with the decline in income from farming by encouraging them to exploit other market opportunities. Pump priming grants have been offered since 1985 to help meet the capital costs of diversification and these were beefed up in 1988 and extended to encourage professional investment appraisal and marketing. Grant is not payable on environmentally damaging projects such as motor racing and makes little contribution to large projects such as golf courses as the maximum grant is £8,250 per project. Since 1988 the UK Agriculture Departments have approved 2,325 investment plans for £49 million of investment and £5.8 million has already been paid in grant. One obvious constraint with certain types of diversification is the need to secure planning permission.

Recent changes have been:-

- (a) withdrawal of grant for tourist accommodation because of budgetary pressure in the 1990 PES round. This was a popular form of diversification as it offered capital appreciation as well as income but it gave lower rates of return than other options;
- (b) proposed merger of the capital grants with grants for conservation this summer. This will simplify the package of grants on offer. It will also allow us to exploit changes we secured in the EC regulations when these were extended to cover

diversification so that we will in future get 25% of the cost of the grant reimbursed from the EC.

Possible questions

Farmers already exploiting market opportunities outside farming through diversification. How much further can this go? What are the constraints?

ALTERNATIVE ACTIVITIES - ORGANIC FARMING

Background

Organic farming (farming without most artificial pesticides and fertilisers and making full use of natural cycles) is still very small - less than 1% of total UK production. Sales are small too and much of the organic produce available in the shops is imported.

To assist in the formulation of a single standard the Ministry of Agriculture initiated in 1987 the setting up of the United Kingdom Register of Organic Food Standards, which is run by the Food From Britain organisation. UKROFS has now established agreed standards within the industry and organisations are in the process of being registered with it. UKROFS will have a major role in the administration of new EC regulations for the production and sale of organic produce which are expected to be adopted shortly. Standards are necessary since organic foods attract high premiums in the market - typically at least 50% over conventional prices.

There are currently no financial aids in the UK specifically for organic farmers, but they are able to make use of the range of aids available to conventional farmers. There is also some government funded research specifically aimed at organic farming. A conversion scheme is being considered but has not yet been introduced because the Commission is delaying discussions. Such a scheme would help farmers in the early years when they have the costs of conversion but because they do not have full organic status they are not able to attract the price advantage.

Questions

How do you see growth of organic farming? (Soil Association predict it will be 20% of market by year 2000, but is this optimistic?)

How do "conventional" farmers view organic farming? (Government has always been keen to ensure that any support for organic farming should not be seen as a criticism of conventional farming. Main point is that there is consumer demand and this should be satisfied - by British farmers).

Is there a need for assistance to organic farmers - bearing in mind the premium from the market? (MAFF considering this. Hoped that the EC Commission's recently retabled agriculture and environment proposals could provide the basis for a scheme).

What are environmental benefits? (These are not necessarily clear-cut. Organic farming, especially if done badly can lead to pollution.)

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS

MARKETING OF FOOD AND DRINK

1. The Trade Gap

The trade gap on food and drink is not much less than £6 billion annually, the largest single element of the overall trade gap of £16 billion. The Government is very concerned about this: John Gummer has asked David Curry to study what can be done to improve this performance and how best the Ministry can help producers, manufacturers and retailers on this. Ultimately, this is a job which only the industry can do, but the Minister wishes MAFF to be the enabler.

Possible Question: "What can the British farmers contribute to the solution of this national problem?"

2. Food From Britain

Food From Britain exists to promote the marketing of British food and drink at home and abroad. Paul Judge, its new Chairman, has identified its main objective as seeking to narrow the food and drink trade gap. Food From Britain is 60% funded by Government ie about £4.5 million per year. FFB earns the rest of its money from the British food industry through contributions from statutory marketing bodies like MLC, HGCA and MMB and by fees for its marketing services. FFB has a chain of marketing advisers located abroad in the more important markets (Benelux, France, Germany, Spain and USA, with offices expected to open soon in Italy and later Japan). Among the other key tasks of FFB are:-

- organises inward missions of key buyers to the UK and outward missions of prospective exporters;

- offers a comprehensive consultative service helping UK companies with market analysis, distributor searches, competitive information and other advice; and
- assists farmers and growers to develop effective and viable marketing structures.

Possible Question: "Which do those present feel to be the most useful elements of FFB's activities?"

3. NEDO Food Group

A new NEDO Food Sector Group has just started work. Its focus of activity will include studies of the efficiency of the food chain and the productivity of individual plants. FFB will be involved with this work. The results of long-term work of this sort will in due course be available to help firms improve their efficiency.

Possible Question: "Do those present think that work in this tripartite forum is useful?"

4. R&D Under LINK

John Gummer recently announced a new programme of research and development under the LINK initiative designed to improve the quality of British food. Projects under this programme, jointly funded by Government and industry and run by consortia of industrial and academic partners, will be concerned with more exactly tailoring characteristics of food produced on farms to the requirements of the eventual consumers. The programme is jointly funded by MAFF, DTI and AFRC: the Government commitment is £8 million over 5 years, which would have to be matched by equivalent contributions from industry. The upshot of this longer-term work should be an improvement in the performance of the British food industry.

Possible Question: "Have those present any views on how the results of such research can be made known to farmers and where appropriate applied by them?"

5. Marketing Generally

It is vitally important that farmers should give greater attention to the marketing of their products. They should beware of producing output first and looking for a market later. The aim should increasingly be to find out what product at what quality the market requires and produce that. Food From Britain stands ready to help farmers achieve this.

Possible Question: "Have those present any views on how marketing can be improved?"

6. Cooperation

Under the Agriculture and Horticulture Cooperation Scheme, the Government has up to now offered capital grants to farmers to reduce the cost of buildings and machinery owned cooperatively so as to increase their returns by improved marketing of primary produce. Non-capital grants have also been available to assist farmers to form new cooperatives. The AHCS comes to an end on 14 May. This form of help to farmers has become an anachronism because the AHCS form of assistance is not targeted on the value-added sector in which farmers and small manufacturers may collaborate in various ways in the production of speciality or high value foods. The evidence is lacking that expenditure of many millions of pounds over a number of years under AHCS did anything to raise the level of cooperation in the UK towards the Continental level.

7. Food Safety

Those producing, manufacturing or distributing food have responsibility under the new Food Safety Act 1990 to ensure that food meets safety requirements. The Act extends to food sources (ie such things as live animals or birds or growing crops from which food is derived) as well as to food. Farmers and growers need to be aware of food safety requirements. Injudicious use of veterinary medicines or pre-harvest or post-harvest treatment of crops (with consequent residues in food) could lead them in the direction of infringing food safety requirements.

Possible Question: "Are farmers aware of their new responsibilities? What are they doing to fulfil them?"

8. Food Labelling

Food labelling is harmonised at EC level. Basically it has to be fully informative to customers and not be false or be misleading as to the nature substance or quality of the foodstuff on offer. Certain specific details are required for most prepackaged foods such as the name of the food, the name of the person marketing the food, ingredients lists, date marking, and, where necessary to assist consumers, instructions for use, storage conditions and details of place of origin. Food innovation can bring labelling problems with it in view of the need to inform consumers adequately. For example, the name under which a food is marketed must distinguish the food from any other similar foods with which it might be confused. Brand names are not sufficient to achieve this; the name of the foodstuff must be sufficiently described to achieve this on its own.

Possible Question: "As farmers are increasingly selling direct to the Public or into distribution, are they sufficiently aware of food labelling requirements?"

9. Food Quality

Quality is a subjective concept. Consumers will have their own individual ideas of what constitutes food quality and it is thus

not appropriate to define this from the centre in legislation or otherwise. It is a mistaken concept that a low price is the sole requirement of consumers. For some, it is clearly of very great importance; but there are plenty of examples of foodstuffs with extra or special characteristics being marketed at premium prices. It is for producers to decide upon and advertise the quality of their products; those decisions must be based upon their own perceptions of consumer needs or wishes in their own sector of the market. Once decisions are taken, the food should be informatively labelled.

Recent EC proposals aimed at enabling producers to register geographic names and specific descriptions are an attempt to consolidate existing situations to the exclusion of the newcomer. Since currently 6 Member States support the proposals and 6 oppose (including UK), much discussions and negotiation has yet to take place. We would prefer an outcome involving mutual acceptance by Member States of each other's food quality promotion schemes and a very short list of products which are truly tied to their geography.

Possible Question: "How important is food quality to the consumers of the 1990's? Are Producers sufficiently thinking enough about consumer quality requirements in making their production decisions?"

Disposal of Fallen Animal and Animal Carcase Waste

Background

1. Disposal problems have arisen largely because of depressed prices for the by-products of rendering (meat and bonemeal and tallow) which has meant that renderers are charging for the collection of animal carcase waste where previously they had paid their suppliers. The charges are particularly high for "specified" bovine offals (those offals most likely to harbour the BSE agent) because there is no market for the meat and bonemeal derived from them. These charges by renderers have in turn led to charges being imposed by knackers on farmers for removing fallen animals. There are increasing reports that some farmers have been tempted to resort to the dumping of carcasses in streams and elsewhere which is illegal rather than pay the knackermen to take them away. Some knackers yards have closed and most of the rest are reported to be in financial difficulties.
2. There is no legal requirement for fallen animals to be handled by knackers or renderers but burial or incineration must comply with health requirements, especially with regard to pollution of water supplies. The State Veterinary Service is monitoring the situation closely and is liaising with local authorities, who are responsible for implementing controls in this area.
3. Ministers have made clear that as with other businesses it is the responsibility of the livestock sector to find ways of handling the waste that it produces within the framework of environmental controls. The Government have made it clear that there are no direct subsidies available to

knackers or others. Nevertheless the UK worked hard in EC negotiations on the Animal Waste Directive to ensure that the Directive accommodated the UK's distinctive arrangements for the knacker trade to continue at least until 1995. Other measures that have been taken by the Government include:-

- Identifying the recycling of animal waste as a priority area under the EC grant scheme for marketing and processing agriculture products.
- Involvement in research projects to find ways to deactivate the agent causing BSE, a key factor in the value of rendered products.
- Ensuring that planning authorities are aware of the importance of adequate disposal facilities particularly when planning permission is sought for incinerators.
- Exempting small incinerators handling animal carcasses from the requirements (and hence the compliance costs) for farmers and knackers of the Environmental Protection Act 1990.

LINES TO TAKE

Aware that farmers, knackers and others are facing difficulties because of changes in market for products of rendering. But arguments that taxpayer should meet industry's disposal costs not convincing.

All sections of the livestock industry - farmers, knackers, renderers, slaughterhouse owners - should work together to find ways of handling the waste problems of the industry in the same way that other industries have had to find solutions to their problems. This is in line with White Paper on environmental issues.

Aware that some knackers have closed or are about to close. This does not alter obligation on farmers to dispose of fallen animals in lawful manner.

UK worked hard in Brussels to ensure that continuance of the traditional UK knackers trade was accepted in the EC Directive on disposal of animal waste.

We have also taken action in the field of research; ensuring EC marketing grants are available for dealing with animal by-products; seeking a more balanced approach for planning permission for disposal facilities and exempting small on farm incinerators from the compliance costs of the Environmental Protection Act.

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS - 3 MAY
BACKGROUND NOTE ON LANDLORD AND TENANT REFORM

Present Position

1. From the late 19th century legislation progressively increased protection for agricultural tenants culminating in life-time security of tenure in 1948. In 1976 security was granted for two successions, which meant that in some cases landlords would lose control for over 100 years. In 1984 that policy was reversed reintroducing security for a single lifetime for new tenancies (consolidated in Agricultural Holdings Act 1986). The Act also provides for shorter term tenancies (with Ministerial approval) in certain limited cases, rent review, premature termination of tenancy, end of tenancy compensation and the settlement of disputes.

Key Problems

2. Tenanted land declined steadily from the early 1900s - in 1910 some 90% of agricultural land and 36% today. The Royal Institution of Chartered Surveyors (RICS) has attributed the decline to the complexity of the legislation, taxation policy, better profitability of owner-occupied land, and rapid technological changes in agriculture.

3. There is no ideal size for the tenanted sector but it is clear that the legislation is a big factor in its decline and is probably preventing it from settling at a size that the market would dictate. This reduces landowners' flexibility and restricts opportunities for new entrants. There is a pronounced tendency for land to be let on various short term arrangements outside the legislation.

Proposals for change

4. The Minister of Agriculture, Fisheries and Food and the Secretary the State for Wales issued a consultation paper in February 1991 with 3 aims:

- (i) To deregulate and simplify the law and so allow market forces to operate and develop agricultural structures according to need;
- (ii) To encourage lettings of land by permitting free negotiation of terms between parties. Subject mainly to "safeguard" provisions on end of tenancy compensation, parties would be bound only by their particular contract;
- (iii) To provide an enduring framework which can accommodate change to enable the industry to respond to changes in policy and market conditions.

A deadline of 13 May has been set for comments. There have been widely varied reactions. The key industry organisations have not yet submitted formal responses. Landowning interests are generally in favour. Tenant interests will probably seek more statutory protection than the proposals suggest.

Questions

5. The Prime Minister may wish to raise the following questions:-

- (i) Is the tenanted sector important to the industry?
- (ii) Will the proposals in the consultation paper be effective? If not, why not?
- (iii) Are there any statutory provisions not proposed that would be essential to make reform effective?

LAND USE AND TENURE DIVISION
MAFF
29 April 1991

PRIME MINISTER'S MEAL WITH INNOVATIVE FARMERS

FUTURE OF THE MILK MARKETING BOARD (MMB)

Background

1. Under the Milk Marketing Scheme 1933, the MMB has monopoly buying powers over whole milk produced in England and Wales. The prices at which milk is sold to dairy companies are negotiated in a statutory committee (the Joint Committee) comprising representatives of the MMB and the Dairy Trade Federation (DTF). The MMB is subject to specific Community regulations which impose strict conditions on the exercise of its powers and require the government to ensure that the Board complies with Community regulations.

2. The present Scheme was developed when dairy markets were far less sophisticated than they are today. The UK milk market has changed radically in recent years with increased sales of low fat milks and growing demand for variety and novelty in the liquid milk and fresh products market. Growing commercial and legal pressures on the Scheme suggest that it cannot be sustained in the longer term. The main drawbacks are:-

- (a) the Scheme severely inhibits the ability of farmers and processors to operate outside the MMB monopoly and back their own commercial judgement;
- (b) the pricing and allocation arrangements tend to prevent the finite milk supplies under quotas from going to processors prepared to pay most for them and add most value;
- (c) a large part of the demand for yogurt and other high value added products is being met by imports while UK exports are of low value bulk products;

(d) increasing complaints about the Board's operations and legal challenges to the Board's monopoly from producers and dairies seeking ways of selling outside the Scheme find a sympathetic hearing from the Commission and there is a growing possibility of a European Court case leading to substantial disallowance on one or other topic.

3. Our current policy has been to encourage the dairy industry to come forward with its own ideas for a more open and competitive system. The Minister therefore welcomed the MMB's announcement in March that it intended to come forward with proposals for transforming itself into a voluntary co-operative. The MMB's ideas are currently being discussed with the Commission to see if they are acceptable in principle, particularly in terms of competition policy. If they are the Government will itself need to take a view on the acceptability of the Board's proposals: EA(CP) is being kept informed of developments. There will also need to be a period for public consultation before final decisions are taken. Assuming the MMB's proposals are approved, primary legislation will be needed to revoke the Scheme and provide for the transfer of the MMB's assets and liabilities to the successor body. At present it is the intention that the necessary provisions should be included in the proposed Agriculture (Deregulation) Bill in the 1991/92 session.

Line to Take

3. Recognise that the Milk Marketing Board has served dairy farmers well over the years. But there is now a need to move to more competitive milk marketing arrangements which would better equip our industry to compete effectively in the Single Market. MMB's recent announcement is therefore a welcome move and we are discussing their ideas with the Commission to see if they provide a realistic basis for action. There would be a period of public consultation before final decisions are taken.

4. Believe change to more competitive arrangements will benefit producers, processors and consumers of milk. Present arrangements cannot be sustained long term and will gradually disintegrate in a way which is highly damaging to dairy farmers unless an orderly change is made. Attempting to extend the present statutory restrictions further (eg to extend the Board's purchasing monopoly to low fat milk) is not an option.

MMP Division
29 April 1991

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PRIME MINISTER

2 May 1991

DISCUSSION LUNCH WITH INNOVATIVE FARMERS: 3 MAY

The purpose of this lunch is to enable you to meet a group of particularly enterprising farmers, and to hear from them how they went about adapting their farm businesses (guest list with biographical details at Flag A). John Gummer will be present.

You will have a half hour session before lunch in the pillared room. People will be seated, but not round a table. After half an hour you will move into the main dining room for lunch (seating plan at Flag B).

Some opening remarks are at Flag C. These introduce two linked themes:

- the need to tackle the widening trade gap in food products with northern Europe;
- the way producers in the UK organise themselves (or rather, don't organise themselves) to market their products effectively. Our fragmented agricultural industry is peculiarly ill-suited to selling direct to our highly concentrated retail sector. Per contra, the Danes and the Dutch have large cooperatives which control primary production and processing and marketing (which is why our supermarket shelves are full of their products).

After launching these themes you could invite four people (who have been warned in advance) each to speak briefly on the basis of their own experience. Given the shortage of time before

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lunch, it would be best to get them to speak one after the other. We shall arrange for you to meet them just before the discussion opens so that you know which way to look.

The four speakers and topics are:

- Alternative enterprises. / Urban fringe. 6+6 sheds belly let us workshops.*
- Mrs Sarah Ward on new farm enterprises (she farms in Kent); *diversification.*
 - Mr Trefor Campbell on adding value to basic foodstuffs (he runs a chicken processing company in Northern Ireland); *Man. buy-out, direct with trade, Aloy Park.*
 - Mr Tony Worth on producer collaboration (he is managing director of a horticultural co-operative in Lincolnshire);
 - Mr Poul Christensen on conservation and farming (his farm in Oxfordshire is a Countryside Commission demonstration farm). *Part preparation in N.I. State. Preservation of species.*

There is no agenda and no other formal arrangements. You may want to say a few words at the end over coffee.

The main purpose is to listen. All these people have shown initiative and helped themselves. This will be increasingly important as price support for primary products declines as a result of GATT pressure and CAP reform.

Some reference to CAP reform is inevitable but you will want to stop it dominating the discussion. This is not the purpose of the meeting and it is not an area where the Government has much to say as yet. We favour CAP reform, but not those aspects of the Mac Sharry proposals which discriminate against large and

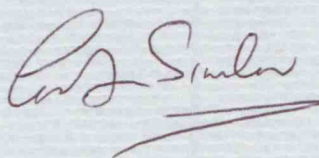
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efficient farms. We are only beginning to work out our own ideas in Whitehall. It may be rather hard to prevent John Gummer from saying that we will fight for British interests to the last man in Brussels, but that is not very helpful when farmers' perception of British interests and those of the Government collectively are unlikely to be the same.

A personal note by John Gummer is at Flag D. I would advise less emphasis on conservation than he suggests. It is expensive to pay farmers to conserve the countryside and it keeps them in the position of state paid clients - note the trailer for a PES bid in this area.

In contrast some initial help with innovation and marketing could cost relatively little while encouraging enterprise which should be self-sustaining. This is the rationale behind the DTI's Enterprise Initiative. The importance of getting farmers to focus on adding value and marketing rather than primary production has belatedly been recognised by MAFF. David Curry has written a good paper on this which is worth a glance when you have time (Flag E).

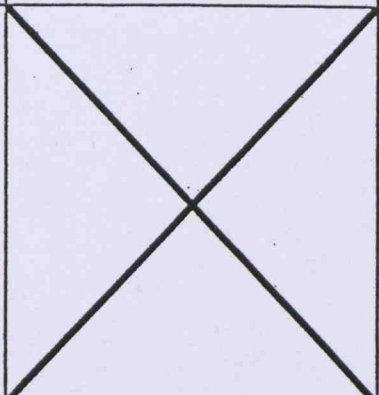
Copious background briefing from MAFF is at Flag F. I doubt you need read it.



CAROLYN SINCLAIR

011.CS

A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3217</i> (one piece/item number)	Date and sign
Extract details: <i>Attachment to Sinclair to PM dated 2 May 1991</i>	
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I am delighted to welcome you here today. The purpose of this discussion lunch is to enable me to listen to what you have to say. Everyone here has shown more than usual enterprise in developing their farm business. I want to hear how you went about it, what the problems were, and how you solved them.

This is not an easy time to be talking about enterprise in farming. I hardly need reminding that agriculture is going through a tough period. A recession is difficult for most businesses, but on top of that agriculture has been coping with a difficult problem of adjustment for some time.

I cannot pretend that the problems of trying to balance supply and demand within the CAP are near resolution. They are not: we have the perverse phenomenon of rising budgetary costs for taxpayers and falling incomes for many farmers - the worst of all worlds. We must reform a system which produced such an outcome.

But I am equally concerned about another money gap in farming - the growing trade gap between what this country sells abroad in the food sector, and what we import; and the way in which this gap has been widening so that we now have an imbalance of trade of £3 billion in food that could be produced here. The reason is that our consumers are spending an increasing amount on imports - and particularly worrying is that it is to the higher value products for which they are turning to foreign competition. It is striking that a country the size of the UK has a negative balance of trade in food with countries like Denmark and Holland - neither of which have a climatic advantage over us.

The problem does not lie in the efficiency and quality of our farm production. We have an efficient farming industry, especially by European standards. The problem seems to lie partly in the way our producer industry is organised, and partly in our producers' attitudes. Our larger farm businesses have not had the cooperative imperative which the tiny farms of many of

our continental partners have made necessary. The fragmented agriculture industry therefore faces a highly concentrated retail sector, but perhaps more important is the genuinely different problem of attitude. British farmers, schooled in the days of food shortages, do put production before marketing, and in a time of surplus, the primacy of selling needs to be reasserted.

I know that a number of you are involved in adding value to primary food products and supplying the big retailers. I would very much welcome your views on the growing trade gap in food, and what we can do to narrow it.

What has struck me looking at what you have done with your farm businesses is the diversity of enterprises which you have developed. You demonstrate what can be done by farmers to generate income. I would like to invite Mrs Sarah Ward to open by telling us how she has adapted the family hop farm in Kent.



Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

From the Minister

PRIME MINISTER

I am looking forward to joining you on Friday for your lunch with the group of "innovative farmers" and I am enclosing with this letter the briefing my Department has prepared for this occasion.

I understand that you would like to run the discussion on the lines of a seminar and I think this would be an excellent idea. There should be no difficulty in drawing out those whom you have invited to present their views on the topics which have been chosen, but the briefing here provides some suggestions on points with which you might like to work into the discussion.

It may be helpful if I offer a few thoughts to set the scene.

I suggest we start by talking about conventional farming and the threat to improved efficiency. Farming in this country is entering a very difficult period. Incomes are hard hit, more so here than elsewhere in the Community. We cannot offer any prospect of things getting easier. I made a point of emphasising that in my speech to the NFU's Annual General Meeting in February. But we can of course offer to fight, and fight hard, to secure fair terms for British farmers out of the GATT negotiations and the Community's internal discussion of CAP reform. Our farmers are very preoccupied with what may come out of these two processes. MacSharry's first thoughts on CAP reform have - not surprisingly - made them deeply apprehensive. We have some extremely difficult negotiations ahead, and I am sure it would be much appreciated if you could in the course of this discussion make clear how determined we are to resist discrimination against the larger and more efficient farmers.

The brief on conservation is rather longer than the rest. This is now a high-priority area of policy for my Department. I have diverted increasing effort and resources to it. With the objective of forging closer links between our environmental and agricultural policies, and to giving effect to the aims set out in last year's White Paper, we have now built up a range of schemes providing incentives to farmers to take greater care of the countryside. Obviously the White Paper has created expectations which we need to address - I shall be aiming to do so in this year's PES negotiations. Having a general discussion in fundamental terms is easier at present because we do not know how successful we shall be in convincing the Community to put the environment closer to the centre of CAP reform. We can therefore concentrate our discussion on how best to green the CAP.

I am sure that it would be useful on this occasion to emphasise the priority we give to conservation in relation to agriculture, and to seek views on how our current policies are working as well as ideas for the future.

With on-farm diversification one problem is how to stimulate new business activities that can draw on the resources, including human resources, of farm families and add to their incomes without introducing subsidised competition for those who have already started up in this or that line of business without assistance. We need to tread a careful path. However, I believe our current scheme has proved successful in stimulating new attitudes.

Another issue is over planning permission for new enterprises. Farmers remain concerned, with some justification, that local planners are often resistant to this and do not fully understand the need for farm businesses to diversify. My Department is continuing to work with DOE on increasing planners' awareness of the need to balance all interests in the rural economy.

Finally, with innovation and marketing we come to the area where farmers can do much to help themselves and where, in my view, we in this country still have further to go. I have done much in my speeches over the past two years to urge the industry to modernise its structures (including the Milk Marketing Boards - on which a detailed note is enclosed) and to take a much more vigorous attitude towards marketing. You may like to see whether you can draw out positive thoughts from this group on how to develop this on a broad front among British farmers.

I also enclose a draft of Davis Curry's very preliminary report on his new responsibilities to see how best to deal with our food trade gap. It is very much first thoughts and I am not passing it elsewhere but you may find it stimulating!


J S G

Ministry of Agriculture, Fisheries and Food

1 May 1991

CONFIDENTIAL

MINISTER

TACKLING THE FOOD AND TRADE DEFICIT

INTRODUCTION

This memorandum seeks to identify some of the causes of the trade gap and to identify what Government can do about it. It is deliberately intended to be epigrammatic and provocative: there is no point in asking a minister to undertake a study unless he can be blunt in a way officials cannot be. Some of these ideas may prove to be wrong; others will spell out clearly the conflict both inside MAFF and more broadly in Government between policies designed to tackle the trade issue and other policies. I have not hesitated to spell these out. The object of this paper is to identify where we need to review policy priorities; review policies themselves; and direct our resources within the obligations of EC membership.

THE PROBLEM OF THE CAP

The trade gap lies significantly in products common to northern European countries and whose primary production mechanisms are governed by the CAP; the constraints imposed by EC budget problems, GATT, and CAP reform will tend to pin the UK back at a lower level of self-sufficiency than she enjoys now. Notably, dairy output will shrink. While the milk marketing boards continue to accord absolute priority to the liquid market there is limited scope for expanding UK output of higher-value products except on the basis of imported liquid milk. In this sense the doorstep delivery is the enemy of innovation.

We face a permanently uphill battle in Brussels to protect the UK producer from discrimination in the name of reforms for which we are seen to be the main protagonists. The pinning back of UK production is in danger of delivering yet more of the UK market to imports. This is not true of all sectors; in one of the areas of largest deficit - horticulture - there is no CAP reason

against expanding UK output. The real inhibitions will be discussed in a later section. But the CAP factor does suggest the tentative conclusion that our best chances of import saving (which I think is a much more fertile field than export promotion given the UK's output base) are in those commodities where the hand of the CAP is lightest.

THE WEIGHT OF THE PAST

British agriculture demonstrates the mechanisms of the CAP applied to the psychology of the 1930s. The deep resistance to changes to the MMB; the suspicion of tenancy liberalisation have their roots in memories of the Thirties. To that is added the deadly legacy of an agricultural policy based on securing cheap food from the Empire to feed industrial workers in a low-wage, low productivity, low added-value economy - the policy which lasted until World War II.

The generation after the war saw agriculture make gigantic strides under a policy of heavy incentive. First at national then at EC level. As a result the British farmer's view of himself is one of super-efficiency compared with the "peasant" operations of the Continent. At a time (the 1970s and into 80s) when the CAP permitted growing rewards from the production of raw commodities this self image appeared perfectly justified. But the curbing of EC licence to produce coupled with the inflationary problems in the UK have left him as vulnerable as in the Thirties. He blames this situation on i) the Government ii) the supermarkets.

The Fact is that we can offer very little in the way of Government action. "Classical" farm support has hit the buffers: attempts to find a way out devised in Brussels will almost certainly be discriminatory against British farmers (indeed, the fact that they are is one factor which permits us unequivocally to fight on the farmers' "side"). Trade liberalisation through the GATT and helping Eastern Europe (see below; what can Government do) will remorselessly drive down support and increase competition. Green policies ("looking after the countryside")

are likely to increase constraint before they provide reward, and it is wholly implausible to believe that there is something in this for all farmers. Indeed, resource problems are likely to make such policies look little more than token, at least in the short-term.

Leaving aside diversification, B&Bs, cream teas, fish ponds, lakes for sailing, golf courses and the like (and the attendant planning permission problems) the main problem we face is persuading the farmer that while he is selling an unbranded commodity he is permanently condemned to sell in a buyers' market. But the infrastructure of agriculture is geared precisely to this.

For example, the overwhelming majority of livestock is sold through live auction marts. If the animals don't sell a farmer can take them home again. The Danish phenomenon of the vertically integrated co-operative in the pigmeat sector does not exist in the UK: the Danish producer is wholly committed to sending his pigs to the co-operative on a multi-annual contract and he is paid by quality. We have achieved remarkable success in exports of lamb and the type of carcass has certainly changed in response to the increasing demand for lean meat stimulated by the French market. Yet we still have a multiplicity of commercial breeds.

I believe very strongly that we must move to deadweight grading. We must also use the forthcoming EC rules on meat hygiene and processing to stimulate a draconian rationalisation of the abattoir/processing sector.

The farmer's vulnerability in the market place is very largely wilful.

THE SUPERPOWER OF THE SUPERMARKET

I am quite sure that just as farmers may have to co-operate more in primary production (pooled resources, labour, equipment etc) they will have to co-operate in marketing. This is not

necessarily true of all sectors: the case of horticulture illustrates that individual growers can deal with supermarkets to mutual advantage. But there is an essential difference between the grower of lettuce, peppers, or tomatoes and the producer of beef or lamb. The grower is producing a lettuce or tomato; the housewife is buying a lettuce or tomato. The supermarket is the means by which enormous quantities can be shifted rapidly to the consumer. Fruit picked in the morning in the glasshouse is on the shelf 24 hours later.

But the housewife does not buy cows or pigs or lambs. She buys meat product. Supermarkets are indicating their desire to source more extensively from the UK (see the Argyll initiative and my contacts with other groups) provided the quality is assured. It is imperative to bring farmers, processors and retailers together.

Agricultural co-operation is of very poor quality. Too often the Board members are of poor quality; they recruit inadequate managers and pay them too little.

I intend to discuss with the NFU whether it is possible to produce a standard contract for such marketing ventures with equity shares. I have also asked officials to examine the legal and fiscal framework of co-operatives to see if improvements are needed.

Farmers will argue that the real problem is the "level playing field". There are some problems of competition, but the heart of the problem is the unwillingness of the farmer to attack the market. If farmers are not willing to do this for themselves there is little that can be done on their behalf. But I am convinced that the supermarkets have to be seen as part of the solution and not as the villain of the piece.

WHAT THE INDUSTRY CAN DO

Promotional/export bodies exist in some profusion. They include Food From Britain, the Home-Grown Cereals Authority; the Meat and

Livestock Commission, the Sea Fish Industry Authority, the Food and Drink Federation and the British Food Export Council. The collective resources are considerable. I intend to examine their role and their relationship to each other. I also intend to examine the role of promotion agencies in other EC countries to see how they operate. I am anxious that we have a clear idea of how the competition operates before we decide if and how to apply the lessons to the UK. There is no point in importing myths!

Levies on the industry are extensive: only eggs, poultry and sugar are excluded from some sort of impost. I intend to review these arrangements.

WHAT GOVERNMENT CAN DO

There are inevitable conflicts between policy priorities. I have covered the items below from the trade perspective only. The list is illustrative and not exhaustive.

- a) We must fight our corner in Brussels. Recent issues include the Commission attempt to reduce restitutions on processed products (pro GATT but anti-UK); the proposals on designation of special origin of foodstuffs; rigging the arithmetic for the sheepmeat stabiliser;
- b) We must monitor our own policies in the light of the trade implications, and the competitive position of UK plc. For example, pesticides freely used in the Netherlands (our main horticultural competitor) are not permitted in the UK; animal welfare legislation passed in the UK may impose constraints on UK producers not experienced by competitors (it could always be argued that there is an ultimate marketing advantage but this is hypothetical); "greening" policies may impose constraints;
- c) We must review the Treasury requirement for full economic cost recovery on services. The system of calculating costs (which even includes an attribution

for the cost of ministerial time) is obliging us to load charges on our own producers. However valid the argument may be for them in economic or public accounting terms, the plain fact is that no other EC minister is faced with the same necessity;

- d) We need to review the depreciation rules on agricultural - and particularly horticultural - investment (see below);
- e) There is a tendency to override certain trade interests in pursuit of foreign policy goals. We will have to face demands for liberalisation from Eastern Europe. In the areas already liberalised there has been a real lack of discipline on the part of east European exporters (soft fruit for processing). The UK should be careful that we do not bear the brunt of the liberalisation of trade with eastern Europe;
- f) In the crucial glasshouse sector costs for utilities in the UK are significantly higher than in the Netherlands. Sharp increases have followed privatisation;
- g) We need to examine whether withdrawal from near-market research was the right option. Again, we have to examine the situation in competitor countries.

A CASE IN POINT: HORTICULTURE

If we identify import-saving as a major goal horticulture must be a focus of attention. It has the advantage of a direct relationship between grower and retailer/wholesaler. It is also immensely sensitive to competition because prices are related closely to the Dutch auction market.

The industry is high-tech (extensive use of biological control in modern glasshouses, advanced propagation techniques; energy-saving etc).

We have a very large deficit in horticulture products. At the height of the UK tomato season we import 60 per cent of consumption. We also have some large-scale growers who form the core of the industry.

It is a capital-intensive industry. It costs around £700,000 to have three acres of glasshouse up and running (with the near-certainty that the actual glasshouse will be Dutch and the glass from Holland, Czechoslovakia or East Germany). Unlike other investments the actual value of the investment drops the day it is completed - a real problem in raising bank finance.

There is no point pretending that we can supply the market all the year round. But there is significantly import saving to be achieved from March to October. We need investment in modern houses. What can Government do to encourage the industry?

The obvious requirement is for stable interest rates at a level more akin to those in competitor countries - the Government is committed to that. But it would be immensely helpful if the Government ruled quite categorically that a modern glasshouse unit should be considered as a production unit in its entirety rather than a structure housing equipment. A modern glasshouse is designed as an integrated unit for creating the most suitable available climate for crop growth. This would permit growers to benefit from 25 per cent allowances rather than 4 per cent agricultural building allowances. In one of the major UK glasshouse areas at the moment - West Sussex - growers under one tax office are permitted the 25 per cent allowance: across the road in a different tax district they are refused it. The argument has been running since a case in Norfolk in 1980. The change would bring UK growers much closer to the situation in the Netherlands.

Further useful help worth investigating is whether equipment bought for organised marketing - eg graders and packing houses - could receive better fiscal treatment.

We cannot escape the problem of gas prices. I am told that after the Sheffield steelmasters case involving the MMC and gas pricing British Gas pulled out of negotiating prices. Current gas prices quoted to me are around 25p a therm (oil is 15p) compared with about 17p in Holland. The Commission is investigating Dutch prices (yet again) but by the time any action is taken the advantage will have been gained. Our response to complaints (give us the evidence and we will take it up with Brussels) simply does not solve the immediate problem of the grower.

There are beginning to be planning permission problems for glasshouses. This is serious because it is quite possible for a very large installation to supply a measurable share of the national market.

We need to make sure our growers are not disadvantaged in the use of chemicals compared with competitors. Products from, eg Holland where Avomectin is freely in use are sold throughout British supermarkets although the product is not permitted (except under very special conditions) in the UK.

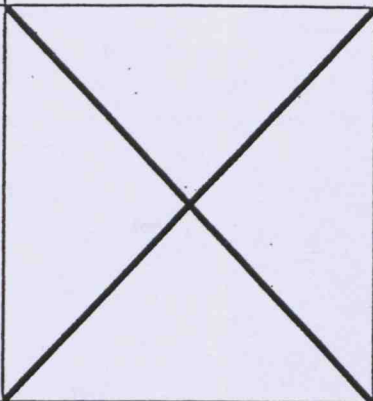
SUMMARY

The above is a very telescoped series of preliminary speculations, designed essentially to give some structure to the work on the trade gap. Consultations will be wider than outlined above (eg with the food manufacturing sector and consumer organisations). The aim is a two-fold one: that put the farmer back as a player in the market place and to identify feasible and specific area where it is possible to recommend clear courses of action rather than make pure exhortation.

DAVID CURRY

1 May 1991

A The National Archives

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Mr Trefor Campbell
Moy Park Ltd
The Food Park
39 Seago Industrial Estate
Craigavon
Co Armagh
BT63 5QE

26 April 1991

The Prime Minister is very pleased that you are able to come to his discussion lunch on agriculture on 3 May.

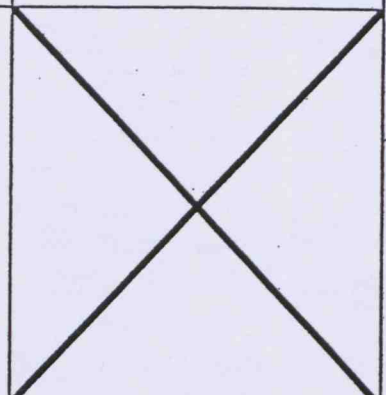
The aim is for a very informal discussion which will enable the Prime Minister to hear the experience of a range of farmers at first hand. There are several themes which the Prime Minister would particularly like to pursue. One of these is the need for farmers increasingly to get involved in adding value to farm produce and marketing it.

It would be very helpful if you could launch this part of the discussion by speaking for up to five minutes about your own experience in running Moy Park Ltd. It would be very helpful if you could say, in particular:

- what are the biggest obstacles faced by farmers who decide to get involved in adding value to basic farm produce;
- what in your view are the best ways for farmers to get involved in this stage of the food chain;

WILLIAM CHAPMAN

A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3217</i> (one piece/item number)	Date and sign
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Miss Sarah Ward
Court Lodge
Horton Kirby
DARTFORD
Kent

26 April 1991

The Prime Minister is very pleased that you are able to come to his discussion lunch on agriculture on 3 May.

The aim is for a very informal discussion which will enable the Prime Minister to hear the experience of a range of farmers at first hand. There are several themes which the Prime Minister would particularly like to pursue. One of these is the development of non-agricultural enterprises.

It would be very helpful if you could launch this part of the discussion by speaking for up to five minutes about your own experience in developing craft workshops and a cross-country riding course. It would be helpful if you could say, in particular:

- what were the biggest obstacles you faced in setting up these enterprises;
- what you found to be the best way of developing the new businesses.

WILLIAM CHAPMAN

Tony Worth Esq
Fleet Estate Office
Fleet
Spalding
Lincs
PE12 8LR

26 April 1991

The Prime Minister is very pleased that you are able to come to his discussion lunch on agriculture on 3 May.

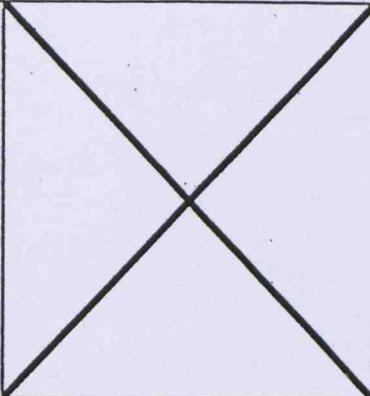
The aim is for a very informal discussion which will enable the Prime Minister to hear the experience of a range of farmers at first hand. There are several themes which the Prime Minister would particularly like to pursue. One of these is the advantage for farmers in working together - whether in cooperatives or in companies - to increase their ability to weather the ups and downs of farming.

It would be very helpful if you could launch this part of the discussion by speaking for up to five minutes about your own experience of the best form of business organisation for farmers. It would be helpful if you could say, in particular:

- what were the biggest obstacles faced in setting up joint enterprises with other farmers;
- what did you find to be the best form of business organisation - cooperative or limited company?

WILLIAM CHAPMAN

A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3217</i> (one piece/item number)	Date and sign
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File 43

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 April 1991

Dear Mr Henderson,

Thank you for your letter of 15 April. The Prime Minister is very glad that you are able to attend the discussion lunch on 3 May.

You ask for some guidance on the subjects for discussion and others to be present. The Prime Minister is keen to learn from the experiences of some innovative farmers at first hand. To this end, about two dozen farmers from different parts of the country and with different specialities have been asked to lunch. We envisage the main topics to be covered as follows:

Farmers as entrepreneurs - and in this connection, I understand, your own experience will be invaluable;

Co-operation between farmers;

Innovative "conventional" farming; and

Farming and conservation.

Obviously however if there are other areas in which you think farmers can fruitfully explore innovation, we will be very happy for you to raise them.

The Prime Minister is looking forward to welcoming you to Downing Street on 3 May.

*Yours sincerely,
William Chapman*

WILLIAM CHAPMAN

W. J. Henderson, Esq.

PRIME MINISTER ①

LUNCH FOR INNOVATIVE FARMERS

You are to host a discussion lunch with about 20 innovative farmers on 3 May. They fall into four categories: entrepreneurs; farmers involved in co-operative ventures; conventional farmers; and "environmentalists".

The format which Carolyn Sinclair and I think appropriate would be to open with a half hour discussion over drinks. You could open by welcoming the farmers and saying that the aim was for you to draw on first hand experience from practitioners in developing your own thinking about agriculture.

We might invite one person (warned beforehand) from each category to speak for about five minutes each on the basis of their own experience. Carolyn suggests the following themes, to focus the discussion:

- sheer enterprise (establishment of craft workshops, riding courses, etc); *Sarah Ward.*
- business co-operatives; *Tony Work.*
- developing the environmental theme profitably (eg nature trails, leasing land to the RSPB); *Poul / John Quicke*
- *Alternative farms.*
marketing farm produce and adding value. *Trefor Campbell*

But of course discussion need not be restricted to these. Each speaker could be asked to say what were the biggest obstacles they faced; what were the best lines of approach in developing their businesses; and how had Government helped or hindered them, if either.

General discussion would continue over lunch. The whole event would run from 1230 to 1400 or 1415.

Content with this format? If so, I will select and warn four opening speakers in advance.

WEC
WILLIAM E CHAPMAN

19 April 1991

c:\wpdocs\home\farmers (srw)

9 April 1991

LUNCH FOR INNOVATIVE FARMERS 3 MAY

I think we need to start thinking how we should organise this lunch.

First, is it just lunch, or is there time for a ½ hour - 1 hour discussion session as well, preferably before lunch?

The guests are grouped under four headings (though they will not know this). We might invite four people (warned beforehand) to speak for about five minutes each on the basis of their own experience. Each could be given a theme viz:

- sheer enterprise (establishment of craft workshops, riding courses etc);
- business organisation/co-operatives;
- making money out of the environment (eg leasing land to the RSPB);
- marketing farm produce.

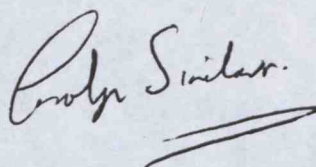
We could ask each speaker to say

- what were the biggest obstacles he/she encountered?
- what were the pleasant surprises?

The speakers could follow one another immediately, or each five minute talk could be followed by perhaps ten minutes general

discussion. That, however, would require quite draconian chairing. I would therefore be inclined to invite the four speakers to speak one after another, followed by general discussion of the points raised.

The aim would be to focus discussion, and to draw people on their own experience. Perhaps you could let me know if the Prime Minister favours this. If so, we will need to select and warn the four speakers in advance.

A handwritten signature in cursive script that reads "Carolyn Sinclair". The signature is written in dark ink and is positioned above a horizontal line that serves as a separator.

CAROLYN SINCLAIR

314.CS

Policy Unit



Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH
01-270 8709/8667

*CCPA P...
122414
194/4
CS
P/S*

From the Minister's Private Office

Miss Caroline Slocock
No 10
Downing Street
London
SW1A 2AA

24 April 1990

Dear Caroline

POSSIBLE LUNCH/DINNER FOR INNOVATIVE FARMERS

Thank you for your letter of 12 April concerning a lunch or dinner for innovative farmers which the Prime Minister is considering giving. I have shown this to Mr Gummer who thinks the proposal an excellent one.

We are accordingly looking at the details and will come back to you in due course.

Yours Sincerely

Andy

A J Lebrecht
Principal Private Secretary

Lunch/Dinner for

FARMERS

8/5



C:/home/Lebrecht

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 April 1990

POSSIBLE LUNCH/DINNER FOR INNOVATIVE FARMERS

Your Minister will be aware that the Prime Minister is considering giving a small lunch or working dinner for innovative farmers. In contrast to the reception for Food and Farming Year which she gave last year, this would be an opportunity to explore the issues arising from change in agriculture with a small group of people. We are thinking of a total of 12-14 guests, including, of course, your Minister.

Our experience of such gatherings is that they work best when people speak about their own experiences. We have provisionally identified four themes:

- entrepreneurship
- co-operation
- 'conventional' farming
- conservation

We would like 2-3 people to speak from experience under each heading. I enclose a list of possible names drawn up by Richard Gueterbock in conjunction with Carolyn Sinclair here. These total 16, allowing for some reserves.

If your Minister is content with the list, I would be grateful if your regional offices could supply a short biography in each case. This will help us to structure the discussion in the most productive way.

At this stage I cannot say anything definite about dates. Once we have the biographies we will put the material to the Prime Minister to check that she is content with what is proposed. If she is, we can then start looking at the diary. Our current thinking is to hold the occasion at No. 10.

MEM

Combining it with a regional tour would be another option, but that could make it more difficult to invite farmers from all over the country.

(CAROLINE SLOCOCK)

Andy Lebrecht, Esq.,
Ministry of Agriculture, Fisheries and Food.

LUNCH FOR INNOVATIVE FARMERS

John Gummer's Special Adviser - Richard Gueterbock - and I have taken planning for this about as far as we can. We now need some help from MAFF's official machine.

The format we have been working on is this:

- a small gathering of perhaps 12-14 people, including John Gummer;
- a lunch/dinner, preceded or followed by a working discussion;
- discussion to focus on the experience of the participants.

To that end we have drawn up a list of 16 people. They are grouped under four headings:

- entrepreneurship
- co-operation
- 'conventional' farming
- conservation

If the Prime Minister agrees, discussion could be organised under these headings thus:

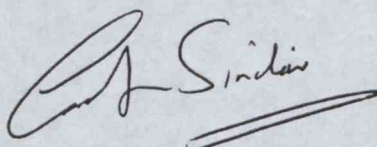
- entrepreneurship would cover diversification, farm shops etc;
- co-operation could cover both co-operatives and other forms of organisation, such as limited companies, set up by farmers;

- 'conventional' farming could focus on the scope for individual farms to continue operating individually without non-farming activities;
- conservation could look at the prospects for environmentally friendly farming.

Two to three people could be asked to speak to each topic for 5 minutes on the basis of their own experience. The discussion could then (depending on time) be opened more widely. This format should give the Prime Minister a feel for the issues which matter to innovative farmers.

If we are to orchestrate discussion in this way, we need a short biography for each of the people on the attached list. This required the help of MAFF's regional network.

... I attach a Private Secretary letter for you to send to Mr Lebrecht. He should not be surprised by it. Richard Gueterbock - who has been keeping John Gummer informed - will have forewarned him.



CAROLYN SINCLAIR

DRAFT LETTER TO:

Andy Lebrecht, MAFF

POSSIBLE LUNCH/DINNER FOR INNOVATIVE FARMERS

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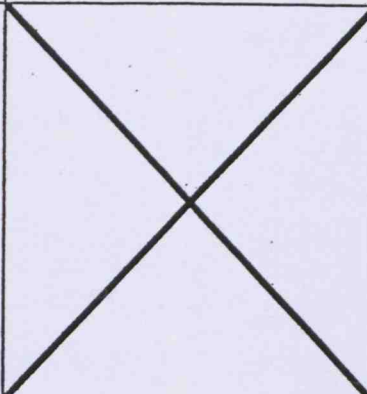
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A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3217</i> (one piece/item number)	Date and sign
Extract details: <i>Attachment to Sinclair to Shrock dated 3 April 1940</i>	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
TEMPORARILY RETAINED	<i>4/2/2017</i> <i>S. Gray</i>
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DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.

This should be an indication of what the extract is,

eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.

Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

You asked me to pick 12 names from the list which I sent you a couple of weeks ago. I have divided them into 4 categories as follows (1 reserve included along with 3 names in each sector). Some names could be included under more than one heading.

Entrepreneurs

- ✓ John Henderson
- ✓ Sarah Ward
- ✓ Mrs Gerry Howarth

- ✓ Mr John Kerr

Co-operation

- ✓ Trefor Campbell
- ✓ Stuart Edwards
- ✓ Tony Worth

- ✓ Clarke Willis

Farmers

- ✓ Ben Gill
- ✓ Ian Grant
- ✓ Mrs Elizabeth Browning

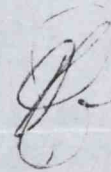
- ✓ Mrs Rosemary Berry

Conservation

- ✓ Poul Christensen
- ✓ Sir John Quicke
- ✓ Richard Mayall

- ✓ Phillip Merricks

If you need any further help, perhaps you could contact me when I am back in the office (12 March).



RICHARD GUETERBOCK
Special Adviser
21 February 1990

Carolyn Sinclair

MS. SINCLAIR

LUNCH FOR INNOVATIVE FARMERS

The Prime Minister has seen your note of 21 November and has agreed that she should hold a small lunch for farmers, as you suggest. Perhaps we could have a word about how to follow this up.

CS

(CAROLINE SLOCOCK)

27 November 1989

Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19

