



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

C O N F I D E N T I A L

Rt Hon John Biffen MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
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14 January 1980

AGRICULTURAL EXPENDITURE 1981-82 TO 1983-84

Thank you for your letter of 9 January. I was surprised that you should have been disappointed by my proposals to cut public expenditure in the agricultural sector. They are designed to bring about the full saving agreed by Cabinet while still maintaining some semblance of the agricultural policy in our Manifesto. The much larger cuts that you propose would admittedly save more - much more than Cabinet decided: but at the expense of further damage to our agricultural production and still more to the credibility of our agricultural policies. I therefore accept your invitation to meet next week to discuss the issues outstanding between us.

Meanwhile it may be helpful to comment on the points you make.

Capital Grants This is, as you say, the major issue to be resolved. I do not agree at all with your interpretation of the Cabinet decision. Cabinet decided to reduce planned expenditure on the capital grants schemes by £35-40m. It said nothing about the means by which this was to be done, except that they were to be selective.

Your proposal would mean that expenditure would fall, not by £35-40m, but by £45-50m. In this year's public expenditure exercise, reductions in requirements have previously been treated as the savings they are, both for my own and for other Departments. Contrary to what you say, there is no real doubt that the rate of application under the capital grants schemes will fall. The trend is already clear: the number of grant applications under the Farm and Horticulture Development Scheme in January - November 1979 was lower by over a third than in 1978; and in November itself was less than half that of November 1978. The clear prospect of a further decline in real farm income - already lower than in the worst year of the Labour Government - in 1980 and 1981 makes it certain that new investment will fall away. This, combined with the time lag between investment decisions and grant expenditure, means that we can be sure of a resulting saving on capital grants in 1983-84, and it would be quite wrong to ignore it.

The pattern of grant rates which you propose, with reductions in 20 rates of grant out of 27, seems designed to depress investment yet further in every sector and on every class of farm. By doing so it would help to depress one of the very few sectors of our economy which is capable of contributing to economic growth in the immediate future. And it would wholly contradict our policy of giving British agriculture the means to compete on more equal terms with its Community competitors. I must therefore ask you to think again about this before we meet.

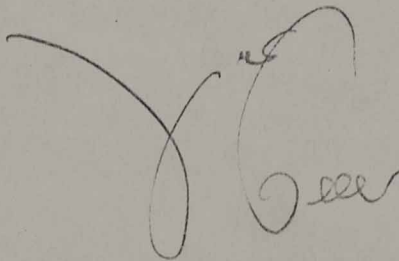
Aid for Marketing I shall be making policy proposals shortly. They will however be general in character, since my intention is to provide for possible aid to projects which will in time be suggested by the five marketing advisers who have volunteered their time and expertise to help me. I believe that small sums here could reap major dividends (as expenditure on marketing has done for our European competitors). I hope you will agree when we meet that the relatively small sums needed should be set aside, within the total agricultural programme, for expenditure in the marketing area.

Agricultural Research I note what you say and will discuss it with my agricultural colleagues before we meet. You are proposing that I should make much larger cuts than you have sought from Mark Carlisle, who shares with me responsibility for funding the Agricultural Research Council; and larger cuts here would damage the competitiveness of British agriculture in the years to come.

Marginal Land I am glad to see that you do not object in principle to a survey of marginal land. The best way to release the necessary staff immediately would, as you say, be to make a wider use of urgent work authority under the existing capital grants schemes. The later abolition of the prior approval condition would then follow when these schemes are replaced in the summer.

As for the need for the survey, the fact is that we are committed to doing better than the last administration, and we certainly cannot claim that the situation of the marginal land farmer has improved since they initiated work on this. But I would in no way commit us to decisions about assistance at this stage. The survey will not be completed until 1981, and I would make it clear that decisions about assistance and how to finance it would have to be taken in the light of the economic and financial circumstances obtaining then. I suspect that by then the savings on capital grants will be so large that it will be easy to finance any necessary help for marginal land within the existing PES programme.

I am sending copies of this letter to the Prime Minister, the other Agriculture Ministers, the Minister of State at the Civil Service Department and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Peter Walker', with a large, sweeping flourish extending to the left.

PETER WALKER

14/11/1980

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