



Agriculture

Treasury Chambers, Parliament Street, SW1P 3AG
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/ June 1979

Dear Peter

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MILK PRICES

Thank you for your letter of 22nd May. I have also seen John Nott's letter to you of 21st May.

I agree that it would be sensible to have an independent review of the milk pricing arrangements. I would, however, see some disadvantages in a review by a firm of accountants. This would provide useful evidence to guide future decisions on the maximum retail price but would at the same time give the industry the impression that we were committed to continuing something like the current cost plus arrangements. Like John Nott I think the question needs wider consideration.

With the prospect of free import of liquid milk we should surely be preparing for a situation where the distributive industry's margins depend on the efficiency of the firms involved and consumers are protected by competition within the industry and from abroad rather than by Government control over pricing. I recollect that the whole subject was constructively discussed, some years ago, in an I.E.A. pamphlet by Linda Whetstone. This was written, of course, in a somewhat different world, but it posed some of the basic problems which still need to be asked.

I am copying this letter to the Prime Minister, John Nott, George Younger, Nicholas Edwards, Humphrey Atkins and Sir John Hunt.

(GEOFFREY HOWE)

The Rt. Hon. Peter Walker, MP