



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

Pami Amin

The Rt Hon Sir Geoffrey Howe QC MP
Treasury Chambers
Parliament Street
London SW1

3 December 1979

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Dear Chancellor,

I think it right that I should draw to your attention and to the attention of other Cabinet colleagues the strength of feeling that is now building up as a result of our decision not to increase milk prices in October.

Milk producers are naturally deeply concerned for, as an official Committee appointed by the Prime Minister has pointed out, there is a substantial drop in the incomes of milk producers this year which in itself would cause them deep concern, but now that the Agricultural Wages Board has agreed an increase of more than 20%, which will affect dairy farmers more than any other section of agriculture, and the borrowing rate at the bank has gone up to 20%, the dairy farmers are becoming very alarmed.

On Friday representatives of the Farmers' Unions from England, Scotland, Wales and Northern Ireland came to see me and all stated that they considered the current position was worse than at any time for many years.

As far as the dairymen are concerned, they are naturally in a greater state of hostility and turmoil than has ever previously been the position because we are the first Government in more than 30 years to violate the cost adjustment mechanism that has been agreed between Governments and the industry.

They argue that unless speedy action is taken, milk distribution in the London area will run into a loss-making position, that the recoupmment of increased energy costs is vital and that as far as the current wage round is concerned, as always their settlement will be largely dictated by the settlement made by the road haulage industry as a whole, which on present indications is likely to be very substantial.

At the present time they are talking of refusing to pay the producers the increase that I allocated to them as from November. They have a legal right to do this, when the matter then goes to arbitration.

A number of the larger firms have also announced a review of current investment programmes and are generally talking about substantial cuts in investment. The bigger dairies are also talking about the encouragement now being given to them to switch their investment programmes to Ireland and to reduce the doorstep delivery services.

If our policies do result in a considerable breakdown of doorstep services I must warn you and the Government that not only would this have a devastatingly adverse effect on British agriculture, but also I think would be immensely politically unpopular with the majority of people who would like to continue with the doorstep delivery services but would find it was no longer available.

I must also point out that the longer we defer a decision upon this question the higher will be the eventual increase that will be required. I cannot see any moment in the coming twelve months when it will be likely that an increase in the price of milk will be welcomed, but I can see very many moments when a very large increase will be particularly embarrassing.

Yours sincerely

Peter Walker

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PETER WALKER

(Dictated by the Minister
and signed in his absence)