

SECRET

7

NOTE OF A MEETING HELD AT 10 DOWNING STREET ON TUESDAY 17 NOVEMBER 1981 AT 08.15
TO DISCUSS PUBLIC EXPENDITURE ON AGRICULTURAL PROGRAMMES

Present

The Prime Minister
Home Secretary
Minister of Agriculture, Fisheries and Food
Secretary of State for Scotland
Secretary of State for Wales
Chief Secretary, Treasury

Sir Robert Armstrong
Mr P L Gregson

The meeting had before it the Annex on Agricultural Programmes to the Home Secretary's draft paper on the work of MISC 62, circulated by the Prime Minister's Private Secretary on 13 November, a letter from the Minister of Agriculture, Fisheries and Food to the Chief Secretary, Treasury of 13 November, and the Chief Secretary, Treasury's reply of 16 November.

The Chief Secretary, Treasury said that a basis for agreement had been identified on all the issues except that of capital grants. He had originally sought savings on that item of £30m in 1982/83, £50m in 1983/84 and £50m in 1984/85. In view of the savings on fishery protection vessels offered by the Minister of Agriculture in his letter of 13 November (amounting to £3m in 1982/83, £9m in 1983/84 and £6m in 1984/85), he would be prepared to reach an overall settlement on the agricultural programmes, if the Minister of Agriculture could agree to savings on capital grants of £15m in 1982/83, £25m in 1983/84 and £25m in 1984/85; the overall totals for the programmes of the agricultural departments would then be £1027m in 1982/83, £970m in 1983/84 and £987m in 1984/85. The position in relation to the beef premium, the rate of allowance for hill cows, and adaptation aids for glasshouses would be as set out in his letter of 16 November.

The Minister of Agriculture said that he had originally argued for an increase in capital grants, mainly because of the serious position of United Kingdom producers of agricultural machinery. A cut in grants was very difficult to justify at a time when capital investment in agriculture was already depressed. This was

SECRET

SECRET

demonstrated by the fact that a £20m shortfall in take up of grants had been assumed over the survey period and the Secretary of State for Scotland now believed that there was an additional shortfall in take up of grant in Scotland of £8m in 1982/83, £10m in 1983/84 and £11m in 1984/85. A reduction in capital grants would have a bad psychological effect on the agricultural industry which was suffering from a severe fall in farm incomes and from the burden of high interest rates on large overdrafts. The Chief Secretary, Treasury said that, provided that the projected shortfall in Scottish take up of capital grants could be shown to be valid, he could accept these reductions as counting towards the desired savings on capital grants. In the interests of reaching an agreement he was prepared to seek further savings of only £4m in 1982/83, £6m in 1983/84 and £8m in 1984/85. This would mean that the total provision for the programme of the agricultural departments would be £1030m in 1982/83, £979m in 1983/84 and £993m in 1984/85.

The Minister of Agriculture said that he was prepared to agree to these totals provided that it was open to him, with the help of other agricultural ministers, to find the remaining savings without reducing capital grants. He would like to announce the £2 increase in the rate of allowance for hill cows by the end of the week; an early announcement was also desirable about the extension of adaptation aid for glasshouses, which could be found within the agreed public expenditure total for 1982/83.

The Prime Minister, summing up the discussion, said that it was agreed that the totals for the agricultural departments' programme should be £1030m in 1982/83, £979m in 1983/84 and £993m in 1984/85. The corresponding totals for the programme for the Intervention Board for Agricultural Produce were £664m, £661m and £677m. This agreement was however conditional on it being shown that the provisions for capital grants could properly be reduced by £8m in 1982/83, £10m in 1983/84 and £11m in 1984/85 to reflect shortfall in take up in Scotland and on further savings being found by the Minister of Agriculture, with the help of other agricultural ministers, of £4m in 1982/83, £6m in 1983/84 and £8m in 1984/85. As soon as the position about the Scottish shortfall had been confirmed, the Minister of Agriculture could go ahead with the announcement about the increased allowance for hill cows. On aid for glasshouses, while those present at the meeting were sympathetic to the proposal, the Secretary of State for Industry, in his letter to the Chief Secretary of 13 November, had seen

difficulties because of the resentment which might be caused in manufacturing industry; the Minister of Agriculture should therefore discuss this matter further with the Secretary of State for Industry, keeping the Chief Secretary, Treasury informed, with a view to reaching agreement on an early announcement.

The Meeting -

1. Agreed, subject to the points made in the Prime Minister's summing up, that the public expenditure totals for the agricultural departments' programme should be £1030m in 1982/83, £979m in 1983/84 and £993m in 1984/85 and that the corresponding totals for the IBAP programme should be £664m, £661m and £677m.
2. Invited the Minister of Agriculture, Fisheries and Food to make an announcement about the increased allowance for hill cows, subject to the point made in the Prime Minister's summing up.
3. Invited the Minister of Agriculture, Fisheries and Food to have further discussions with the Secretary of State for Industry about the extension of aid for glasshouses, on the lines indicated in the Prime Minister's summing up.

17 November 1981