

CONFIDENTIAL

Prime Minister

2



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

WHITEHALL PLACE, LONDON SW1A 2HH Ms 27/11

From the Minister

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

27 November 1981

*Collective...
Bank...
m*

*Robie...
m*

I am writing to report on our latest forecasts of changes in the Retail Food Price Index (RFI).

When I wrote to you in August the annual rate of increase in food prices was in the region of 8%. Since then a number of factors have emerged due principally to the prices of seasonal foods, especially the recovery of potato prices, which have resulted in the October figure published last Friday showing an annual increase of 9%, and I believe that the prospects for the period between now and March are that the rate will be between 9% and 10%.

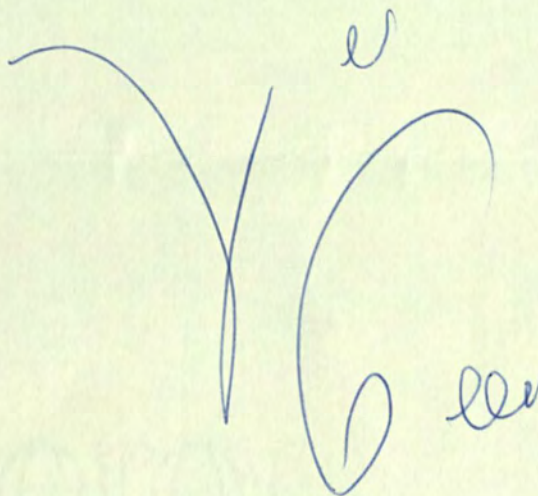
Included in this projection is the assumption that there will be an increase in the retail price of liquid milk in January. I have, in spite of considerable pressure, provided no increase in the liquid price since the last liquid price announcement last December, and I have used Binder Hamlyn as an excuse to delay any announcement. By this means, when an increase is given in January it will be the first increase for a year and I hope an increase below the rate of increases of food prices during the past year. I shall of course be putting proposals to my colleagues.

Prices of imported materials purchased by food manufacturers in the third quarter were running at 13% above a year earlier, reflecting the exchange rate depreciation, and I am afraid that average earnings for those employed in food manufacturing in August were 15% higher than a year before and the distributive trades 12% higher. Naturally I hope that a lower pattern of wage settlements in the coming year will assist us in keeping down prices during 1982.

CONFIDENTIAL

CONFIDENTIAL

I am copying this letter to the Chancellor of the Exchequer,
the Secretary of State for Employment and the Minister of
State (CA), Department of Trade.



PETER WALKER

CONFIDENTIAL

227 NOV 1961

