



Agriculture  
Prime Minister

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Robert Lawson Esq  
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Rt Hon Peter Walker MBE MP  
Minister of Agriculture,  
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29 March 1982

Dear Robert,

#### LIQUID MILK PRICES

Thank you for your letter of 25 March. The Chief Secretary has seen the statement your Minister made on Friday about the change in the maximum wholesale price for milk, which has the effect of reducing the return to the producer and increasing the return to the dairy trade.

The Chief Secretary has said that he would not want to object to this relatively minor adjustment in the wholesale price. He has, however, asked me to say that he would normally expect the Treasury to be consulted about changes in the wholesale price, even where no change in the retail price is involved. He understands that in the present case Treasury officials had indeed asked to be consulted in advance of any discussions with the Dairy Trade Federation. He assumes that in taking the present decision your Minister is satisfied that the reduction in the producers' price will not significantly increase the pressures in the autumn for a further increase in the retail price of milk; not make it more difficult for the Government to make the adjustment to the distributors' margin which would be necessary if the Dairy Trades Federation are unable to introduce the full Current Cost Accounting arrangements referred to in the Government's statement of 22 December last year.

The Chief Secretary has noted your Minister's intention to make a further announcement about milk prices before 1 October this year. He assumes that this does not mean that any further increase in the retail price of milk would necessarily apply from 1 October, particularly given the hope expressed in your Minister's letter of 2 December last to the Chancellor that it will be possible to avoid any further increase for at least the greater part of 1982. He points out that a further increase within 9 months of last January's 1.5p increase would be difficult to reconcile with the Government's objectives for bringing down the rate of inflation.

Finally, the Chief Secretary has asked me to say that he attaches particular importance to there being full consultation with the Treasury on the autumn costings data and on the Dairy Trade Federation's proposals to move to CCA well in advance of any proposals being discussed with either producers or distributors.

I am sending copies of this letter to the recipients of yours.

Yours sincerely  
Terry Mathews

T F MATHEWS  
Private Secretary

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