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cc N.O. 14

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



From the Minister

SECRET

PRIME MINISTER

Prime Minister <sup>2</sup>

No savings of any  
consequence.

ms 30/3  
30 March 1983

LONG TERM PUBLIC EXPENDITURE

In your minute of 4 February you asked me to report on the possibilities for savings in public expenditure in my area of departmental responsibilities.

--- I attach an annex describing the make-up of programme 3 (agriculture, fisheries, food and forestry) under six main headings. The table in the introduction shows the planned deployment of funds in 1983-84. Drawing on the ministerial information system I have introduced, administrative resources have been broadly allocated to these six programme categories, so showing the deployment of the total resources available.

The total provision for my programmes in 1983-84 excluding local authority current expenditure over which I have no control is £1680 million or only about 1.5% of total public expenditure. Of this about 60% is spent on market regulation and production support and essentially flows from participation in the CAP. Most of this category of expenditure is 100% FEOGA funded and it must be right to secure as large a proportion as possible of FEOGA expenditure for the UK. About a quarter is directed to improving the efficiency and productivity of our agriculture. The balance of about 15% is divided between four blocks which are much smaller but no less politically sensitive since they take in support for hill farming, safety and welfare and fisheries.

Expenditure under my programmes is primarily of direct benefit to important private sector industries. My programmes help to maintain the competitive position of UK agriculture relative to other member states in the Community. These programmes incorporate a co-ordinated drive to improve efficiency and productivity and they act directly on the supply side of the economy. The resources we are deploying to this end are nevertheless modest by European standards: France in particular gives assistance which is proportionately about three times ours.

/Our agricultural .....



Our agricultural production can hold its own with anyone in the Community and our marketing is fast improving. This is a sector of our economy where expansion is both possible and sensible. We must ensure that our competitors in the Community do not find ways of seizing from us these opportunities for expansion.

Our most recent White Paper shows that since 1977 agricultural output has risen by 34% and labour productivity by 36%. In the same period our self-sufficiency in the kinds of food we can produce ourselves has risen from 67% to 76%. This is a positive contribution to exports of food and feedstuffs, which have risen from about £250 million at the beginning of the 1970s to about £2.5 billion in 1982, and to import saving which has benefited our balance of payments. The industry has also contributed to holding down inflation. Since 1979 the food price index has risen by 35% (and farm gate prices by only 23%) compared with the 51% rise in the retail price index. These figures show clearly that the money and effort invested in improving our agricultural industry's capability and performance has paid off handsomely.

Turning to our fishing industry, having achieved agreement to a Common Fisheries Policy our next objective is to promote the restructuring of the industry which along with improved marketing is essential if it is to have a viable future. We are now consulting the industry about this. We must be ready to deploy sufficient resources in the next few years within the CFP framework to achieve this most important economic and political objective. £57 million has been included in my programmes for restructuring measures under the CFP.

Where possible I have made savings in my expenditure programmes which have been most rigorously scrutinised in recent Survey exercises. Two major programmes - the Thames Scheme and brucellosis eradication - are nearing completion and expenditure is running down. Where appropriate I have placed the main cost burden of new measures on the industry as in the case of protection against Newcastle disease and the eradication of Aujeszky's disease. And I am transferring some activities to the private sector - for example the Land Settlement Association and the artificial insemination service - so that we can concentrate our resources on our main objectives.

I shall continue to take any further opportunities of this kind which may emerge but I cannot identify any acceptable possibilities for major savings which would not directly damage the effectiveness of my main programmes. Indeed in certain areas I see the need for some enhancement of my programmes.

Our present "hill line" excludes the so called marginal land - areas in which farming suffers from significant natural disadvantages and needs additional support. We currently have an application to the

/Community to include ....



Community to include this marginal land in the area of the UK which is designated under the Community less favoured areas directive. Large areas of England and Wales are involved and this extension would also be very important to Northern Ireland.

Our glasshouse industry will have to achieve substantial investment and restructuring if it is to have a viable future. This is a sector containing many small businesses to which other small business measures might well contribute as well as my programmes. It is important that we should be seen to be helping these small businesses with their problems. Finally, I am being urged to devote increased resources to R & D on food. I am still examining these new requirements and will bring my conclusions into this year's Survey.

I have consulted the Chief Secretary on this minute and report, as you requested. He has asked me to record his dissent both from the conclusions which I reach and from the detailed assumptions and arguments advanced in support of them. I shall be discussing this with him further.

I am copying this to the Secretaries of State for Scotland, Wales and Northern Ireland and to the Chief Secretary.

*Robert Lona*

*f* PETER WALKER

(Approved by the Minister  
and signed in his absence)



## LONG TERM PUBLIC EXPENDITURE

### REVIEW OF PROGRAMME 3 - AGRICULTURE, FISHERIES, FOOD AND FORESTRY

#### Introduction

1. Expenditure on this programme in 1983/84 (on the basis of Cmnd 8789) excluding local authority expenditure will total about £1680 m. The equivalent figure for 1982/83 is £1702 m and the planned total (in the 1982 Survey) for 1985/86 was £1645 m, representing a moderate fall in cash terms but a larger fall in real terms. The 1983/84 total breaks down into the following main categories:-

	£ million	(DAFS WOAD)
Market Regulation and Production Support	1024	(52)
Improvement of Efficiency and Productivity in Agriculture	392	(97)
Support for Special Areas	43	(75)
Safety and Welfare	95	
Fisheries	66	(20)
Forestry	60	
Total	<u>1680</u>	

Expenditure under the CAP (first category) mainly relates to the UK as a whole but other support for agriculture and also for fisheries mainly relates to England and Northern Ireland. Expenditure in Scotland and Wales is shown in brackets for completeness. Administration costs have been broadly allocated to the main categories using for MAFF the data contained in the Ministerial Information System introduced under the financial management initiative.

#### Objectives

2. The Public Expenditure White Paper (Cmnd 8789) states that the Government seeks to ensure that British agriculture develops its competitive efficiency, produces all that it is in the national interest to produce in this country, and markets it efficiently. The range



of measures and other services falling under the first two categories in the above table are directed to the achievement of these general objectives. Measures under the third category have the objective of maintaining agricultural employment in less favoured areas of the UK. The fisheries programme has the general objective of making economic use of our available fisheries resources so as to help to assure a regular supply of fish to consumers. In the case of forestry the main objectives are the establishment and maintenance of adequate resources of growing trees, the production and supply of timber, and the development of the recreational potential of the forests managed by the Forestry Commission.

#### Market Regulation and Production Support

3. Apart from the wool and potato guarantees, the measures in this category form part of the CAP. Administration costs apart (about £34 m) almost all the expenditure is 100 % funded by the EC with the UK receipts recorded under programme 2.7: the net public expenditure cost is thus substantially less than the figure shown above. EC receipts of about £750 m relating to this category are expected in 1983/84.

4. Constraint on the level of CAP support prices is a major UK negotiating objective. Within this general aim it would however be wrong to deny the UK receipts from the Community budget or to put UK producers at a competitive disadvantage within the Community. We have in fact succeeded in virtually doubling the UK share of CAP expenditure since 1979, from about 5.5% to over 10%. We should not therefore look for savings in this area. Indeed as UK producers increasingly take advantage of the policies of the present Government and show their competitive edge within the Community by expanding production some increase in expenditure is likely.

5. The national price guarantees for potatoes and wool are already being managed with the aim of substantially reducing Exchequer liability by virtually freezing the level of guarantee prices for several years. The Wool Guarantee arrangements are to be reviewed in the context of the 1984 Survey.



## Improvement of Efficiency and Productivity in Agriculture

6. This heading takes in three main groups of services - improving the basic factors of production through, for example, grants for improving land and buildings and for training agricultural workers; research, development and advice covering both production and marketing; and co-ordinated action to deal with animal and plant diseases and pests. These services are vital to the efficiency and performance of agriculture, the more so as our industry is essentially composed of small businesses. Such requirements as the breeding of higher yielding and disease-resistant strains of cereals, the eradication of major animal diseases, improving husbandry practices, research into marketing needs and opportunities cannot be effectively tackled by farmers in isolation. Any cut-back in this group of services, which have as a major feature the rapid transmission of new developments in the industry, would weaken the long-term capacity of UK agriculture.

7. If developing needs and opportunities in this area are to be effectively tackled the detailed composition of this block of services will need continuing adjustment. Thus the brucellosis eradication campaign is nearing fulfillment while programmes for eradicating Aujeszky's disease and reinforcing protection against Newcastle disease (the main cost burden of both being borne by the industry) are just starting. Pump priming aid is being given to Food From Britain and for restructuring the orchard industry. Other needs recently identified and now being studied are additional food research as recommended in a recent ACARD report, the encouragement of multi-purpose co-operatives, and the promotion of necessary restructuring of the glasshouse sector. The extra funds needed for these three requirements are likely in total to be modest but essential to maintaining the impetus and effectiveness of this major block of activities.

8. Since R & D, regulatory and advisory services are a major component of this category, administrative resources form an important element of the total expenditure shown. As a result of the manpower economies which are being implemented, the administrative resources available for this category generally are tightly stretched but nevertheless have to respond to frequent new requirements which generally relate to statutory responsibilities or are politically sensitive.



## Support for Special Areas

9. In parts of the United Kingdom, particularly in hilly and mountainous areas, climate, terrain and the poverty of the soil impose severe natural disadvantages. Yet livestock husbandry, along with forestry and tourism, is the mainstay of the rural economy. The choice is between providing special support or allowing these areas to become desolate. The former is the only realistic option. The pressures in such areas must be expected to continue, with consequent implications for public expenditure. In addition substantial areas not included within the present "hill line" have come under the same kind of pressure and there is a strong case for giving them support of a similar nature. A UK application for an extension of our designated areas is currently being scrutinised in Brussels. Some addition to public expenditure would be required to provide support to farming in these newly designated areas.

## Safety and Welfare

10. The main expenditure in this block is on assistance towards capital expenditure on urban flood protection. This area of policy (along with investment in rural flood protection which is included in the previous category) is currently subject to an interdepartmental review. A significant run down of expenditure under this heading has already been provided for following the completion of the Thames Barrier. The food contribution to civil defence, in this category, is another area where savings are already being achieved through selling a substantial part of the food stockpile. The category also includes a wide variety of statutory regulatory work, for example on food standards, meat hygiene, environmental pollution and animal welfare. This is generally a category within which the Ministry is frequently subject to public pressures to increase rather than diminish activity and, following the completion of the Thames Scheme, a roughly stable level of expenditure should be expected.

## Fisheries

11. With the recent successful conclusion of negotiations on a Common Fisheries Policy, the way is open for the industry to undertake a major



Restructuring within the framework of EC measures and to exploit the opportunities which lie ahead. It must clearly be given full support in its recovery from the uncertainty which has beset it for so long. The planned provision for fisheries includes £57 million for restructuring under the Common Fisheries Policy. The implications for expenditure are inevitably a little uncertain at this stage but there is much to be done and if our objectives are to be achieved there cannot be any cut back in the planned resources for supporting and restructuring the industry, for fisheries inspection and protection and for research and development.

### Forestry

12. The Forestry Commission is largely organised as a trading fund and is subject to commercial pressures. The main prospect for savings lie in disposals of land, but very little interest has so far been shown in the estates put on the market. In view of this and the relatively small scale of expenditure it seems right to assume no change.



JUL 27 1955

