



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

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PRIME MINISTER

ALTERNATIVE USES OF AGRICULTURAL LAND AND SOURCES OF RURAL EMPLOYMENT

At my meeting with you and other Ministers on 19 March to discuss a longer term strategy for reforming the Common Agricultural Policy, you summed up by saying that "there was broad agreement that price restraint was an essential element of our strategy for the CAP but that it would not be sufficient in itself to achieve the necessary objectives ... It was also now necessary to look at alternative uses of some agricultural land, in particular possible ideas on "set-aside" and the encouragement of alternative employment in the countryside". You invited me to consolidate proposals on these points into a paper for colleagues.

To do the preparatory work, I established an Interdepartmental Working Party of officials from the Departments most concerned. This has now produced a lengthy report and your officials can let you see this and the Chairman's covering note.

To try to identify the scale of the problem, the Group analysed the possible impact of reductions in surpluses on UK agriculture and the rural economy. The central estimate was a reduction in cereals of some 700,000 hectares (18%) and some 500,000 less (7%) for dairying. Given the normal loss from agriculture to other developments, this could leave some 1 million hectares of 'spare' land. The immediate impact of such a development would be likely to be in the marginal cereals and milk areas, ie the South-West, central and North Eastern England, East and South West Scotland and parts of Wales. Some farmers in these areas would turn to beef and sheep and this would have a knock-on effect, with implications for future levels of support, for farmers in the less favoured areas.

The speed and extent of these changes will of course depend on developments in Brussels which are notoriously difficult to predict. However, the steps which have already been taken by the Council of Ministers to cut surpluses - notably for milk and cereals, necessary as they were - have already caused problems, including cases of economic hardship, in both agriculture and the ancillary industries. Yet more needs to be done. We are tabling UK proposals for a form of 'set-aside' for cereals. We are working for improvements in the beef regime.

The harder we push and the more successful we are in these further discussions, the greater the extent to which we will be criticised for failing to take sufficient care not only of the farming industry, where incomes have been cut back, but also of the rural areas. To counter that we need to be able to demonstrate that we are taking positive action to promote alternative economic activity in the countryside and to safeguard the rural environment.

The key points to emerge from the report are as follows:-

- (a) We do not face an exclusively agricultural problem. The impact of the squeeze on agriculture will have an impact on the whole countryside. This will be particularly serious in the remoter areas which are already suffering from major problems of depopulation and economic decline. This will concern not only those who live and work in the countryside, but the increasing number of city dwellers who take an interest in the welfare of the countryside.
- (b) The Working Party has come up with a wide-ranging list of recommendations. Some of the policies are deliberately aimed at alternative uses of land currently producing surpluses - eg forestry. These would strengthen our hand in attracting support for any tough surplus-cutting policies. However, the basic purpose of the recommendations is the need to sustain the total rural economy and environment at a time of uncertainty and change.
- (c) From amongst the recommendations, I believe that there are three aspects that demand particular attention if we are to respond to current problems in a balanced way (naturally with some flexibility to reflect differing circumstances in different areas). These are:-
- encouragement for a major increase in the planting of trees, particularly on better quality land than hitherto. This would have the maximum effect on surplus production. It can be achieved both by schemes directly to encourage tree production or by voluntary tree production as a result of "set-aside" measures such as we are advocating in Brussels;
 - an increased effort to assist diversification into both agricultural and non-agricultural enterprises so as to sustain employment in the countryside;
 - some relaxation in current planning policies, both specifically in relation to recreation and more generally in relation to industrial and urban development, subject to the general aim of protecting the best quality agricultural land.

Not all these proposals cost money. But it is clear that to make the maximum impact on public opinion, the Government must be seen to be making some additional effort. This will involve new resources rather than just reshuffling existing commitments in order to sustain the rural economy and the rural environment. Some action may be possible in the EC context, but this would take time to negotiate and might well not be what we want for the CAP. National action is necessary and could be cheaper.

Given the problem in defining the extent of the difficulties the UK industries face, the likely dilatoriness of Brussels over further action on surpluses and the range of policies we already have, it could be argued that there is no need for the Government now to intensify its efforts in this way - particularly if this involves increased expenditure. However, this would mean us standing by as farmers' financial problems multiply, as other rural industries get into increasing difficulties and as dereliction

creeps back into the countryside. I do not consider this course to be politically sustainable.

My conclusion is that the government must be seen to be taking a positive stand in support of the rural economy and the environment to mitigate the effects of the cutbacks we must make in agricultural production. Now is a timely moment to do so. I am convinced that we can win support in the rural areas without alienating the conservationist lobbies. Indeed, we can present our policies - in contrast to those of Labour - as reconciling the interests of good conservation with the need to support agriculture and the rural economy.

I have already discussed with you the possibility of issuing a policy document before the end of the year. Attractively presented and realistic about the situation and what needs to be done, I believe we can respond effectively to what the Party wants (as witness the resolution for the Conference). But not if it contains mere platitudes. We need to point to positive measures which we have taken or intend to take to show our concern for the rural economy.

Recommendation

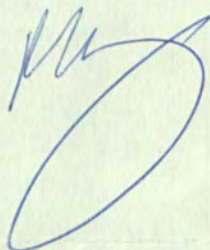
I accordingly recommend colleagues to agree:-

- (i) that there is a need for a positive programme to sustain the rural economy and environment to mitigate the problems associated with tackling CAP surpluses;
- (ii) that this programme should be based on the recommendations in Section IV of the Working Party's Report;
- (iii) that amongst these recommendations, particular attention should be paid to the encouragement of greater planting of trees; diversification both on and off farm; and some relaxation in the planning policies in relation to recreation and the development of agricultural land; and that in addition the Government's intention to maintain support for agriculture in the less-favoured areas should be assured.
- (iv) that such a programme should be announced in a suitable form along with our general approach to the CAP and to the role of the agricultural and food industries in the national economy.

If this is agreed, officials can be instructed to work up urgently the most cost efficient way of implementing these new ideas; and to prepare the draft of a strategy document.

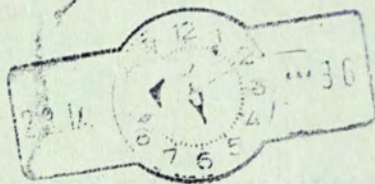
I have discussed this with my agricultural colleagues who agree with my conclusions and recommendations. I have also put some proposals to the Chief Secretary about the financial implications, in the context of this year's Public Expenditure Survey.

Copies of this minute go to the Lord President, the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer, the Secretaries of State for Wales, Northern Ireland, Scotland, Environment, Employment and Trade and Industry, the Chancellor of the Duchy of Lancaster, the Chief Secretary and Sir Robert Armstrong.

A handwritten signature in blue ink, consisting of a stylized 'M' followed by a large, sweeping loop.

M.J.
22 September 1986

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