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MR NORGROVE (10 Downing Street)

Inter-Departmental Working Party on Alternative Uses
of Agricultural Land and Sources of Rural Employment
(ALURE)

I attach a brief for the Prime Minister for the informal meeting of Ministers arranged to follow Cabinet on Thursday 13 November.

I am sending a copy to Sir Robert Armstrong.

D F WILLIAMSON

11 November 1986

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BRIEF FOR THE PRIME MINISTER

INFORMAL MEETING OF MINISTERS: THURSDAY 13 NOVEMBER 1986

Inter-Departmental Working Party on Alternative Uses
of Agricultural Land and Sources of Rural Employment
(ALURE)

Handling and Conclusions

1. You may wish to invite the Minister of Agriculture, Fisheries and Food to introduce his ideas: in his minute of 10 November and the annexed draft synopsis of a policy document he has simplified the proposals in his earlier minute of 22 September. The Chief Secretary, Treasury will want to comment, in view of his minute of 10 November. The Secretary of State for the Environment and the Secretary of State for Trade and Industry have minuted their views and the Paymaster General will wish to comment on behalf of Lord Young. The other Agriculture Ministers will wish to support Mr Jopling and, as the Minister with lead responsibility for forestry, the Secretary of State for Scotland will want to comment particularly on it.

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2. There may be disagreement among Ministers on whether the time is right to publish a strategy document covering all of Mr Jopling's points early in 1987.

3. You may be able to conclude that:

(i) officials should now work rapidly on the elements which might be included in such a strategy document, with a view to a decision when the content (and financial effects) are clear;

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(ii) the document should refer to all areas in which follow-up action is to be taken, including:

(a) building up the basis of a scheme for increased afforestation, with the main emphasis on the development of farm woodlands;

(b) reviewing the planning conditions related to agricultural land; and

(c) bringing together into a coherent scenario all the work at present being done by the various authorities on the possibilities for diversification of use and employment in rural areas with the aim of making sure that the rural community may better know about and take advantage of these facilities;

(iii) it should be made quite clear that the framework for government action in the area is the continuing commitment to effective reform of the CAP and to a major reduction in the cost of agricultural support across the Community as a whole.

Background

4. The report which is to be discussed by Ministers arises out of the commission which you gave to the Minister of Agriculture, Fisheries and Food at a meeting of Ministers on 19 March 1986 "to consolidate proposals on alternative uses for some agricultural land and for the encouragement of alternative employment in the countryside". That meeting had been called to discuss the government's longer term strategy for reforming the operation of the Common Agricultural Policy. There was broad



agreement that price restraint was an essential element of our strategy, but that it would not be sufficient in itself to achieve the necessary objectives; other steps would have to be taken to assist the process of change. Since the meeting Mr Jopling has developed and presented to his colleagues in the Council of Agriculture Ministers his scheme for the conversion of some land from cereal growing ("set-aside"). But there are also the wider issues of the impact of marked reductions in agricultural support on the countryside and the rural economy. These are the issues - for the United Kingdom - that are addressed in the report of the inter-departmental working party.

The report

5. The working party's starting point is the estimate that if the adjustments necessary to bring agricultural production back into balance in the Community are made over the next decade the impact in the United Kingdom will be that some 700,000 hectares less is likely to be needed for cereals and some 500,000 hectares less for dairying. On current trends 200,000 hectares will be lost from agriculture to other developments, so leaving 1m hectares of "spare" land (compared with the total United Kingdom area of crops and grass in 1985 of 18.7 million hectares). The report points out that the immediate impact is likely to be on the marginal cereals and milk areas in the south west, central and north east England, eastern and south west Scotland and parts of Wales; and that farmers at the end of the line - ie those on the poorer land in remoter and less favoured areas (LFAs) - will feel the impact most.

6. Employment in both the agriculture industry and the ancillary industries would be directly affected. Employment in agriculture is predicted to fall by some 50,000 to 100,000 jobs (out of a current 615,000) over



the decade; and the loss in ancillary industries is likely to be at least half as much as that in agriculture.

7. The report acknowledges that the timing of such changes is difficult to predict, since it is so dependent on the pace at which the CAP will be reformed. Moreover, as long as Community incentives to crop and dairy production stay high national incentives for alternative courses will be expensive. If we want to manage change, eg through land conversion schemes ("set-aside") and an extension of afforestation, then that will have to be within the context of Community policies which favour such changes. But the report suggests that there are steps which should and can be taken now when the pressure on farm incomes is already evident but before the signs of real agricultural difficulties appear.

8. The report recommends a mixture of measures. Some will deliberately stimulate change, eg incentives for the expansion of forestry on better land and of farm woodland generally; a doubling of the number of environmentally sensitive areas (ESAs) in which the claims of conservation are given particular encouragement; and the stimulation of alternative rural employment via additional money for the Development Commission and the Tourist Boards. Others will primarily facilitate the process of change, eg some relaxation of the planning requirements which currently give extra protection to agricultural land; the provision of technical know-how on the production of novel crops and livestock production; and a greater awareness of the facilities already available via a range of organisations to help with diversification and development in rural areas.

Mr Jopling's proposals

6. In his minutes to you of 22 September and 10 November Mr Jopling recommends:

(i) that a positive programme, based on the recommendations in the report, should be developed to sustain the rural economy and environment and to mitigate the problems associated with tackling CAP surpluses;

(ii) that particular attention should be paid to the encouragement of greater planting of trees; diversification both on and off farms; and some relaxation in planning policies in relation to recreation and the development of agricultural land;

(iii) that the government's intention to maintain support for agriculture in the less favoured areas should be assured - this is of considerable importance to the Secretary of State for Scotland.

7. In addition Mr Jopling believes that it is highly desirable to present such a programme in a strategy document which would set out the government's general approach to the CAP and to the role of the agriculture and food industries in the national economy. He is concerned that there is a real risk of the government appearing to be without a policy in this important area, particularly as he believes that various other bodies, eg the agricultural NEDO and the Countryside Commission, are about to produce policy statements which will cover very much the same ground. He also takes the view that publication of a strategy document at the beginning of 1987 would allow it to be better received than if publication were delayed into a pre-electoral period. With his minute of 10 November he has circulated a synopsis of the sort of document he has in mind.

Discussion

11. There are major long-term issues here. Even if one is doubtful about the speed at which the Community



will make adequate radical changes to get the CAP under control it is still true that it is the government's policy objective that this should happen. If it does there will be reductions in profitability for both cereal and livestock sector; the number of farmers and agricultural workers leaving farming is likely to increase; there will be a sideways affect on the industries ancillary to and serving farming, and there will be some risk of rural dereliction. Though the farming lobby is not numerically large (providing only 2.6 per cent of total civilian employment) its economic health has particular effect on areas where farming is the main industry and the quality of life in and beauty of the countryside is something in which a great number of people take an interest. But there are two crucial points:

- a. how far should the United Kingdom get ahead of the game by making way for the adjustments unilaterally when to do so would reduce the competitiveness of our own farming sector and yet have no impact on the much more significant levels of production in the rest of the Community. The United Kingdom has about 12.7 per cent of the agricultural production from about 18.5 per cent of the agricultural land in a Community of Ten (these shares are, of course, lower since Spanish and Portuguese accession);
- b. how far the government should actively manage change (eg through the stimulation of forestry and positive conservation measures), how far it should facilitate change, eg through help with diversification and relaxation of planning requirements, or how far it should leave the market to sort out the major consequences of change.

12. On point a. Mr Jopling would claim that his approach involves no more than being in a position to "take sufficient care of the farming industry and the rural areas"

as the major policy adjustments begin to bite and that this justifies a mixed package of measures. Other Ministers' views vary. The Secretary of State for the Environment is sceptical. In his minute of 7 November he doubts the value of putting more money into agriculture; he wants a clearer analysis of the sensitivity of trends here to adjustments in the CAP; and he raises doubts about Mr Jopling's forestry option, asking for a radical review of the current fiscal arrangements. The Secretary of State for Employment believes that it is right for the government to act and to be seen to be acting decisively in this area but wants to minimize subsidy or intervention and sees the main move as being to remove the special protection under our planning arrangements afforded to agricultural land and to rely primarily on green belt policy to restrain undesirable development. The Secretary of State for Trade and Industry's views are similar. The Chief Secretary's doubts are similar to those of Mr Ridley. Moreover, he is against premature announcement of government action and wants to ensure that any measures are cost-effective in national terms. The Secretary of State for Scotland, while welcoming the possibility of an expansion of farm forestry, is concerned about possible conflict in the hills between large-scale forestry and agricultural interests and about the general need to protect the economies of the less favoured areas.

Expenditure

13. Taking steps to promote change inevitably raises issues of expenditure. Mr Jopling has in mind that the rate of new tree planting could be doubled and amount to 400,000 hectares over the decade. A detailed paper by officials attached to his minute of 10 November shows how this target might be achieved and what the costs would be. He also has it particularly in mind that woodlands on farms could be encouraged, accounting for 15,000 hectares a year. Finance to encourage this and to maintain

income during the time the tree crop is growing is estimated at £45m over a five year period. A doubling of the number of environmentally sensitive areas would require additional funds (about £30m over five years) and there is also the suggestion in the report that extra money could usefully be made available for diversification (about £21m over five years) in addition to that provided by the Development Commission and the Tourist Boards. Overall the additional expenditure could develop to something like £155m over 5 years - against which Mr Jopling will make the point that the sort of changes we want to see in the CAP would provide savings to the UK Exchequer of at least this amount and that those savings would be cumulative. The figures in the official paper on woodland are quite impressive; for traditional forestry savings would appreciably exceed costs by the 10th year and for farm woodlands cumulative savings would equal cumulative costs by the 5th year. These schemes do look good. Clearly decisions on expenditure must be made in the context of future PES rounds; but Mr Jopling will press strongly for general clearance both to develop positive measures of afforestation and to announce that this is his intention.

Planning

11. The application of planning controls to agricultural land is a particularly difficult problem. Annex F of the ALURE report sets out a perspective of future policy agreed amongst officials, which the Agriculture Ministers and the Secretary of State for the Environment have generally endorsed. This approach envisages a move from the present position where agricultural land, particularly land of higher quality, receives strong protection on the grounds of its food production potential to a position where this potential should be weighed alongside other desirable and relevant policy objectives, particularly job creation and alternative types of employment in rural areas, in deciding individual planning applications and in allocating land for development. Agricultural

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land would still receive the protection of the planning system but the additional protection would not be given to the current extent. This is a politically sensitive issue. There could be considerable public disquiet if the change were interpreted as a move to give up green areas, particularly around cities. It would be essential, if a policy document such as Mr Jopling has in mind were produced, to make explicit the nature of the change suggested and to undertake first to consult interests concerned.

Other measures

12. There are other less expensive and less contentious measures suggested. The enquiries launched by the Working Party have shown a range of possibilities for alternative forms of production, both crops and livestock, and a range of organisations and schemes which can offer possibilities for diversification in rural areas, particularly to promote recreational uses and to diversify employment. It would be of great value to all concerned with the rural economy if

- a. knowledge of these existing schemes and organisations were pulled together and made generally available;
- b. all the specific organisations were to commit themselves to playing a full part in the process of change; and
- c. in rural areas there were to be a focal point, possibly the Agriculture Development and Advisory Service, to which members of the agriculture and ancillary industries could turn for advice and help. This is a process that could readily be launched without major cost or political implications, with clear benefit to members of rural communities and with some possibility of eliminating duplication and even rivalry.

A strategy document

13. Mr Jopling presents, in his minute of 10 November, his arguments for government publication of a strategy document in a popular form. The judgement whether this will have a favourable impact is essentially political but, in making such a judgement, Ministers may wish to consider -

(a) whether they wish to be committed to an estimate of 1 million hectares of "spare" land over the next decade and to the indication of the regions of the country in which the problems are likely to arise;

(b) whether the action proposed in a strategy document will look sufficiently positive. It looks as if Mr Jopling's discussion with the Chief Secretary on afforestation has advanced well enough for the outline of a package to be visible and publishable. But further work will have to be done by the Department of the Environment and others in order to get some clearer estimate in relation both to land and buildings of the sort of impact that relaxation of planning conditions might have.

Cabinet Office

11 November 1986