



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

From the Minister

The Rt Hon Malcolm Rifkind MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 2AU

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1 week.

REC 14/12

13 December 1988

Dear Secretary of State,

RATING AND FARM DIVERSIFICATION

Will request if required

Thank you for your letter of 2 December seeking agreement to the derating of Scottish farm businesses which receive grant under the Farm Diversification Grant Scheme. I am bound to say that I cannot support this proposal.

Farmers already receive the substantial benefit of derating of their agricultural premises. To add to this by exempting them from rates when they set up a non-agricultural business would introduce a serious distortion into the system and unfair and unjustifiable competitive advantages for farmers' non-agricultural businesses as compared with identical businesses in rural areas not operated by farmers. I do not see how it could be defended to these other businesses. I can see no case for derating a farm machinery repair workshop, for example, when it is on a farm but not when it is sited elsewhere.

I am equally concerned about the proposal to distinguish between beneficiaries under different grant schemes. The Farm Diversification Grant Scheme is not the only Scheme designed to encourage diversified farm businesses. The Rural Development Commission, the Tourist Boards and others are active in this area in England and Wales while in Scotland there are HIDB programmes and the prospect of objective 5B assistance. In drawing up the FDGS I was very conscious of the need to tailor it to fit in with other programmes and to offer incentives which did not exceed those which other agencies could provide. I could not now agree to upsetting that balance by offering a significant and continuing addition to the benefits available under the FDGS.

/Nor do I see...

Nor do I see good grounds for justifying differential treatment on this point between farmers in Scotland and elsewhere. If derating were applied in Scotland, this would be bound to create unwelcome pressure for its extension to England, which I would then have to resist.

/ I am copying this letter to the Prime Minister and to Nicholas Ridley (who may also want to comment), Peter Walker, Tom King and John Major.

Your sincerely,

S. J. Lambert

pp JOHN MacGREGOR

Approved by the Minister
and signed in his absence

