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Chancellor of the Duchy of Lancaster

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PRIME MINISTER

THE CONSEQUENCES OF PRICE RESTRAINT FOR BRITISH AGRICULTURE

I have read with great interest Michael Jopling's minute of 30 September and the paper which he attached. I should welcome the opportunity to be involved in any discussions arising from this.

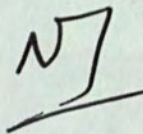
Michael's paper speaks of the extent of the difficulties in rural areas consequent on price reductions. I agree that these should be not under-estimated, nor the limitations of direct measures by Government to ameliorate the effects. But the economic benefits to be won by establishing a more real market in agricultural produce are very substantial and will themselves bring major political benefits through lower food prices, reduced surpluses of agricultural produce and a transparently more rational approach in the Community.

I believe that we should also look beyond the experience of the agricultural departments for countervailing measures to offset the changes foreseen. Wider economic movements, such as the urban-rural shift of manufacturing units, will bring benefits to the rural economies, and combined with support measures for the tourism and leisure industry in these areas could take up much of the labour resources freed in these areas, and sustain the service economy. In this, as in other areas of industry, we should not shrink from allowing the market to release resources which are currently under-utilized, just because we cannot see the ways in which the resources will be re-deployed. Our task should be to ensure that the transition is not an unreasonably difficult or painful one, and to introduce special support where there is a wider public interest in keeping land for particular use, be it for conservation or to continue in a less economically advantageous agricultural use.

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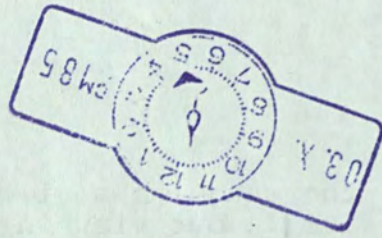
I do not wish to seem to take too sanguine a view; but I believe that we, at least, should be firm in our view in the Community that we should work for lower agricultural prices. Some of the benefit in lower costs of the CAP could be used to cushion the impact of the changes which Michael foresees in the rural areas.

I am copying this to Willie Whitelaw, Geoffrey Howe, Nigel Lawson, George Younger, Nick Edwards, Tom King, Michael Jopling, and to Sir Robert Armstrong.



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