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24/6.**CONFIDENTIAL**

The Rt Hon Kenneth Baker MP
Secretary of State for the Environment
2 Marsham Street
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24 April 1986

You wrote to me on 18 March about the consequences in the countryside of possible changes in agricultural support. You have also had a comment on the same subject from David Young in his letter of 4 April. I have been giving some thought as to how we might carry these matters forward.

It is relevant that, since you wrote your letter but before I had received it, the Prime Minister held a meeting to discuss our longer term strategy for reforming the operation of the Common Agricultural Policy. A note of that meeting appears in the Prime Minister's Private Secretary's letter of 19 March which I am circulating with this letter to those who have not already seen it. As you will see, the Prime Minister asked me to prepare a paper consolidating proposals on alternative uses for some agricultural land as well as the encouragement of alternative employment in the countryside.

In the second place, the Commission has now presented to the Agriculture Council a series of proposals. They include a pre-pension scheme for farmers over 55, schemes to encourage young farmers, amendments to the existing Less Favoured Area provisions, a development, of the environmentally sensitive area proposals and other measures relating to forestry, marketing, training and research and development. Clearly we shall need to consider these proposals. To the extent that they move in directions which we would find attractive here, it will be sensible for us to incorporate them into our own thinking. Indeed, it will be important to ensure that we neither put our own producers at a competitive disadvantage nor find ourselves carrying the burden of adjustment on behalf of the rest of the Community.

There are of course a number of inter-woven strands. We have been doing much work on possible set-aside schemes for taking land out of cereals production, and a paper on this subject has been circulated at official level. In addition the Forestry Commission and we have been working on the role of afforestation and farm woodlands for land no longer required for agriculture; and similarly work

is going on on alternative crops of agricultural commodities not in surplus. There is also the implementation of the concept of "environmentally sensitive areas" contained in the Agriculture Bill. The impact on rural employment which all this might have must be considered, together with the encouragement both of diversification of on-farm employment and of alternative employment in rural areas.

Some of this work will have to proceed on the basis of timetables already laid down or the exigencies of the Brussels machine. But it clearly would be useful for us to have an overview as envisaged at the Prime Minister's meeting. What I intend to do, therefore, is to ask Ted Smith, one of our Deputy Secretaries here, to chair a working party which will proceed on the basis of the paper which the Prime Minister has called for. I envisage including in the working party representatives of the other Agricultural and Forestry Departments, the Treasury, your own Department and the Department of Employment. Mr Smith will be in touch with the appropriate officials as soon as possible. He will aim to complete a report which we can then consider by the end of July.

I do not think it would be right, as David Young has suggested, for us to say anything in public at this stage. Quite apart from the obvious Treasury objection to any indications which might have public expenditure consequences, we really do not know what is likely to emerge from Brussels which would have a bearing not only on the extent of future changes in land use, but also on what Community measures might be available.

I am copying this letter to the Prime Minister, David Young, Malcolm Rifkind, Nicholas Edwards, John MacGregor and Sir Robert Armstrong.

MICHAEL JOPLING
(Approved by the Minister
and signed in his absence)