



CONFIDENTIAL

Prime Minister

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**ALTERNATIVE USES OF AGRICULTURAL LAND
AND SOURCES OF RURAL EMPLOYMENT**

As Michael Jopling has indicated in his minute to you of 22 September, he has discussed and agreed with his agricultural colleagues his conclusions on the working party's report and his recommendations for follow up action. In particular I agree that we should demonstrate our concern to ensure that the rural economy will be sustained in the face of the range of measures which may be required to deal with the problem of agricultural surpluses.

Two issues stand out as being of particular importance from the Scottish point of view. Any move into beef and sheep by farmers in marginal areas who are forced out of cereals and milk production by measures to cut surpluses will inevitably have severe knock-on effects. These effects will be felt most keenly in the less-favoured areas where the rural economy is already precariously balanced. It is, therefore, of the utmost importance that there should be no doubt about our intention to continue to provide adequate support for agriculture in these areas.

The diversion of land from agricultural production into forestry is the other issue which has a particularly Scottish dimension. Already the proportion of the land area of Scotland devoted to forestry is greater than that of any other country of the UK and some 90% of new planting is currently being undertaken north of the border. There is clearly scope for an expansion of farm forestry and we must follow this up. At the same time increasing interest in trees as an alternative to crops in surplus may well encourage forestry interests to step up pressure for the planting of better quality hill land, agricultural employment on which is

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so important to the underpinning of the rural economy. Thus I expect that I shall, as lead Forestry Minister, have to make some difficult judgements in this area.

I would welcome the opportunity to take part with colleagues in any discussion of Michael Jopling's proposals which may be arranged. Likewise, my officials will be ready to participate in the preparation of proposals for taking the matter forward.

I am copying this minute to the Minister of Agriculture, 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, the Environment, Employment and Trade and Industry, the Chancellor of the Duchy of Lancaster, the Chief Secretary and Sir Robert Armstrong.

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2 October 1986

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