

SUBJECT  
cc MASTER.

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b.c. B.G. JAZAGB



10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

13 November 1986

Dear Ivan,

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

The Prime Minister held a meeting of Ministers today to discuss the report of an inter-departmental working group of officials submitted by the Minister of Agriculture, Fisheries and Food to the Prime Minister on 26 September 1986. There were present the Lord President of the Council, the Foreign and Commonwealth Secretary, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Northern Ireland, the Minister of Agriculture, Fisheries and Food, the Secretary of State for the Environment, the Chief Secretary to the Treasury, the Secretary of State for Scotland, the Secretary of State for Trade and Industry, and Mr. Waldegrave (Minister of State, Department of the Environment and Mr. Lee (Under Secretary of State, Department of Employment). Mr Williamson and Mr. Holroyd (Cabinet Office) were also present.

The Secretary of State for Agriculture said that over the next few years the agricultural industry would face great difficulties arising from reform of the CAP. A reduction in the profitability of agriculture would have a damaging effect on the whole rural economy. Farmers were realistic about the need for change but they had no confidence that the government had a policy for offsetting some of its damaging effects. Up to 1m hectares of agricultural land could go out of production over the next 10 years and it could not be allowed to become derelict. The report he had presented made proposals for developing alternative uses of land and alternative economic activity in rural areas and ways in which this could be brought about. Nearly all the measures suggested were of a pump-priming nature and though there would be an initial cost there was every prospect that, with the development of savings in the cost of the CAP, there could be a clear net financial benefit within 10 years. The government should encourage forestry, diversification of enterprises and the relaxation of planning provisions relating to agricultural land, while continuing to protect the rural environment. It was also most important that the government should make its policy clear. He sought agreement of his colleagues both to the measures in the report and to the publication of a policy document early in 1987.

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The Chief Secretary, making it clear that he fully understood the problems highlighted by Mr. Jopling said there was a real risk that the savings predicated in the inter-departmental report would not be achieved. The additional expenditure recommended would then be a net addition to government expenditure on the support of agriculture. Savings from the CAP had to parallel the additional expenditure and only a small proportion of those should be used for the measures proposed. In particular, since industries other than agriculture did not get incentives for diversification in rural areas, any additional expenditure for this proposed by the Agriculture Departments should be found from within their existing PES provision. While he recognised the desirability of presenting a government policy document he was concerned about timing especially if, as the Secretary of State for Environment had proposed and he supported, a fundamental review was to be carried out of government assistance to forestry.

In discussion the following points were made.

- i. The fact that £60m would be spent in 1989/90 on the Forestry Commission, including the state forestry enterprise and grants to private woodland owners, and the existence of concessional tax arrangements which encouraged private planting for non-agricultural reasons suggested that a thorough review would be justified. On the other hand, government policy on forestry had been reviewed in 1980 and the Commission were now pursuing a programme which would substantially reduce the net cost of their operations. It was not clear that a comprehensive review could be carried out quickly enough for its results to appear in a policy document in early 1987. Nonetheless it was important that the government should ensure that it was getting value for money both from the direct support to forestry in the United Kingdom and through tax concessions to private woodland owners and that it was not simply perpetuating arrangements which had outlived their usefulness.
- ii. There was a need to establish more clearly which land was likely to go out of production and which would be appropriate for afforestation. The measures proposed by the Secretary of State for Agriculture were targetted towards the marginal areas and costed on that basis.
- iii. Any action should not be too narrowly focussed on alternative forms of agricultural production. Non-agricultural enterprises could also play a useful role in the countryside. The benefits of the help the government had already given to small enterprises, including forestry, should not be underestimated. The number of jobs in some rural areas, for example mid-Wales, had increased over the past decade.
- iv. It would be important to avoid conflict or overlap between the agencies concerned in promoting rural economy

for instance the Development Commission, the Agriculture Development and Advisory Service and the Manpower Services Commission.

- v. If tourism and other non-agricultural enterprises in rural areas were to be encouraged it would be worth reviewing the relevant tax arrangements, for example those which apply to the provision of accommodation on farms.
- vi. The proposals relied too heavily on government action. Private enterprise and private capital should play the major role wherever possible.
- vii. There was a general welcome for changes in the planning arrangements for agricultural land on the lines suggested in the Report. The emphasis on giving additional protection to agricultural land in the interests of food production and the dominant role of the Ministry of Agriculture, Fisheries and Food in operating this were now less and less appropriate. Changes could be made while still giving firm protection to the rural environment. It would in particular be right and necessary to keep full protection of agricultural land within the green belt. Even within the more sensitive areas it would be important to ensure that local authorities were less obstructive in agreeing to alternative uses for derelict agricultural buildings. Whether particular help should be given for the development of more golf courses would need to be studied further.

The Prime Minister, summing up, said that, while she recognised the reality of the concerns that lay behind the Report, there were still major areas where further work was needed. In particular it would be important to establish -

- a. what degree of relaxation of planning controls over the use of agricultural land would be desirable within a general aim of protecting the rural environment and how the changes could be best adapted to the needs of different parts of the country;
- b. which programmes for diversification of economic activity in rural areas should be pursued, which bodies would be involved in doing so and how their efforts could be coordinated or their tasks rearranged to avoid waste and duplication.
- c. what scope there was for deploying the resources devoted to the support of forestry in the United Kingdom to give better value for money, including the possibility of promoting acceptable forms of afforestation on farms.

Officials should urgently prepare papers on these three main aspects and submit them for further discussion by Ministers within a timetable which would allow the government to decide whether it wished to publish a policy document

before the end of January 1987. It must be quite clear that no action proposed by the government should encourage a faster pace of change in the United Kingdom than in the rest of the Community or reduce the competitiveness of British agriculture vis a vis the rest of the Community. Extra expenditure on support for rural areas would need to run in parallel with savings in expenditure on the CAP.

I am sending copies of this letter to Joan MacNaughton (Lord President's Office), Colin Budd (Foreign and Commonwealth Office), Colin Williams (Welsh Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Neil Ward (Northern Ireland Office), Robin Young (Department of the Environment), Jill Rutter (Chief Secretary's Office), Robert Gordon (Scottish Office), Michael Gilbertson (Department of Trade and Industry), John Turner (Department of Employment), Helen Ghosh (Minister of State's Office, Department of the Environment), Alison Lys (Department of Employment), Mr. Williamson and Mr Holroyd (Cabinet Office).

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(DAVID NORRGROVE)

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Ministry of Agriculture, Fisheries and Food.