MARGINAL LAND

MEMORANDUM BY THE HOME SECRETARY, THE MINISTER OF AGRICULTURE AND FISHERIES AND THE SECRETARY OF STATE FOR SCOTLAND

1. We were invited by the Cabinet, at their meeting on 9th March, 1950 (C.M. (50) 9th Conclusions, Minute 2 (2)), to submit our proposals for the development of marginal land, including any proposals regarding the supply of fertilisers. Proposals on the latter subject were dealt with in our report on the farm price review discussions with the Farmers' Unions (C.P. (50) 45), and we now submit for the consideration of our colleagues the conclusions which we have reached with regard to the treatment of marginal land.

2. This problem has been fully examined by a working party of officials during the past few months and by the Panel on Import Substitution. Their reports have been considered by the Agricultural Output Committee (comprising officials of the Agriculture Departments, the Treasury, the Ministry of Food, the Central Economic Planning Staff and the Economic Section of the Cabinet Office), whose report is annexed. This report is summarised below, but we suggest to our colleagues that it is very desirable to read the report itself if the size and complexity of the subject is to be fully appreciated.

3. The report points out that, apart from land covered by the Hill Farming Act, 1946, there are some 3½ to 4 million acres in the upland areas of the United Kingdom, the productivity of which could be materially increased by long-term improvement schemes similar to those already provided for hill land under the Hill Farming Act. In addition there are a number of much smaller areas spread about the country and covering some 500,000 acres in all, which could with advantage be much improved and which, if improved, would contribute to the more economical farming of the surrounding areas.

4. The Agricultural Output Committee recognise that it would take a considerable time to deal with all land that is capable of improvement, particularly if we are to rely on voluntary means, and bearing in mind that many landowners would be unable, or unwilling, to find their share of the cost, even if substantial Government grants were made available. Furthermore, the Committee consider that it is necessary to have regard to our general capital investment programme as well as to the extent of our need for more home-produced meat.

5. With these considerations in mind the Committee have put forward the following recommendations, which we fully endorse—

   (i) that a sum of £10 millions should be provided over the 5 years 1951 to 1956 for 50 per cent. grants towards the cost of voluntary schemes for improving marginal land in upland areas;
   (ii) that a sum of £5 millions should be provided over the same period for the extension of the facilities already available for the improvement of hill land under the Hill Farming Act, 1946;
   (iii) that an additional £2 millions should be made available, if necessary, for the purposes of (i) and (ii) above, subject to the approval of the Treasury and of Parliament;
   (iv) that a further sum of about £4 millions should be provided for continuing the marginal production schemes from 1953 to 1956, provision having already been made under the recent price review settlement for increased outlay at the rate of £1 - 2 million per year for the three years up to 1952;
   (v) the subsidy schemes for hill sheep and hill cattle should be extended for a further 5 years until 1956 at an estimated total cost of £11 millions.
These developments would require the employment of rather over 200 extra staff in all for the United Kingdom.

6. In our view it is essential, both from the political and from the sociological aspect, that we should undertake specific measures for the development of marginal land in this country. On the political side we would remind our colleagues that all the three major Parties advocated in their Election Manifestos measures for increasing production from marginal land, and The King’s Speech at the opening of the present Parliament includes the following phrase:—

“The economic difficulties of this country have emphasised the need for renewed effort to expand the production of food from our own soil, and My Government will continue to take all practical steps to encourage our agricultural population to increase output by every efficient means and to make better use of marginal land.”

We should undoubtedly be vulnerable to severe criticism if we were to continue to spend substantial sums on various projects for the development of resources overseas (some of them with considerable uncertainty as to the ultimate return), and do not stimulate similar development of the resources of the United Kingdom where the return is more certain, is entirely under our own control, and enures fully to our own benefit.

7. The economic condition of farmers in marginal areas, notably in Scotland and Wales, is reflected in the community life and amenities of such districts. Where the farmer finds it necessary to cut down his costs of production and to be content with a lower standard of life, there is corresponding depression among other members of these rural communities, who gradually move away from such areas, with the result that in many marginal areas of Wales there is now an acute shortage of bricklayers, carpenters and similar tradesmen. We understand that the Advisory Council for Wales have expressed considerable concern on this matter, and consider that, purely on sociological grounds, active measures are desirable to increase the productivity of marginal land.

8. We commend these proposals to our colleagues as a wise development of latent agricultural resources, as an insurance against loss or diminution of overseas supplies of meat, and as a contribution towards the improvement of social conditions in the countryside.

J. C. E.

T. W.

H. McN.

23rd June, 1950.
PRODUCTION FROM MARGINAL LAND IN THE UNITED KINGDOM

REPORT BY THE AGRICULTURAL OUTPUT COMMITTEE

1. The Agricultural Output Committee have considered how effect could best be given to the Government's decision to promote the better utilisation of marginal land announced in the King's Speech in the following terms:— "My Government will continue to take all practical steps to encourage our agricultural population to increase output by every efficient means and to make better use of marginal land." The Committee have also reviewed the operation of the Hill Farming Act, 1946, the main provisions of which are due to expire in November 1951.

2. As a first step the Agriculture Departments set up a working party under the chairmanship of Sir Patrick Laird (Secretary, Department of Agriculture for Scotland), to investigate the possibility and cost of expanding home meat production by the development and improvement of marginal and hill land. Apart from officials of the Agriculture Departments the working party included two distinguished scientists, Professor W. Ellison, B.Sc., Ph.D., of the University College of Wales and Dr. F. Yates, Sc.D., F.R.S., of the Rothamsted Experimental Station. The recommendations of the working party are summarised in paragraphs 3 to 14 of this Report.

RECOMMENDATIONS OF WORKING PARTY

3. The term "marginal land" is often loosely used and estimates of the area of this land in the United Kingdom vary to a correspondingly wide extent. The working party considered that probably the most practical definition is that it is land which is best suited to be used mainly for the breeding or rearing of cattle or sheep and which is not suited to be used to any material extent for the production of milk, fatstock or crops for sale. This definition would cover most of the hill and upland grazing land in the country, including land classified as "hill farming land" for the purposes of the Hill Farming Act. The significant fact about such land is that for years it has been under-farmed and under-capitalised, largely because of the uncertainty of the economic outlook and the lack of capital to carry out improvements. As those farming on this land produce few end products, they benefit only indirectly and partially from the guaranteed prices and assured markets which apply to the products of other farmers. Not all of this land is capable of being improved at reasonable cost but, excluding land coming within the scope of the Hill Farming Act, there are probably in the United Kingdom some 3½-4 million acres whose productivity could be materially increased by suitable improvements.

4. Apart from these main areas of marginal land there are throughout the country pockets or stretches of land of varying size, situation or character which by reclamation or improvement could show a marked increase in production. Examples are to be found in the Fens, among the light sandy soils of Nottingham and the East Riding of Yorkshire, and in river meadows and marshes. There are probably about 500,000 acres of this land in the United Kingdom.

5. Financial assistance for the improvement of production from marginal land has hitherto been derived from funds available under the Hill Farming Act, the marginal agricultural production schemes and certain other ad hoc grants such as those for land drainage, water supply, and the application of lime. Grants under the Hill Farming Act of 50 per cent. of approved cost are available for comprehensive rehabilitation schemes designed to restore farms to a sound economic state; they are limited, however, to hill sheep farms. Assistance under the marginal agricultural production schemes is mainly in respect of short-term improvements, such as manuring and reseeding, which have a comparatively early effect upon production. Assistance under these latter schemes is mainly a policy of giving support to units which are for the time being uneconomic. Their productivity can be increased and this assistance is not necessarily connected with the quality of the land. The improvement provisions of the Hill Farming Act expire in November 1951, after which no further schemes may be accepted, while the marginal agricultural production schemes are due to come to an end in 1952-3.
6. During the past year attention has been focussed in various ways upon the possibility of obtaining increased supplies of meat from marginal land. There have been debates and questions on the subject in both Houses of Parliament. Surveys of areas of marginal land have been carried out by and on behalf of the Agriculture Departments. Papers on marginal land improvement have been read by prominent agricultural scientists and the National Farmers' Unions have recorded in memoranda the results of their special investigations into the problem. The working party found that there is general agreement that, if farms in the main areas of marginal land are to support increased numbers of stock, long-term schemes of rehabilitation would be needed similar to those promoted under the Hill Farming Act. Not only should the land be improved by the application of fertilisers, fencing, drainage and reseeding, but to secure the maximum output other more permanent improvements would be needed, such as the provision or improvement of housing, farm buildings, roads, water and electricity supply, some of which would be social in character and designed to secure and maintain a proper balance of rural life.

7. The working party considered estimates of costs and returns for marginal land so improved based on surveys carried out in England and Wales by the Import Substitution Panel of the Committee on Industrial Productivity and in Scotland by technical officers of the Department of Agriculture. As mentioned in paragraph 3, these surveys suggest that there may be some 3½ to 4 million acres in the United Kingdom that are capable of improvement, but the working party's view is that, even with the aid of a 50 per cent. grant, improvement schemes are hardly likely to be promoted within an 8-year period for more than about 2½ million acres. Even with the help of surveys, there is not sufficient evidence to enable exact financial estimates to be made of either the cost of or the returns from improvement schemes, but such evidence as is available suggests that, assuming that in fact 2½ million acres were improved, this area might be expected to produce each year about 265,000 extra store cattle (or the equivalent in store sheep) which, when fattened on lowland farms, would yield an annual increase in production of about 90,000 tons of carcass meat of high quality. The capital cost of full rehabilitation schemes would average about £30 per acre at current prices, but since full rehabilitation would not be provided by all schemes, the average would be somewhat lower. Of this cost about one-third would be for improvements to the land itself (cultivations, seeds, lime, fertilisers, fencing and drainage), while the remaining two-thirds would be for buildings (including farmhouses and cottages), installation of water and electricity supplies, construction of farm roads and the planting of shelter belts. After meeting annual depreciation and maintenance costs of the improvements the additional output of store cattle (valued at current prices and excluding hill cattle subsidy) might be expected to yield an average net return of about 4 per cent. of the total capital investment, assuming that the area involved did not exceed 2½ million acres. The bulk of the capital expenditure would be incurred by the landowner, but the increased return would accrue in the first place to the farmer, who would only share it with the landowner in so far as rents increased.

8. On the assumption that there is a continuing need for increased and better quality supplies of home-produced beef and mutton, which in turn will depend very largely on improved supplies of store cattle and sheep from the hill and marginal land of the country, the working party considered that a good case existed for the provision of financial assistance for long-term rehabilitation schemes for marginal land in the main hill and upland areas. They thought that the simplest and most satisfactory way of providing for this would be to amend and extend the Hill Farming Act to enable improvement grants of 50 per cent. of the approved cost to be paid for work done under comprehensive schemes on marginal land as defined in paragraph 3. This arrangement would have the further advantage that it would at the same time enable the assistance at present available for hill farming land, properly so called, to be continued. The improvement provisions of the Act have run two-thirds of their course. Although for several reasons this part of the Act got off to a slow start, substantial progress has recently been made, and of the £4 millions at present available for grant some £3½ millions have been already earmarked. Proposals for improvement schemes are still coming in at a steady rate, and it seems reasonably certain, therefore, that there will be a strong case not only for the additional £1 million which can be made available under the Act as it stands, but for an extension of the Act for a further period with the provision of additional funds if the very desirable improvement of hill farms now going on is not to be brought to a standstill.
9. The working party therefore recommended that legislation be promoted to amend and extend the Hill Farming Act to embody the proposed policy for the improvement of the main areas of marginal land as well as to provide for the continuance of hill farming land improvement schemes. This would of course imply the continuance of the voluntary principle which was embodied in the Hill Farming Act as an experimental measure. Landowners and hill farmers have on the whole not been backward in submitting schemes and it therefore seems undesirable to substitute compulsion for the voluntary principle, particularly at a time when the scope of the Act would be broadened to make assisted schemes available for a large number of hitherto ineligible farms. Moreover, where the standard of farming or of estate management is unsatisfactory the powers of supervision and dispossession under Part II of the Agriculture Act, 1947, can be invoked. The working party considered also that the period of extension of the Act might be for eight years. This would give time for some schemes to be completed and by their example to encourage other farmers and landowners to submit schemes; it would at the same time give confidence in the continuity of the policy of promoting the increased productivity of marginal land.

10. The working party pointed out that some holdings coming within their definition of marginal land would be units which are not now economic and would be unlikely to become so even after a comprehensive scheme of improvement. They considered that public money should not be spent in assisting private owners to rehabilitate farms of this type; assistance for full rehabilitation schemes should only be given for units which are, or are likely to become, economic. The Hill Farming Act already provides that the cost of the improvement work required for making any of the improvements must not be excessive in relation to the benefit to be derived from them. It is the practice of Departments before approving schemes to make a preliminary economic appraisal to see that this condition will be satisfied. In England and Wales the County Agricultural Executive Committees and the Agricultural Land Service consider schemes in relation to the expected maintenance of, and increase in, productivity, and only if they consider that the schemes will be economic propositions do they recommend approval. A criterion often applied is whether the increased stocking of the land would enable an economic rent to be paid on the capital invested. In Scotland the Department usually only approve schemes where the increase in output is such as to meet: the annual depreciation and maintenance costs of the improvement, together with interest on capital of at least 4 per cent., which on the basis of a 50 per cent. grant is equivalent to at least 4 per cent. for the farmers' capital. Schemes have to be comprehensive, i.e., they have to contain all the work necessary to put the farms into proper working order. This means that sometimes, for instance, where a number of farms are served by a single private access road or water supply, the scheme has to cover several holdings. There should be no difficulty in applying these general principles to the assessment of improvement schemes for marginal land to ensure that full rehabilitation schemes are approved only for units which are economic or are likely to become so.

11. The working party considered, however, that, while many of the uneconomic units should not become the subject of full rehabilitation improvement schemes, it would be possible to increase their output appreciably by the expenditure of a reasonable amount of money on short-term improvements, such as direct improvements to the land and the provision of temporary cattle shelters for wintering. They thought that if the need for an increase in the output of homegrown meat is such as to require the full use of this land then it might be desirable to approve schemes of this strictly limited kind, which should rank for 50 per cent. grant. Although these limited schemes would of course be of a short-term nature only, yet the assistance provided might be well worth while in relation to the returns obtained. It would also prevent many of these farms from going out of production, as they are likely to do unless assistance is forthcoming, and would enable them to make their proper contribution to the nation's meat supplies, while the problem of their permanent future was being further studied.

12. The further consideration of the problem of the permanent future of these holdings which cannot be made economic by means available to the private landowner or occupier, particularly where the holdings occur in groups or areas, seemed to the working party to be a suitable task for the Agricultural Land Commission in England and Wales and for technical officers of the Department and of the Agricultural Colleges in Scotland in accordance with the agricultural policy already
laid down by the Government in the Agriculture Acts. Indeed, they thought that
the problem of obtaining full production from some marginal areas goes beyond a
reorganisation of estate management and farming practice and involves the social
problem of resettlement and redevelopment with a complete reorganisation of social
services and amenities. They considered that one or two pilot schemes might well
be carried out in establishing rural development areas for marginal land on the
broad principles of the Distribution of Industry Act, 1945. This would probably
involve the acquisition of the land by the State. They also emphasised that in
their view no real increase in production from some marginal areas, particularly in
Wales, would be possible until the public roads there were put into a good state of
repair. They did not consider this to be a fit subject for financial assistance under
an amended Hill Farming Act, but recommended, as a matter of special urgency,
joint examination of the problem by the Agriculture Departments and the Ministry
of Transport.

13. The working party recognised that the total cost of carrying out the
improvement schemes suggested would vary greatly according to the extent to
which farmers took advantage of the facilities provided and according to the actual
cost of doing the work. As stated in paragraph 7, they estimated that not more
than 2-2½ million acres would be covered by schemes submitted within the proposed
term of eight years and they put the average cost per acre at about £30. They con­sidered that if schemes covering this area of land were submitted the total cost of
carrying them out would therefore vary between £50 and £60 millions, representing
a cost to the Exchequer of £25–£30 millions for a 50 per cent. grant. In addition
to this a further sum would have to be provided to enable grants to be continued
for schemes for hill farming land for the reasons already stated in paragraph 8
above; for this they suggested £5 millions. They thought that provision should be
made for a reserve of a further £5 millions to be made available by Order subject
to the approval of the Treasury and Parliament. They pointed out, however, that
even if these estimates were realised the actual cost to the Exchequer would be
somewhat lower since much of the work done under the schemes would consist of
improvements, such as liming, land drainage and water supplies, already able to
attract Government grant under other arrangements. In so far as this work was
done and paid for under a marginal or hill land improvement scheme a saving
would be effected in the cost of these other grants so long as they continue.

14. In paragraph 4 reference was made to the existence outside the main
marginal land areas of some 500,000 acres of land of marginal type occurring for the
most part in pockets or patches, sometimes as an odd field or two on an otherwise
normal agricultural holding. In the view of the working party this land is well
worth reclaiming, as it is capable of a marked increase in production, but to the
private individual the cost is prohibitive. Much of it is land which, once reclaimed,
would be as good as the agricultural land around it. The improvements required
are mainly short-term in character (such as manuring, reseeding and in certain
districts claying and marling); but in some parts of the country longer-term works
such as the planting of shelter belts, the improvement of farm roads and drainage
are needed before worthwhile results are obtainable. The present marginal agri­
cultural production schemes already make provision for most of these purposes,
but their scope would need to be extended to cover the few additional long-term
improvements and they would have to be continued for several years ahead instead
of coming to an end in 1952-53. The working party recommended, therefore, that
assistance under the marginal agricultural production schemes should be continued
with the widened scope indicated up to the year 1955–56, and then be subject to
further review. They also considered that assistance under the schemes should be
made available to landowners as well as to occupiers. The Government are already
committed to the expenditure of nearly £4 millions up to 1952–53 under the exten­
sions agreed at the recent price review, and the working party considered that the
cost of this further extension would be approximately £5 millions.

VIEWS AND RECOMMENDATIONS OF AGRICULTURAL OUTPUT COMMITTEE

15. The Agricultural Output Committee have considered the working party's
conclusions and recommendations. In doing so they have had regard to various
factors, outside the scope of the working party's study, such as the country's
capital investment programme, and recent estimates, which have only just become
available, of the prospective long-term supply and demand position for meat.
16. The recent review of the capital investment programme has shown that for some years ahead severe restrictions on investment are likely to be required. The programme of marginal land development contemplated by the working party would imply an investment of some £10 millions a year from public and private funds for eight years. This investment might be expected to yield an average net return of about 4 per cent related to 2–2½ million acres (see paragraph 7 above). Current limitations require that most new investment to-day, at least in industries other than agriculture, shall be expected to yield a much higher return than this if it is to be judged on a commercial basis. On the other hand, historically investment in permanent improvements in agriculture has not normally been expected to yield so high a return as investment in other industries. Half the cost of this marginal land development would fall on the Exchequer; there would therefore be a small but direct Budgetary strain. The Committee are agreed that in present circumstances the case for giving Government grants on the scale suggested by the working party, which would divert savings, public and private, to an investment which offers the prospects of earning a yield of the order contemplated, although continued over a relatively long period, must rest on other than economic grounds, such as those of national security, social desirability or physical need. There may, however, well be a smaller area of marginal land capable of yielding a return considerably above the average, where investment might be justified on economic grounds, but might nevertheless not be undertaken privately without assistance.

17. As regards physical need, the results of the most recent Ministry of Food survey of the prospective future supplies of and demand for meat indicate that against a gap of 150,000 to 300,000 tons between present consumption and potential demand, increased supplies of something between 200,000 to 300,000 tons might be expected without taking into account any further development of marginal lands. These estimates are, however, necessarily subject to wide margins of error. Those for potential demand are based on a recent survey made among retail butchers. This indicated that if prices and quality remained unchanged the average value of rationed meat required to satisfy consumers would be at a level of 1s. 8½d. per head per week; while if prices remain unchanged but a free choice of quality were permitted the level might rise to 1s. 9½d. This estimate is well below the earlier estimate of 2s. 2d. and the reduced demand for meat is probably in part a reflection of the increased pressure on personal incomes and in part due to the improved supplies of other foods.* The estimates of future supplies take into account a fairly optimistic estimate of an increase of 100,000 tons of carcase meat per annum in the supplies from the Argentine, Brazil and the southern Members of the Common­wealth as well as increases in the production of meat at home as a result of the agricultural expansion programme, the targets for which in beef, veal, mutton and lamb seem almost certain to be realised.

18. In their consideration of the general problem of marginal land improvement the Agricultural Output Committee have borne in mind both the wide margins of error contained in these estimates of future supply and demand and the uncertainty of supply from some countries abroad, e.g., the Argentine. They have also had regard to the working party’s conclusion that, if assistance of the kind recommended is not made available for marginal land, then not only can no increase in production from this land be expected but an actual decrease will almost certainly result as the farms become less efficient or even go out of production through lack of capital for maintaining fertility and making improvements designed to make it worth while to keep them going. As the working party emphasised, there is need for assistance in many marginal areas on social grounds alone, for without the provision of reasonable amenities the already sparse population is bound to decline still further. (It is understood that the Welsh Advisory Council is about to submit a report on the social need for Government assistance in marginal land areas in Wales). There is also the need on security grounds for developing home meat production in such a way as would most reduce our dependence on overseas supplies in time of war.

* The Treasury, Central Economic Planning Staff, Economic Section and the Ministry of Food point out that the demand for meat is at present stimulated by a subsidy amounting to about £35 millions on carcase meat. They argue that if the subsidy were removed or substantially reduced, it might well be possible to satisfy demand with little or no increase in the present level of supplies. These Departments further infer that there must be a substantial risk that the extra meat, which would be produced as a result of marginal land development, could not be sold at present prices.
19. These various considerations have led the Agricultural Output Committee to conclude that the working party's recommendations are in principle sound and well conceived. In view, however, of the investment considerations and since the need for extra meat is not now considered by the Ministry of Food to be so urgent or so great as had hitherto been thought, the Committee consider that a more modest and cautious approach should be made to the problem of improving the productivity of marginal land than that proposed by the working party, and that attention should be concentrated on the land which would yield the highest returns. They recommend therefore that, at least for an initial period of five years, the provision of financial assistance for long and short term improvement schemes of the kind recommended by the working party should be limited to (say) the first million acres of marginal land in the United Kingdom whose improvement will be most worth while.* Returns from this area might be appreciably better than the average of 4 per cent, estimated for the whole 2-2 1/2 million acres contemplated by the working party. There should be little administrative difficulty in providing for such a limitation by the introduction of suitable standards of appraisal. The cost of providing for 50 per cent grants by an extension of the Hill Farming Act to cover improvement schemes for this area would be about £10 millions, while another £5 millions might be needed for the extension for a further five years of the existing provision for hill farming land improvement schemes, giving a total of the order of £15 millions, to which ought to be added an additional reserve of £2 millions to be made available in case of need by Order of the Ministers made with the approval of the Treasury and of Parliament. While grants would be confined to applications submitted within five years, the resultant expenditure would be spread over a longer period as there is a considerable time lag between submission of an improvement scheme and payment of grant on completion of the work. The average call on the Exchequer might not therefore exceed £2 millions a year. In addition, the Agricultural Output Committee consider that in order to provide for the recommended extensions of the marginal agricultural production schemes the sum of about £4 millions at present available for assistance under the schemes until 1952-53 should be increased to £8 millions for the period until 1955-56.

Departmental Staff

20. In their report the working party drew attention to the strain already put upon the Agriculture Departments' headquarters, local and field staffs by the examination of hill farming improvement schemes and they emphasised that additional staff would be necessary if the approval and execution of the contemplated schemes for marginal land were not to be seriously delayed and that the return to be obtained will largely depend on the adequacy of the advisory services available to farmers. The Agricultural Output Committee strongly endorse this view; delay of this kind would seriously endanger the success of the extended measures of assistance. The total number of extra staff required would be rather over 200, of whom say 100 would be technical staff in the counties, about 70 clerical staff in the countries and 40 clerical and executive staff at headquarters.

Hill Sheep and Hill Cattle Subsidies

21. The Agricultural Output Committee have also considered the situation that will arise when the provisions of the Hill Farming Act, 1946, relating to the hill sheep and hill cattle subsidies expire in 1951. Hill farming—and in the present context this term applies to much of the farming on the main marginal land areas—is peculiar in that with the exception of wool it produces few end products and so hill farmers do not benefit to the same extent as other producers from the system of guaranteed prices and markets. The prices of the chief products (store sheep and cattle) are liable to fluctuate—at least in the short term—from causes other than those affecting fat stock prices. The hill sheep subsidy in particular is designed to counteract these variations in hill farmers' income; the rate prescribed annually by the Ministers is based on the economic returns to hill sheep farmers in the preceding year and adjusted so as to maintain the level of incomes as steady as possible. A failure to renew this subsidy would—in the absence of some other measure similar in design—tend to undermine confidence in the future of the industry and might well lead to a decline in the foundation flocks of hill sheep.

* The Treasury, Central Economic Planning Staff and Economic Section dissent from the Agricultural Output Committee's recommendation in respect of short term improvements, described in more detail in paragraph 11. In their view the expenditure of public funds on units not capable of becoming economic is unjustified.
22. The hill cattle subsidies differ from the hill sheep subsidy in that they are paid at rates fixed without regard to the industry's level of income and are designed to stimulate an increase in the breeding and rearing of cattle on hill land. In Scotland the subsidy is paid only on breeding cows and heifers. The scheme in England and Wales provides for two rates of subsidy: (a) for breeding cows and heifers, and (b) for other stock summered on the hill land. This scheme has the additional purpose of encouraging the stocking of hill land so as to relieve the pressure on lowland pastures during the summer months and also to encourage the improvement of hill grazings themselves by the benefit to the herbage of the grazing and manuring of the cattle. The complete cessation of the schemes in 1951 would be undesirable for the following reasons:

(a) It would tend to create a set-back to the expanding cattle population of the hills, since it would roughly coincide with the withdrawal of the calf-rearing subsidy;

(b) Farmers carrying out improvement schemes on hill land would need the additional income afforded by the subsidy to enable them to purchase cattle for increasing the stocking of the improved pastures;

(c) Now that milk production has reached the requirements of the liquid market, it is desirable to encourage milk producers on remote hill farms to turn over to stock rearing, and the continuation of the hill cattle subsidy would assist this process though it is not the only means of doing so.

23. Both of these schemes have been working well and for the reasons given in paragraphs 21 and 22 the Committee feel that provision ought to be made for their continuance for a further five years after the expiry of the present statutory authority. The cost of the hill sheep scheme, but not of the hill cattle scheme, is likely in the absence of any disaster such as occurred in the winter of 1946-47 to be on a diminishing scale—the average annual cost during the five-year period for the United Kingdom probably being of the order of £600,000 as compared with the estimated cost in 1950 of £1,200,000. The total cost of both subsidies for the five years is estimated at about £11 millions. In any event the amount of these subsidies is taken into account in calculating the farmers' global net income at the February price review. In so far as the object of the price reviews is to produce a predetermined aggregate net income, the amount of the hill sheep and cattle subsidies must produce a corresponding price reduction elsewhere. The cost falling on the consumer or taxpayer is therefore no greater in the end. It should be noted that these subsidies, now costing £2½–3 millions per annum, are additional to the loss of £35 millions a year borne by the Ministry of Food on home-produced meat.

24. The Committee also call attention to the working party's recommendations regarding the establishment of rural development areas for marginal land on the broad principles of the Distribution of Industry Act, 1945 (see paragraph 12), as likely to be of interest to Ministers, particularly those concerned with rural development in Wales. The Committee make no specific recommendations on this subject, however, since it is one which also concerns Departments not represented on the Committee.

SUMMARY

(i) There are some 3½ to 4 million acres in the United Kingdom in the main hill and upland areas of the country, in addition to hill farming land covered by the Hill Farming Act, the productivity of which could be materially increased by long-term rehabilitation schemes of improvement similar to those already provided for under the Hill Farming Act. In view, however, of the limitations placed on new investment and of the most recent estimates by the Ministry of Food of the supply of, and demand for, meat, it is recommended that financial assistance for voluntary schemes of improvement should for the present be limited to the million acres of this land that is most worth while improving. The Hill Farming Act might be extended and amended to enable 50 per cent. grants to be made for this purpose.
and also to continue the existing provisions relating to the improvement of hill farming land. The extension should apply to schemes submitted within a period of five years.

(ii) The extra cost of the Exchequer (to be incurred over a period of about eight years) is estimated at about £15 millions, and it is recommended that this sum should be made available under projected legislation. To this sum should be added £2 millions to be held in reserve and made available for grant by Order in case of need.

(iii) The marginal agricultural production schemes should be extended so as to provide, in addition to assistance in its present form, grants for the improvement of marginal land not in the main hill and upland areas, which by reclamation or improvement could show a marked increase in production and where owing to the cost the applicant could not be expected to do the work at his own expense or with the aid of grants already available. For this purpose the schemes should be extended to the year 1955-56, subject to review at the end of the period. The £4 millions already available for assistance under these schemes until 1952-53 should be increased to £8 millions for the period until 1955-56.

(iv) Assistance should not be made available for full rehabilitation schemes relating to holdings which are not likely to become economic without special measures not available to the ordinary landowners or occupiers; assistance for limited schemes of short-term improvements should however be given to units of this kind where the probable increase in returns would make this worth while. The long-term problem of these holdings should be studied by the Agricultural Land Commission in England and Wales and its equivalent in Scotland.

(v) Provision should be made in the extended Hill Farming Act for the continuance of subsidy schemes for hill sheep and cattle, subject to the approval of the Treasury and of Parliament. The cost, which should be on a diminishing scale, is estimated to amount to a total of £11 millions for the five years.

May, 1950