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CABINET

AGRICULTURAL WAGES AND PRICES

Memorandum by the Minister of Agriculture and Fisheries

The National Farmers' Union of England and Wales have announced in the Press and have given me advance notice of their intention to ask for a Special Price Review to meet the extra costs which will be incurred if the proposals of the English Agricultural Wages Board for an increase in the minimum rate of 8/- per week for men and 6/- per week for women with an additional five days annual holiday with pay are confirmed by the Board on 10th October.

2. They had previously (on 31st July) addressed formal representations to me about the heavy and continued rises in other costs since the last Annual Review in February which they claim will amount to £20 millions in a full year, of which £9½ millions will be due to an excess of increased costs of fertilisers over the sum anticipated and allowed for at the last Annual Review. In that communication they suggested that a course which would avoid further increases in the prices of agricultural products would be for the Government to reconsider their decision on the removal of the subsidy on fertilisers (which was discontinued after 1st July last).

3. The Scottish Agricultural Wages Board is meeting today (24th September) to consider a claim for corresponding increases in the minimum agricultural wage and additional holidays with pay. If - as is probable - similar awards are made in both Scotland and Northern Ireland the increased costs in the United Kingdom will be, on an annual basis, of the order of £20 millions.

4. In view of the terms of Section 2 of the Agriculture Act, 1947, and the agreed procedure, it would be difficult to contend that the prospective increase in labour costs and the unforeseen and substantial rise in prices of fertilisers were not sufficiently "sudden and substantial" to justify a Special Review. It would however be possible to reject as inadmissible for the purpose of a Special Review the aggregation of a number of lesser items of cost increases such as transport charges, petrol (owing to the Budget) amounting to £10¾ millions.

5. The situation will obviously require very careful handling in view of the political position. Continued uncertainty about the result of the Union's application for a Special Price Review may result in a lower standard of cultivation this autumn (particularly as regards the use of fertilisers) with a consequent falling off in crop production in 1952. If therefore we take no action or reject the Union's application we shall be open to the charge of indifference to the future food supply, and the situation could clearly be exploited, particularly in the rural areas.

6. It might be possible and might indeed be desirable to negotiate a compromise with the Farmers' Unions under which in return for their waiving their claim for a Special Review with its consequent automatic effect on prices of agricultural products, the Government would reintroduce a subsidy on fertilisers which would take into account not only the current increased costs of fertilisers over and above the sum allowed at the last Annual Review (£9½ millions in a full year) but also the increased costs of production arising from higher wages if the provisional award is confirmed (about £20 million in a full year). An announcement of such a proposal during the next few weeks would, however, lay us open to the charge of offering a pre-election bribe to the farming community.

7. If the Agricultural Wages Board confirms its provisional award on the 10th October it might be possible to avoid serious trouble by an announcement that the Government is ready in principle to concede that a prima facie case for a Special Review exists. Discussions might then begin in the following week on the understanding that any decisions would have to be left to whatever Government is in office after the General Election.

8. The advantage of this course would be that we should be acting in accord with our existing undertakings to the agricultural industry while leaving any decision until the Election is over. On the whole I would recommend my colleagues to adopt this plan.

T.W.

Ministry of Agriculture and
Fisheries, S.W.1.

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