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C. (58) 166COPY NO. 5628th July, 1958CABINET  
-----ASSISTANCE FOR THE SMALL FARMERMemorandum by the Chancellor of the Exchequer

On 13th May the Cabinet authorised the Minister of Agriculture to discuss in general terms with the Farmers' Unions the proposals in C. (58) 98 and to report to the Farm Price Review Committee (C.C.(58) 41st Conclusions, Minute 7). The Cabinet will wish to have a report on the progress made.

Reaction of Farmers' Unions

2. The Farmers' Unions are not enthusiastic about the proposals, but they have only one major outstanding criticism. The Unions in Great Britain (but not the Ulster Union) want part of the assistance to viable and potentially viable farm businesses to take the form of interest-free loans instead of grants, and the capital for the loans to be provided outside the Annual Review. Their object is to make more money available than if all the assistance were by grants, while restricting the sum diverted from the industry as a whole to the small farmers. They may also be trying to get recognition of the industry's need for additional credit facilities.

3. The Farm Price Review Committee recognise that it may be difficult to convince some farmers and many of the general public that it is better to pay out the taxpayer's money than to lend it. But the Committee agree that the Unions' proposal must be rejected. Beside the fundamental objection to providing additional funds for small farmers outside the Annual Review, a loan scheme would present serious practical and administrative difficulties.

4. It is unlikely that the Unions will refuse to collaborate in working out the detailed scheme or will oppose it when announced. Their own members will not all prefer loans.

The Problem of Non-Viable Farms

5. With the Unions' agreement, the Supplementary Scheme has been modified so as to exclude non-viable farm businesses except those covered by the existing marginal production schemes. The Unions regard non-viable farm businesses as presenting a long term social problem which the Government ought to agree to study in consultation with them. The Farm Price Review Committee are satisfied that no special help should be given now or in the future to keep such farm businesses in production. But the Unions are being told that some reference to the problem of these farms will be made when the Government announce their small farmer proposals.

Scope and Cost of Proposals

6. Under the proposals as they now stand some 90,000 farmers in the United Kingdom will be eligible to benefit instead of 130,000 as estimated in C. (58) 98. This will reduce the administrative burden.

7. The estimated cost in the first full year (which would be the conventional basis for our taking credit for this at the Annual Review) is now about £9 millions. Of this, £3 millions will need to be offset against the cost of the present marginal production schemes. This would leave a net credit of some £6 millions for us to claim at the next Review. There will also be additional ploughing-up and use of fertilisers costing about £3½ millions a year more in ordinary subsidies for which we shall not be able to claim direct credit.

Timetable

8. Final details will now be discussed with the Farmers' Unions, and the draft White Paper will be considered by the Farm Price Review Committee about the end of September. We should aim to publish the White Paper by the end of October. Legislation will have to be introduced and passed as early as possible next session so that credit for the new schemes can be taken at the 1959 Annual Review.

D.H.A.

Treasury Chambers, S. W. 1.

28th July, 1958

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