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C. (59) 28
13th February, 1959

Copy No. 61

CABINET**AGRICULTURE (SMALL FARMERS) BILL—WITHDRAWAL OF
MARGINAL PRODUCTION SCHEME****MEMORANDUM BY THE SECRETARY OF STATE FOR SCOTLAND**

Strong feelings have been aroused in agricultural circles in Scotland by the Government's proposal as set out in Clause 3 of the Small Farmers Bill to prune down and, in three years' time, to bring to an end the Marginal Agricultural Production Grants Scheme. I feel I should bring this matter to the notice of my colleagues and state the broad alternatives with which, as I see it, we are now faced.

2. Assistance under the Scottish Marginal Agricultural Production Scheme has consisted, in the main, of cropping grants given to farmers of marginal holdings. The scheme has been administered by the Agricultural Executive Committees who have drawn up the lists of marginal holdings, assessed the relative degrees of marginality, and allocated the available funds accordingly. There is no dispute that the scheme has been very effective in promoting the cultivation and stocking of our hill and upland areas. The Government's case for the cutting down and eventual withdrawal of this form of assistance has been that to continue it indefinitely would be inconsistent with current agricultural policy which aims, not at maximum production, but at a more competitive home agriculture. In the light of this change we have argued that we cannot justify continuing indefinitely this selective form of assistance which is additional to the general run of agricultural grants and subsidies. We have pointed out that since the Marginal Agricultural Production Scheme was first introduced in 1942 many new forms of assistance have come into being, and that if further aid should be needed for stock-rearing areas it can be given in other ways.

3. While the policy reason for some pruning of marginal agricultural production assistance has stemmed from the Government's emphasis on economic production, our present difficulties in Scotland arise from the fact that in future this assistance will be subject to two limitations imposed by the Small Farmers Bill. Under the specifically Scottish provision (Clause 3), Marginal Agricultural Production assistance will be withdrawn completely by July 1962 and, after the current cropping season, it will be limited to the smaller marginal holdings of under 150 acres of crops and grass.

4. The Government's proposals have given rise to strong protests from the agricultural community in Scotland and all the farming and landowning organisations are against us. We can discount some of the more exaggerated fears which have been expressed. But we must give consideration to the more moderate views of the responsible agricultural leaders that the withdrawal of Marginal Agricultural Production grants will lead to a restriction of cultivation of marginal land which in turn will mean a serious drop in numbers of store cattle, more unemployment and further depopulation of upland areas. At the same time this moderate body of opinion recognises that some scaling down in Marginal Agricultural Production assistance would now be justified.

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5. We met the initial burst of criticism by announcing that the Marginal Agricultural Production Scheme would be continued for the current ploughing season subject to the proviso that the occupiers of the large marginal holdings (over 150 acres) could get only half the assistance they previously received. This concession was welcomed but mainly, I am afraid, as providing a breathing space during which the Government might think again. Having considered the matter further, it seems to me that we must now decide between two alternatives.

6. The first alternative is to maintain the general position we have taken up, but to seek to restore confidence in the Government's plans both for the development of beef production and for the welfare of upland areas by balancing the loss of Marginal Agricultural Production grants by increased assistance in some other form. An immediate means of doing something towards this end would be to increase the Hill Cow Subsidy by £2 per head as part of the settlement at the current annual review—a course of action which I think might be justified on its own merits. This could at least be represented as an earnest of our intention to meet the needs of the upland stock rearing areas in other ways than Marginal Agricultural Production assistance. On the other hand, there is apparent unanimity of view among Scottish Unionist Members that an increase in Hill Cow Subsidy would not meet the intensity of feeling in the agricultural constituencies.

7. The other broad alternative is to enlist the support of moderate agricultural opinion in Scotland, as described in paragraph 4 above, not so much by reversing our ultimate objective, as by changing our tactics and timing. If we were to take this course we should need to drop Clause 3 of the Small Farmers Bill (the purely Scottish clause) and announce our intention of continuing Marginal Agricultural Production assistance for the time being under existing powers. While the Government's ultimate objective would remain unchanged, the announcement would make it clear that they were anxious to effect the necessary changes in methods of assistance in a way which would avoid hardship or loss of confidence. This would mean that the process and the time-table would need to be flexible (and not tied to the requirements of the Small Farmers Bill); that the withdrawal should not be phased by reference to acreage of farms; and that instead of fixing an arbitrary time limit we should leave ourselves free to act as circumstances may show to be desirable. Indeed, I had it in mind to deal with the future of Marginal Agricultural Production assistance on these lines, before the necessity arose of fitting this grant within the framework of the Small Farmers Bill.

8. On purely agricultural grounds and looking to the Scottish position alone my preference would be to follow the course outlined in the preceding paragraph. I am impressed by the strength and unanimity of agricultural opinion in Scotland as it has become evident at this admittedly late date, and I cannot think it would be wise to ignore that opinion over what is a matter of the method rather than of the amount of assistance. Moreover, though the fears being expressed may well be exaggerated, loss of confidence, however unjustified, can itself do damage. I appreciate that the matter becomes more difficult when viewed in relation to England and Wales, but if we decided to take the course described in paragraph 7 we could word the announcement so as to minimise this difficulty.

J. S. M.

*Scottish Office, S.W. 1,
13th February, 1959.*