TO BE KEPT UNDER LOCK AND KEY.

It is requested that special care may be taken to ensure the secrecy of this document.

WAR CABINET 114 (39).

CONCLUSIONS of a Meeting of the War Cabinet held at 10 Downing Street, S.W. 1, on Thursday, December 14, 1939, at 10 A.M.

Present:

The Right Hon. NEVILLE CHAMBERLAIN, M.P., Prime Minister (in the Chair).


Admiral of the Fleet the Right Hon. LORD CHATFIELD, Minister for Co-ordination of Defence.

The Right Hon. L. HORE-BELISHA, M.P., Secretary of State for War.

The Right Hon. Sir SAMUEL HOARE, Bt., M.P., Lord Privy Seal.

The following were also present:


The Right Hon. W. S. MORRISON, M.P., Chancellor of the Duchy of Lancaster and Minister of Food (for Item 1).

The Right Hon. Sir REGINALD DORMAN-SMITH, M.P., Minister of Agriculture and Fisheries (for Item 1).

Sir FREDERICK LEITH-ROSS, Director-General, Ministry of Economic Warfare (for Item 8).

General Sir W. EDMUND IRONSIDE, Chief of the Imperial General Staff.

Secretariat.

Sir EDWARD BRIDGES.
Sir RUPERT HOWORTH.
Major-General H. L. ISMAY.
Captain A. D. NICOLL, R.N.
Lieutenant-Colonel V. DYKES, R.E.
Mr. A. BEVIR.
Mr. L. F. BURGIS.
## Contents

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Food Position</td>
<td>413</td>
</tr>
<tr>
<td></td>
<td>Home Food production policy; Brewing and Distilling in War-time.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Small Arms Ammunition</td>
<td>415</td>
</tr>
<tr>
<td>3</td>
<td>The Air Situation</td>
<td>415</td>
</tr>
<tr>
<td>4</td>
<td>Naval Operations</td>
<td>416</td>
</tr>
<tr>
<td></td>
<td>Naval Action off the Plate: The <em>Admiral Graf Spee.</em></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The Naval Situation</td>
<td>417</td>
</tr>
<tr>
<td></td>
<td>German Fleet in the North Sea.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>General.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Attacks on Shipping</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The Military Situation</td>
<td>418</td>
</tr>
<tr>
<td>7</td>
<td>Finland</td>
<td>418</td>
</tr>
<tr>
<td></td>
<td>Invasion by the U.S.S.R.</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Seizure of Enemy Exports</td>
<td>419</td>
</tr>
<tr>
<td></td>
<td>The Case of the S.S. <em>Sanyo Mara.</em></td>
<td></td>
</tr>
</tbody>
</table>
1. The War Cabinet had before them—

(1) a Report of the Sub-Committee of the Home Policy Committee on (a) Home Food Production Policy, and (b) Brewing and Distilling in War-time (W.P. (G.) (39) 141).

(2) the Draft of a Statement to be made by the Minister of Agriculture and Fisheries (W.P. (G.) (39) 142).

The Lord Privy Seal said that the policy embodied in the Report was based on two main considerations. First, even if there were no further sinkings, we should be short of shipping and our exchange difficulties would increase. We must, therefore, restrict so far as practicable imports of food and feeding stuffs. Secondly, the ploughing-up campaign was not proceeding as well as had been hoped. Only a proportion of the 800,000-900,000 acres covered by ploughing-up promises had been ploughed to date. It was therefore essential to put body into the programme so as to get a considerably larger production in 1940 than in 1939. If things were allowed to proceed as at present, the production of 1940 was likely to be less than that of 1939.

The objective was the 2 million acre programme as a minimum, but it was doubtful whether, owing to labour difficulties, that programme could be increased. It had been thought best to leave it to the farmers and the County Agricultural Committees to see that the land, when ploughed up, was used in growing crops best suited to particular soils, &c.

The Report also emphasised the necessity for ensuring to farmers a guaranteed market for the extra production in regard to their staple cash crops, e.g., potatoes; it was also essential to impress upon Parliament the necessity of avoiding after the war any sudden and drastic changes in agricultural policy, such as had occurred as a result of the repeal of the Corn Production Act after the Great War.

Unless there was a moderate rise in agricultural price levels, the increased production would not be realised. It was estimated that increases on present prices varying from 7½ per cent. to 15 per cent. would be necessary, and these increases would be reflected in a rise in the cost of living. This must be accepted as inevitable unless we were prepared to subsidise agriculture on a very wide scale. It was proposed to undertake in the New Year a campaign explaining the reasons for instituting rationing, and pressing for increased home production of food. If this was to be successful, the farmers must be in full accord with the Government’s policy, and prices must be settled quickly.

The conclusion was also reached that, both on political and financial grounds, it would be better to take no action in regard to brewing, though this might have to be reconsidered later. As regards distilling it was proposed to restrict, during the twelve months ending the 30th September, 1940, the amount of grain available for distilling to the quantity which would enable the distilleries to produce one-third of the amount of spirits produced in the preceding twelve months. This proposal would enable us to retain our good will in the American market, and would give rise to no serious revenue problems.

The Prime Minister observed that in paragraph 4 of the Statement it was said that “The Government recognises that, if the desired increase in home production is to be secured, a higher level of prices will be necessary for agricultural products generally.” How was it proposed to secure this rise, and how was the rise to be limited?

The Minister of Agriculture and Fisheries explained that cattle prices would be negotiated between the producers and the Ministry of Food, and an agreed price list would be published.
regards feeding stuffs consumed on the farms, prices need not be fixed, and there would be a free market for beans, peas, &c. Wheat prices were already determined by statute, and a minimum price for oats had also been fixed.

The Minister of Food observed that barley and oats were now realising very high prices.

The Prime Minister enquired on what basis the County Agricultural Committees would advise the farmers to use the increased ploughed-up acreage?

The Minister of Agriculture and Fisheries said that the farmers would be advised to grow wheat or potatoes where the land was best suited for those crops. If the land was best suited for pasture, the farmers would be advised to re-seed it to good grass leys. Farmers would not be pressed to grow wheat or potatoes on unsuitable land.

The Chancellor of the Exchequer said that the financial aspects of the proposals had caused him anxiety, but he had come to the conclusion that the Statement was one which the Minister of Agriculture and Fisheries should be authorised to make, and that the War Cabinet must face the fact that, if it was necessary to increase home production, some moderate increase in the level of prices was inevitable. If prices rose to the extent indicated in the Report, and if the increased cost was to be passed on to the consumer, the result might be a rise of some 4 points in the cost of living. If the rise could be limited to 4 points, we would be well out of the difficulty. At the same time he had been pressing the Trades Union Congress to refrain from demanding increases of wages on the ground of rises in the cost of living, and if it was now announced that food prices were going to rise, the position vis-à-vis organised labour would be embarrassing.

The First Lord of the Admiralty enquired whether it might not be cheaper on the whole for the Exchequer to avoid a rise in the cost of living by subsidising the agricultural products concerned.

The Chancellor of the Exchequer said that, as regards milk, he proposed that the Treasury should assume the burden of the increased price of milk during the next few months. The increase in prices of other commodities would not in general occur until well into 1940.

The Secretary of State for Scotland drew attention to the very great rise in the price of oats and barley which was causing anxiety among consumers in Scotland. Farmers were expecting that steps would be taken to restrict prices and he was in consultation with the Minister of Food as to the action to be taken in this direction.

The Secretary of State for War drew attention to the proposal in paragraph 12 of the Report that during the next 9 months men certified by the County Committees as needed for the fulfilment of the food production campaign should not be withdrawn from agriculture by the Fighting Services. He urged that we should maintain unimpaired the system of reserved occupations and not undermine that system by giving other bodies, such as County Committees, the power to make further exceptions. At present no agriculturist over 21 could be taken for the Army, and at an earlier stage he had proposed that men of from 15-20 should be enlisted and then be employed in agriculture. Rather than give discretion in the matter to the Agricultural Committees he would prefer to lower the age for agricultural exemption from 21 to 20.

In the course of discussion it was pointed out that this question was to be considered on an early date by the Man Power Sub-Committee. It would be unwise to adopt too rigid a rule on the
subject, particularly in view of the large number of those small farmers who could not afford hired labour, but who ran their farms with the help of their families.

The War Cabinet:

(i) Approved the recommendations for the Home Food Production Policy and Brewing and Distilling in War-time as set out in paragraph 15 of the Report of the Food Policy Sub-Committee of the Home Policy Committee (W.P. (G.) (39) 141). These proposals are attached to these Conclusions as an Annex.

(ii) Remitted to the Man Power Priority Sub-Committee for consideration and decision the question raised in paragraph 12 of the Report regarding the temporary retention in agriculture of men who, during the next 9 months, might be withdrawn for service in the Fighting Forces.

(iii) Took note that the Agricultural Ministers would consult with the Minister of Food as to the action to be taken to fix a maximum price for oats, and to exercise control over the distribution of barley supplies.

(iv) Approved the Statement of policy to be made in the Debate on the Adjournment of Parliament that day by the Minister of Agriculture and Fisheries in the form of the draft annexed to W.P. (G.) (39) 142.

2. The War Cabinet had before them a Report by the Chiefs of Staff on the Small Arms Ammunition Situation (W.P. (39) 158).

The Secretary of State for Air explained that the Chiefs of Staff were very anxious that the War Cabinet should be made aware of the serious position which confronted us. It was for this reason that the Chiefs of Staff had desired their Report to be laid before the War Cabinet as a matter of urgency. It was agreed, however, that the arrangements to be made for increasing our production of small arms ammunition should be suitably examined by the Military Co-ordination Committee.

The Chancellor of the Exchequer agreed that emergency measures should be taken even at the cost of heavy expenditure, if necessary in dollars, to rectify the immediate shortage that was anticipated. The Chiefs of Staff's long-term proposals, however, raised considerations which he would like the Military Co-ordination Committee to consider when they were examining the Report. It was in his view dangerous to assume that the expenditure of small arms ammunition would necessarily increase in exact proportion to the increase in our forces.

The War Cabinet:

(i) Took note of the Report by the Chiefs of Staff on the Small Arms Ammunition Situation (W.P. (39) 158).

(ii) Agreed that the Report should be examined by the Military Co-ordination Committee as a matter of urgency, with a view to immediate steps being taken to overcome the anticipated shortage of ammunition in the near future, and to the submission of recommendations for the long-term production policy.

3. The Secretary of State for Air said that, although the weather on the previous night had been satisfactory for mine-laying operations, no German mine-layers were reported to have visited our coasts.

Eight bombers had been sent out to maintain an offensive patrol, four over the Sylt bases and four over Borkum and Norderney, working in relays. The patrols had been maintained with a slight interruption, due to weather, from 1600 hours until 0200 hours.
The first aircraft which had left for Sylt had observed a force of seven ships proceeding at full speed in a Northerly direction. This appeared to be a force sent out from Wilhelmshaven to escort the damaged German warship (see Minute 5). The patrols had reported that no activity had taken place at the German float plane bases. Slight anti-aircraft fire had been encountered during the night.

The War Cabinet took note of the above statement.

4. The First Lord of the Admiralty said that a naval action had taken place on the previous day between three British cruisers and the German pocket battleship Admiral Graf Spee (six 11-inch, eight 5-9-inch guns). It now turned out that it was this vessel, and not the Admiral Scheer as had been thought, which had been in the South Atlantic. The British force was under the command of Commodore Harwood and consisted of the Achilles (eight 6-inch guns), Ajax (eight 3-inch guns) and Exeter (six 8-inch guns). The German ship had concentrated her fire on H.M.S. Exeter. All H.M.S. Exeter's guns except one had been put out of action, her speed reduced to 18 knots, and she had been forced to fall out of the action. H.M.S. Ajax had had two of her four turrets put out of action. The two 6-inch cruisers had only broken off the action when they were running very short of ammunition. They had then kept in touch with the Graf Spee, which had run for the River Plate and had entered neutral territorial waters during the night. She was now at anchor off Montevideo with our two cruisers watching the entrance to the river.

The First Lord of the Admiralty contrasted the offensive spirit shown by Commodore Harwood with the lack of enterprise shown in somewhat similar circumstances at the beginning of the last war when the Goeben was allowed to escape.

The Minister for Co-ordination of Defence voiced the unanimous view of the War Cabinet that the British cruisers had fought a very gallant and brilliant action.

The First Lord described the dispositions which were being made to ensure the destruction of the Graf Spee. The cruiser Cumberland (eight 8-inch guns) was on the way from the Falkland Islands and would arrive later in the day. Stronger forces were also proceeding to the scene with all despatch and would arrive in the course of a few days.

The German Minister in Montevideo had issued a statement to the Press stating that the Graf Spee had 36 killed and 60 wounded "mostly because the British ships had used mustard gas shells." He had also stated that the ship had landed the Captains of six British merchant ships.

The Chief of Naval Staff observed that the Admiralty had estimated that the German raider in the South Atlantic had sunk six British ships. Nothing was known of their crews and it was possible that they had been landed on an island such as Tristan da Cunha. Search of the possible islands was being arranged.

In reply to a question by the Prime Minister, the First Sea Lord said that the Graf Spee was entitled to remain in a neutral port until the necessary repairs could be made to render her fit for sea, but not of course fit for action. The ship must be very short of ammunition and the Naval Attache had been warned to watch the position very closely. If the ship did not leave neutral territorial waters as soon as she was fit for sea, it was the duty of the neutral to intern the crew and to dismantle essential machinery in the ship and to remove the breech-blocks from the guns.
The Naval Situation.

(Previous Reference: W.M. (39) 113th Conclusions, Minute 2.)

German Fleet in the North Sea.

The Lord Privy Seal suggested that the British Minister at Montevideo should be given the fullest possible advice on the position.

The Secretary of State for Foreign Affairs agreed and said that he would send a telegram as soon as possible in consultation with the Admiralty.

The War Cabinet:

T ook note of this statement, and expressed their high appreciation of a very gallant action.

5. The First Lord of the Admiralty said that a report had been received on the previous afternoon from the submarine Salmon (the submarine which had sighted the Bremen two days earlier) that a German Fleet, consisting of 2 battle-cruisers, 2 8-inch cruisers, 2 smaller cruisers and 8 to 10 destroyers was in the North Sea on a westerly course. The Salmon had sighted the Fleet at 1000 hours in the Dogger Bank area. She had fired her full outfit of torpedoes and had obtained a hit on the cruiser Leipzig. Owing to depth charge attacks by the German destroyers, the Salmon had been unable to make her report until 4 hours later. Intercepted German signals tended to confirm that a damaged ship was making for home.

High appreciation was expressed at the conduct of the Commander of the Salmon.

In view of the possibility that the German Fleet intended to carry out a tip-and-run raid against the coast, all coastal defences had been put on the alert and a force of destroyers had been sent out to endeavour to carry out a night attack on the German Fleet. Appropriate steps had been taken to ensure the safety of East-coast and Scandinavian convoys. Suitable dispositions, in which the French Navy were co-operating, had been taken to safeguard important Atlantic convoys, should the German Fleet intend to break out into the Atlantic. Nothing further had so far been heard of the German Fleet. It was possible that, knowing that they would have been reported by the submarine which attacked them, the Fleet had returned to harbour.

The Deputy Chief of the Air Staff informed the War Cabinet of the action being taken by Bomber, Fighter and Coastal Commands to endeavour to locate and attack both the German Fleet and the damaged ship.

Referring to the warning which had been sent out to the defences on the East coast, the Minister of Home Security said that the Home Security War Room did not appear to have been kept fully informed of what was taking place.

The First Lord of the Admiralty agreed that it was essential that when, for example, the Admiralty War Room received information which required action affecting the other Service Departments and civil defence, the fullest information should be passed at the earliest possible moment to the other War Rooms. On the previous day the Admiralty had to deal, not only with the situation arising from the presence of the German Fleet in the North Sea, but at the same time with the movements and dispositions occasioned by the Naval action in the South Atlantic (see previous Minute). It was no doubt partly due to the great pressure of the moment that the necessity of keeping the Home Security War Room informed
had been over-looked. He would, however, go closely into the matter and ensure that any gap which might exist in the organisation was closed.

The anti-submarine trawler Lord Lloyd, which had been hunting a U-boat off the North Foreland, had been joined by the anti-submarine trawler Lady Else and was continuing the attack.

Two enemy aircraft had flown high over the Firth of Forth the previous day.

The steamship Deptford (4,100 tons) with a cargo of iron ore had been torpedoed and sunk off the Norwegian coast inside territorial waters. This was the third ship in three days which the Germans had sunk inside neutral territorial waters, and he (the First Lord) felt that we had the strongest possible case for retaliatory action. He was proposing to submit a Memorandum to the War Cabinet as to the steps which we should take.

The following additional shipping losses had occurred in the previous twenty-four hours:

- A British trawler—sunk by a mine. (Only one survivor).
- Belgian steamship Rosa (1,350 tons)—sunk by a mine off the Tyne.
- Danish steamship Magnus (1,339 tons)—sunk by a mine off Peterhead. (Only one survivor.)

The Tyne had been temporarily closed to shipping and minesweeping operations were now in progress.

In the course of discussion, the view was expressed that it was of the utmost importance that steps should be taken to draw the attention of the whole world, by means of repeated propaganda, to the frequent sinkings of neutral ships as the result of action by Germany and to the callous way in which neutral seamen were treated.

The War Cabinet:

(i) Took note that the First Lord of the Admiralty would take steps to ensure that Naval information which affected the Civil authorities was communicated to the Home Security War Room.

(ii) Invited the First Lord of the Admiralty, in association with the Minister of Information, to arrange for widespread and repeated diffusion of information as to sinkings of neutral ships and the inhumanity of German methods of sea warfare.

6. The Secretary of State for War said that the position on the Western Front remained unchanged.

The War Cabinet took note of the above statement.

7. The Secretary of State for War said that, according to Press reports, fighting was continuing in the Karelian Isthmus, with heavy casualties among the Russians. It was probable that the Russian troops in this area had been further reinforced.

The War Cabinet took note of the above statement.
S. The Secretary of State for Foreign Affairs said that information had been received from the Admiralty early that morning that the S.S. *Sanyo Maru* was probably leaving Rotterdam that day. A copy of her manifest had been received, which showed that nearly all her cargo was consigned to the Japanese Army and Navy or to firms under their control. The goods consisted mostly of mechanical apparatus, but included a quantity of sulphate of potash.

The Foreign Secretary then read to the War Cabinet a record of a conversation which Captain Knox, the head of the Prize Court Department of the Ministry of Economic Warfare, had had the previous afternoon with M. Okamoto of the Japanese Embassy. M. Okamoto had said that, having furnished particulars of the German cargo of the *Sanyo Maru*, he imagined there would be no necessity for her examination at a Contraband Control Base. He had been told that this would be necessary and that we could not allow exemption to any ship known to be carrying German cargo. M. Okamoto had explained that it would make it difficult for Japan if Germany thought that she was obeying British orders for control of German exports. He had added that they were anxious for the ship to sail on the morning of the 15th, but that it was their intention in any case to sail on that day and desired to conceal the movements of the ship from the German Naval Authorities. M. Okamoto had made enquiries as to the safest route, and said that, if the ship was sunk in obeying British instructions to proceed to a base, the Japanese Government would hold the British Authorities responsible. To this the reply had been given that the safest thing for the *Sanyo Maru* to do was to remain at Rotterdam.

The Foreign Secretary said that, although the documents showed that full payment had been made for the goods in every case, yet we were in possession of information that this was not actually a fact.

The question now arose as to what treatment was to be accorded to this ship in view of the assurances already given to the Japanese that she would be subject only to a cursory examination (though those assurances had been given before the secret information had been received that her cargo included "secret naval goods") and in the light of our policy of avoiding trouble with Japan at the present moment. He thought the enquiries by the Japanese regarding the safest route and their statement that they wished to conceal her movements from the Germans were significant and did not fit in with the supposition that the cargo contained sinister machines for use in Far Eastern Waters. He added that on the whole he was inclined to allow the ship to go through our control with a purely formal examination.

It was suggested that, if this was done, it might be said that we were relaxing the Order in Council in favour of German goods carried in Japanese ships.

*Sir Frederick Leith-Ross* said that it had been decided to apply the Order in Council with leniency at the outset, and for the time being not to detain cargo which had been paid for at the date of the Order in Council, provided it was shipped before the 1st January, 1940. In this particular case, however, the Japanese statement that the goods had been paid for before the 27th November had not been proved. He thought that either the ship might be allowed to proceed, or the Japanese should be informed that, owing to the complexity of the cargo, it would be necessary to send her into port for examination.

The *Minister without Portfolio* suggested that we should tell the Japanese quite frankly that we had secret information that the cargo of the *Sanyo Maru* might not be all that it pretended to be in the manifest, and suggest to them that, if they could not tell us the exact nature of the cargo, a search would have to be made.
Doubt was expressed as to what reliance could be placed on such an assurance, and it was suggested that it would be safer to make a thorough examination of the cargo. Japan had treated us roughly in the past and it might not do any harm to mete out rough treatment to the Sanyo Maru.

The Prime Minister said that it might be possible to adopt the suggestion of the Minister without Portfolio. The Japanese could be told that the question whether the ship was examined would depend on the information supplied as to the nature of the cargo, but in the meantime the ship should sail. In this event, he thought that the Japanese, fearing that a thorough search might be made, would not risk putting the "secret naval goods" on board, and that we could then safely risk letting the ship through, after a brief examination.

The Foreign Secretary was doubtful of the wisdom of informing the Japanese that we had received secret information about the cargo. Before coming to a decision he would like to make enquiries into this aspect of the position.

The War Cabinet:

Deferred further consideration of this matter until their Meeting to be held at 4.30 that afternoon.

Richmond Terrace, S.W. 1,
December 14, 1939.
Annex.

The Food Position (Minute 1).

Recommendations of the Food Policy Sub-Committee of the Home Policy Committee (W.P. (G.) (38) 141, pages 6-8).

Home Food Production Policy.

THAT the proposals contained in Appendix I* for increasing home food production in 1940 and thereafter should be approved in principle, and in particular—

(a) That approval should be given to the scheme for ploughing up at least 2,000,000 acres of second and third rate grasslands with a view to their being sown to crops or reseeded straight away to good grass leys.

(b) That the policy should be directed to a general increase of productivity related to our present farming systems as outlined in paragraphs 6-8 of Appendix I.

(c) That, if this policy is to be successful, it is essential that there should be a moderate improvement in the general price level as explained in paragraphs 10-12 of Appendix I.

(d) That it will also be necessary to ensure to farmers, whether the war ends in 1940 or not, a guaranteed market for the extra production which they are being called upon to undertake in regard to their staple cash crops, and further to assure them that the transition from war-time to peace-time conditions will be effected with full regard to the necessity for avoiding sudden and drastic changes in agricultural policy.

(e) That the County Agricultural Committees should be authorised to undertake cultivations on behalf of farmers, who are unable to finance the necessary initial outlay, beyond the limit of £2 an acre and to recover their expenditure after the harvest.

(f) That the measures in paragraph 16 of Appendix I should also be adopted, viz.:

(i) drainage of land which is potentially fertile, but is at present waterlogged;

(ii) authority to County War Agricultural Executive Committees on a more general scale than hitherto to undertake or finance the cultivation of areas of derelict or semi-derelict land which are to be found in many counties;

(iii) special measures in aid of hill sheep farmers, including firm assurances as to the price of wool in 1940, and possibly special assistance in regard to improvement of pastures;

(iv) the continuation of the £2 an acre subsidy for ploughing-up permanent grassland beyond the 31st March, 1940, with a view to a further expansion of production for the harvest of 1941.

(g) That a statement in the form agreed by the Chancellor of the Exchequer, the Lord Privy Seal and the Agricultural Ministers, covering as much as possible of the home production policy, should be submitted to War Cabinet for approval on the 14th December, with a view to its being announced in Parliament later on that day.

Brewing and Distilling in War-time.

(i) That it is at present inexpedient on social and other grounds to reduce the supply of barley needed by the brewing industry, and that supplies of barley should be made available to that industry sufficient to enable it to maintain, during the brewing year ending the 30th September, 1940, the same rate of output as during the year ended the 30th September, 1939. The use of maize, however, for brewing should be prohibited.

* To W.P. (G.) (38) 141.
Doubt was expressed as to what reliance could be placed on such an assurance, and it was suggested that it would be safer to make a thorough examination of the cargo. Japan had treated us roughly in the past and it might not do any harm to mete out rough treatment to the *Sanyo Maru*.

The Prime Minister said that it might be possible to adopt the suggestion of the Minister without Portfolio. The Japanese could be told that the question whether the ship was examined would depend on the information supplied as to the nature of the cargo, but in the meantime the ship should sail. In this event, he thought that the Japanese, fearing that a thorough search might be made, would not risk putting the "secret naval goods" on board, and that we could then safely risk letting the ship through, after a brief examination.

The Foreign Secretary was doubtful of the wisdom of informing the Japanese that we had received secret information about the cargo. Before coming to a decision he would like to make enquiries into this aspect of the position.

The War Cabinet:—

Deferred further consideration of this matter until their Meeting to be held at 4.30 that afternoon.

*Richmond Terrace, S.W. 1,*  
*December 14, 1939.*
ANNEX.

THE FOOD POSITION (Minute 1).

Recommendations of the Food Policy Sub-Committee of the Home Policy Committee (W.P. (G.) (39) 141, pages 6-8).

Home Food Production Policy.

THAT the proposals contained in Appendix I* for increasing home food production in 1940 and thereafter should be approved in principle, and in particular—

(a) That approval should be given to the scheme for ploughing up at least 2,000,000 acres of second and third rate grasslands with a view to their being sown to crops or reseeded straight away to good grass leys.

(b) That the policy should be directed to a general increase of productivity related to our present farming systems as outlined in paragraphs 6-8 of Appendix I.

(c) That, if this policy is to be successful, it is essential that there should be a moderate improvement in the general price level as explained in paragraphs 10-12 of Appendix I.

(d) That it will also be necessary to ensure to farmers, whether the war ends in 1940 or not, a guaranteed market for the extra production which they are being called upon to undertake in regard to their staple cash crops, and further to assure them that the transition from war-time to peace-time conditions will be effected with full regard to the necessity for avoiding sudden and drastic changes in agricultural policy.

(e) That the County Agricultural Committees should be authorised to undertake cultivations on behalf of farmers, who are unable to finance the necessary initial outlay, beyond the limit of £2 an acre and to recover their expenditure after the harvest.

(f) That the measures in paragraph 16 of Appendix I should also be adopted, viz.:—

(i) drainage of land which is potentially fertile, but is at present waterlogged;

(ii) authority to County War Agricultural Executive Committees on a more general scale than hitherto to undertake or finance the cultivation of areas of derelict or semi-derelict land which are to be found in many counties;

(iii) special measures in aid of hill sheep farmers, including firm assurances as to the price of wool in 1940, and possibly special assistance in regard to improvement of pastures;

(iv) the continuation of the £2 an acre subsidy for ploughing-up permanent grassland beyond the 31st March, 1940, with a view to a further expansion of production for the harvest of 1941.

(g) That a statement in the form agreed by the Chancellor of the Exchequer, the Lord Privy Seal and the Agricultural Ministers, covering as much as possible of the home production policy, should be submitted to War Cabinet for approval on the 14th December, with a view to its being announced in Parliament later on that day.

Brewing and Distilling in War-time.

(i) That it is at present inexpedient on social and other grounds to reduce the supply of barley needed by the brewing industry, and that supplies of barley should be made available to that industry sufficient to enable it to maintain, during the brewing year ending the 30th September, 1940, the same rate of output as during the year ended the 30th September, 1939. The use of maize, however, for brewing should be prohibited.
(ii) That in order to safeguard the seed position in 1940 steps should be taken to obtain a lien on some part of the stocks of home-grown barley, suitable for seed purposes, already purchased by brewers or maltsters. Any stocks of barley taken for this purpose should be replaced in due course by imported barley.

(iii) That in view of the serious shortage of feeding-stuffs the amount of grain made available to distilleries during the 12 months ending the 30th September, 1940, should be limited to such quantities as will enable the distilleries to produce in that period one-third of the quantity of whisky and other potable spirits produced in the 12 months ended the 30th September, 1939. This rate of production would be sufficient to safeguard future export requirements.

(iv) That the Ministry of Food should be authorised to bring supplies of home-grown barley under full control as soon as possible, in order to achieve these objectives, as well as to control the amount of barley purchased by brewers and distillers for carry-over into the year 1940-41, and to facilitate the direction of barley supplies into the appropriate channels.

(v) That the form of control should empower the Ministry of Food to acquire distillers’ existing stocks of barley and maize to the extent that they are in excess of their estimated needs (as defined in (iii) above), and also, if necessary, to acquire stocks of barley in the hands of brewers, maltsters and merchants to the extent that those stocks may prove to be in excess of requirements for this season’s brewing and for a reasonable carry-over for the 1940-41 season.

(vi) That the Ministry of Food should consider, in consultation with the other Departments concerned, the question of making gin from potato and other spirit in order to prevent the depletion of existing stocks of maturing whisky.