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

WE have reviewed the problems of permanent post-war agricultural policy in the light of the discussion and conclusions of the War Cabinet on the 15th April [War Cabinet 55 (43)] and also of the recommendations of the Conference at Hot Springs which have subsequently been accepted by His Majesty's Government. In the present Memorandum we put forward a re-statement of the principles of a permanent post-war policy for approval by the War Cabinet taking into account the previous discussion and suggest a different method of approach to the industry.

2. We suggest that the reasons for "maintaining after the war a healthy and well-balanced agriculture as an essential and permanent feature of national policy" may be summarised as follows:

(a) Agriculture provides for the most fundamental human needs, viz., food.*

* Agriculture has, of course, also to provide clothing and many other requirements, e.g., wool, flax, cotton, hides, tobacco, rubber, vegetable oils. At one time wool and, before the invention of the internal combustion engine, horses were important items in British agricultural production. The primary object of agriculture is, however, the production of food. British agriculture is today predominantly devoted to food production, and this can be taken as its main objective and the justification for maintaining it as an essential industry.

The securing of adequate food supplies in peace and war must be a prime objective of national policy. For securing an adequate diet for the nation it is necessary for domestic agriculture to produce first all of those essential foods which because of perishability or other reasons cannot be imported from abroad, e.g., milk and fresh vegetables, and also a proportion of our needs for other essential foods such as meat and cereals, and to do so under systems of husbandry which will enable production to be continued at the necessary level in time of peace and to be rapidly expanded in time of war or any other emergency. As an essential industry the level at which our agriculture should be maintained is, it is suggested, a matter to be determined not by economic laissez faire but as a part of deliberate national policy, just as presumably we shall feel it necessary to maintain vital industries like engineering, shipbuilding, shipping and steel from falling into decay.

(b) Agriculture is still our largest industry. A million and a quarter people (some 400,000 farmers and small holders and over 800,000 wage earners) are directly engaged in it. In addition, large numbers of people are engaged in ancillary industries and occupations and in transporting, processing and distributing home agricultural products. It is therefore important that agriculture should be maintained from the point of view of employment, and it has the advantages that it can provide steady employment up to old age, and employment which is not liable to the severe temporary dislocations that so frequently occur in industries supplying less essential and permanent needs.

WAR CABINET.
(c) Although agriculture in this country has been a declining industry for the past 70 years except during wars, it still remains an important element in the national life. It is still carried on over the whole countryside. The farms are there; the people are there with their homes, villages, churches, &c. On social grounds it would appear undesirable to reduce still further this rural and agricultural element in our national life which is already far more industrialised and urbanised than that of any other country, or to allow large areas of rural England, Scotland and Wales to become "depressed areas" with the land reverting to scrub, the farm buildings and villages falling into decay and the remaining population forced to leave the land.

(d) The political and economic circumstances which between 1870 and 1914 led this country to feel that it was safe and practicable and advantageous to allow our domestic agriculture to decline without any bottom limit and to rely to an ever-increasing degree on imports of food, were very exceptional. Leaving aside defence considerations and looking only to our position in time of peace we no longer have and cannot expect to recover the complete industrial, commercial and shipping predominance which we enjoyed in the 18th century.

3. In so far as the recommendations of the Conference at Hot Springs are realised and peoples with a low standard of living are able to increase their consumption of food and the countries of continental Europe abandon the policy of extreme agrarian protection, there will be greater competition for exportable surpluses of food and this country is unlikely to be able to obtain food from abroad to the extent and at the very low cost to which we have been accustomed.

4. We have lost, too, a large part of our foreign investments and are no longer a creditor nation able to count on receiving food from the rest of the world as interest on our investments. We shall thus in future only be able to import food and raw materials to the extent that we can export and we are faced with the obvious determination of other countries to develop secondary industries for the sake of national security or a higher standard of living or a diversification of their economic and social life. The Treasury Memorandum on External Monetary and Economic Policy [R.P. (42) 2] estimated that even on an optimistic view of the future of our export trade it would be necessary to increase our domestic agricultural production to an extent which would enable us to reduce our imports of food compared with pre-war by something like £60 millions at assumed post-war prices in order to maintain our balance of payments.

5. There may be different views on the degree of emphasis to be placed on the various factors mentioned above, but we suggest that taken together they lead to the conclusion that it will be desirable and indeed necessary to produce more food from our own soil than we did before the war and to do so by systems of farming which will maintain the fertility of the soil and keep something like the present numbers of farmers and workers employed on the land.* This conclusion is in full accord with the recommendations for a world policy for food and agriculture made at the Hot Springs Conference and accepted by His Majesty's Government. It would not involve any substantial change in our general national economic policy. Our imports of food would still need to be on an immense scale. What we contemplate is a comparatively modest expansion of domestic agriculture compared with pre-war—a development which appears likely to be in any case necessary to maintain our balance of payments—to be secured by the promotion of better balance and more efficient systems of farming.

6. The first call on domestic agriculture must then clearly be to produce those essential foods which we cannot import—liquid milk, fresh vegetables and soft fruits—in quantities sufficient to meet national nutritional requirements. It must also produce a proportion of the other protective foods (meat, eggs, dairy products, hard fruits) and of the energy foods (e.g., cereals) required by the people. The former category are the "sheltered" and the latter the "unsheltered" branches of the industry. They cannot, however, be considered separately, nor, indeed, can the production of any single commodity be considered in isolation. Because agricultural production is governed by natural laws and the seasons, the production of any particular food has normally to be carried on as a...
combination and sequence of operations producing a number of other foods. This was recognised in Resolution 15 of the Hot Springs Conference, which stated:

"(a) That the inherent natural and economic advantages of any area should determine the farming systems adopted and the commodities produced in that area;
(b) That farming systems should be so designed as—

(i) To maintain soil fertility at levels which will sustain yields and ensure adequate return for labour;
(ii) To protect crops and live-stock from major pests and diseases;
(iii) To favour steady employment throughout the year;

These three ends, in general and save in exceptional circumstances, can best be assured by balanced mixed rotational farming and by avoidance of single-crop production or monoculture."

7. The amount, therefore, that we can produce of the sheltered products and the proportion that we should produce of the unsheltered products will mainly depend on a balance of economic and technical considerations.

8. We hope that this statement of the position and objective in these general terms can be accepted by the War Cabinet. We recognise that in present circumstances it is unnecessary and, indeed, impracticable to ask for decisions as to the maintenance of any particular level of food production in this country, and our previous Memorandum only purported to give a broad picture of what we expected would be desirable. Both the level of production and the methods by which it might be maintained must, we recognise, largely depend on international, economic and financial conditions as they emerge after the war. Moreover, for some years after the end of hostilities there will be a world shortage of food. In the case of crops this shortage may be overcome within, say, 2 years. In the case of live-stock and live-stock products (which are of chief significance for home agriculture) the shortage is likely to persist for at least 5 years and possibly longer. It will be necessary probably for 2 years to continue the war-time character and scale of our agricultural production and thereafter to continue to expand live-stock production in order to provide adequate food for our people. During these periods if controls were removed prices would rise to scarcity levels, and the food subsidies will be required not for the purpose of protecting home agriculture, but for keeping down the cost of living under the Government's stabilisation plans.

9. On the other hand, as soon as hostilities with Germany cease, a number of urgent practical problems will arise which cannot be dealt with unless agreement is reached on the broad principles that should govern long-term agricultural policy.

10. The first phase will be a period (including the "short-term period" envisaged by the Hot Springs Conference) during which it will be necessary to maintain food production of a war-time character and scale.

11. The length of this period will be determined by the course of the war with Japan and the time taken to re-establish agriculture in devastated countries.

12. It may last for at least several years, and during that time it will be necessary, if food production is to be continued at the required level, to maintain something like the present administrative machinery and powers. This will involve asking the 4,000 unpaid members of War Agricultural Executive Committees and their District Committees to continue to give a large part of their time to the work of organising and supervising food production. It will involve the maintenance in some form or other of control over farming operations.

13. During this period also it will be necessary for the Government and the farmers to make preparations for the change-over from war-time to peace-time agriculture, such as, for example, a reduction in wheat acreages and an increase in live-stock.

14. These results can only be achieved, and these plans made, against a background of economic stability, and with at least some working idea of what sort of future is aimed at.

15. The Government has promised to maintain the existing structure of guaranteed markets and prices for a least a year after the end of hostilities. This leaves the actual date uncertain. But these questions will undoubtedly arise with great urgency as soon as hostilities with Germany cease. Clearly we must make preparations which will ensure that food production is maintained at the levels desired by the Government during the short-term period of continued stringency.
into which we shall then enter and the subsequent period of transition from war-time to peace-time conditions. Clearly, too, we cannot discuss with the industry the transition from war-time to peace-time agriculture without discussing what at any rate the principles of agricultural policy are to be at the end of the transition period. We suggest that while we need not and should not decide now what these levels of food production should be, it is necessary to begin at once to work out with the industry the broad principles which should govern transitional and long-term policies. Two essential and complementary features would seem to be (a) the continuance of some measure of control, and (b) the continuance of some system of guaranteed markets and prices.

16. We therefore recommend that it should be announced that the War Cabinet have authorised us to enter into discussions with the industry about the general principles on which post-war agricultural policy should be based, and to report back to the War Cabinet the result of these discussions. This would leave the Agricultural Ministers and the War Cabinet quite uncommitted.

17. The principles to be discussed would be:

The application of the general principles of agricultural production laid down at Hot Springs to the circumstances of this country.

The methods by which guaranteed markets and prices might be secured at whatever level the Government, in the light of general international economic and financial conditions after the war, might ultimately decide it was in the national interest to maintain production.

The extent and methods of public control over the use and management of agricultural land and over standards of farming to ensure efficiency.

The principles which should be applied for reorganising and improving agricultural educational and advisory services for the promotion of efficiency.

The principles which should govern the marketing of home agricultural produce—including improvement of quality, grading, standardisation, &c., and the sale and slaughtering of livestock; and the machinery for regulating such marketing.

18. The discussions with the industry on these matters could be kept confidential. As indicated above, they would be of an exploratory character, and the War Cabinet would be in no way committed to any level of home production or to any particular method or degree of assistance. Such discussions would, however, serve the purpose of satisfying the industry that the Government was taking action to prepare a permanent post-war agricultural policy; they would help to secure the support of the industry for the measures necessary to deal with the difficulties of the transitional period; and they would provide a basis on which decisions could be taken about long-term policy when it becomes necessary to do so.

19. There may be some appreciation of capital land values attributable in part to the Government's agricultural policy. This is only part of the more general problem caused by changes in capital values of all kinds which may result from Government action. No satisfactory solution of this problem has so far been found, but we are carefully examining the possibility of dealing with speculation in agricultural land or exploitation of changes in its value resulting from Government policy.

20. Northern Ireland.

A Committee presided over by Lord Justice Babbington has been set up by the Minister of Agriculture for Northern Ireland, to enquire into and report upon the development and improvement of the Agricultural Industry. The Committee's terms of reference do not go beyond what may be termed purely Northern Ireland agricultural matters such as livestock breeding policy, transport of agricultural produce, electrification of rural areas, rural housing, agricultural education, and internal marketing arrangements, &c.

21. Northern Ireland is concerned, as a constitutional part of the United Kingdom, with the broader aspects of agricultural policy. It is desirable, therefore, that Northern Ireland should be associated with any discussions with British Agricultural Ministers which affect agricultural policy in the United Kingdom as a whole.

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R. S. H.  
T. J.  
H. M.

28th September, 1943.