



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

Tim Lankester Esq
10 Downing Street
LONDON
SW1

24 May 1979

~~With~~
Ms

Dear Tim

MILK PRICES

-72?

... Further to my letter of earlier today I attach a copy of the written PQ reply which will announce the 1½p increase in the retail price of milk.

I am sending copies of this letter to Tom Harris (Department of Trade), John Wilson (Scottish Office), George Craig (Welsh Office), Joe Pilling (Northern Ireland Office), Tony Battishill (HM Treasury) and Martin Vile (Cabinet Office).

Yours sincerely

Franco Thompson

Miss F H Thompson
Assistant Private Secretary

To ask the Minister of Agriculture, Fisheries and Food if he has carried out a review of the maximum wholesale and retail prices for liquid milk, and if he will make a statement.

REVISED DRAFT REPLY

Increases in milk prices are required under a system established by the previous government in 1977. The government then decided to set the distributive margin (the gap between the retail price and the wholesale price) at a level which reimburses the dairy trade for the expected average costs of processing and distributing liquid milk in the forthcoming 6 month period (together with any adjustments to take account of variations in costs from those expected in earlier periods). The processing and distributing costs are based upon independent costing investigations. The last review should have taken place on 1 April but was deferred. The delay in making this review results in a steeper rise being necessary now than would have been the case if the decision had been taken at the customary time.

The government have reviewed the increases that are now needed in the maximum wholesale and retail prices for liquid milk by the established methods. The increases required are very much affected by wage settlements made in the first 4 months of this year.

The result of this review is that the maximum retail price for liquid milk will now have to be increased by $1\frac{1}{2}$ p per pint so that the price of ordinary pasteurised milk will be 15p per pint. These increases will take place in England, Wales and Northern Ireland on 3 June and in Scotland on 15 July. The increase is what is necessary to meet the additional calculated costs whilst maintaining returns to milk producers at acceptable levels.

In order to reflect the lower costs of summer milk production, maximum wholesale prices will be reduced on 1st June to the following levels:-

	<u>p per litre</u>
England and Wales (except London)	12.943
London	12.747
Scotland	12.891
Northern Ireland (except Belfast)	11.349
Belfast	11.258

Orders to give effect to the new maximum prices will be laid before Parliament as soon as possible.