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SECRETARY OF STATE
FOR
NORTHERN IRELAND

Prime Minister.

A.S.C. 1/3.

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON
SW1

15 March 1984

Handwritten signature: Michael Jopling
Handwritten initials: N.I.

Handwritten initials: MR

1984 CAP PRICE FIXING

You clearly have made remarkable progress on the milk question. Now that this movement has been achieved in the negotiations the way forward is becoming clear on those issues which will go to the Summit next week. There might be advantage at this stage if I put the particular requirements for Northern Ireland on the record. I attach a detailed assessment of the Northern Ireland position prepared by Adam Butler (not to all). In particular, the Irish demands for complete exemption from quotas and levies on milk production could cause us severe problems and I would hope that the Prime Minister would raise them, if appropriate at the Summit.

The Republic of Ireland's Milk Quota

The Republic of Ireland attaches great importance to obtaining an additional milk quota over and above its allocation. The Prime Minister made the point at the Athens Summit that preferential treatment for the Republic would need to be matched by similar treatment for Northern Ireland.

As you know our UK allocation means a 7.3% reduction from the 1983 production level, but the Republic's allocation would mean a 13.6% reduction for them. If the Republic of Ireland were to be penalised by 7.3% only, then they might be allocated 335,000 tons additional quota. As this would bring them to parity with the United Kingdom I would not seek special help for Northern Ireland. If concessions are made that take them much above parity with the United Kingdom then it is politically essential that the same concession should be made to Northern Ireland. If the Republic's demand were met to

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milk

allow them to expand to the average yield levels of the Community, they could be looking for an additional 2 million tonnes (compared with the 600,000 the Commission have in reserve).

For every extra 10,000 tonnes Irish quota above the 335,000 tonnes level we would need to seek 2,700 tonnes for Northern Ireland, and/or, the extension to Northern Ireland of other possible schemes of assistance to the Republic, such as calf subsidy, conceded in order to provide alternative, and possible extra, compensation for restraint on milk production.

Other Milk Points

There are other milk questions in which Northern Ireland has an interest. We would hope that the "understanding" of the 11/13 March Agricultural Council that the allocation of milk quota to dairies or farms within a Member State will be on the basis of 1983 production (except for hardship cases) could be written into the record. (A 1981 production base would double the cost to Northern Ireland); and that Member States permitted to allow farmers who wish to reduce their milk production to transfer part or all of their reference quantity to other producers. We would also find it useful if you could ensure that Member States are required to control milk and milk products sales by producers other than to dairies and the requirement to collect levy monthly is removed.

Beef


I would be grateful if you would take a very robust view on any suggestion that the Beef Variable Premium scheme should continue in Great Britain only. I believe it must continue to apply to Northern Ireland as well. "Clawback" on beef should, if at all possible be avoided; and the necessary adaptation should be made to EC rules to prevent trade distortion so that intervention buying in Northern Ireland, accompanied by variable premium, is as attractive as support measures in the Republic.

These arrangements are very important to the well being of Northern Ireland. Agriculture plays a more crucial role in the Northern Ireland economy than in any other part of the United Kingdom. But it is now likely to suffer from being 90% dependent on grassland, its most efficient form of exploitation. For this reason adverse changes in beef and milk support must damage our farmers' livelihood quite disproportionately, there being no other enterprise for them to turn to than sheep. From the milk proposals alone, the loss of value added to Northern Ireland producers would be about £10M in 1984/85. In addition, co-responsibility will cost £2.2M. Furthermore, the milk proposals could have a significant effect on beef prices. On the very worst assumptions beef output could be depressed by up to £15M (although on a "once for all" basis). These losses can be compared with a farming net income of £72 million in 1983. This would be considerably aggravated by inequitable treatment as between Northern Ireland and the Republic.

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In view of the short time between your Agriculture Council discussions and the Heads of Governments meeting I am copying this to the Prime Minister, to other members of OD(E) and to George Younger and Nick Edwards. The points which I have raised above should be covered in the briefing on agricultural points being prepared for the Prime Minister.

A handwritten signature in dark ink, appearing to be 'J. C.', with a horizontal line underneath the first part of the signature.

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