



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

4th April 1984

I am writing to you myself because of the very real importance of last Saturday's Agricultural agreement in Brussels, not least because of its wider context in Community negotiations and the run up to the European elections.

The effects of the agreement will be felt particularly in the dairy sector. The super levy on milk has been widely discussed by farmers since the proposal was first published by the Commission last July. You will remember that we have discussed it on several occasions since then, both in the House and in Committees upstairs.

The package which we have agreed contains many pluses. The removal of the threat to revalue the Green Pound; the continuation of the beef premium scheme; and the continuation of the subsidy advances for sheep in the uplands. These should be seen together with the extension of the less favoured areas; the doubling of the suckler cow subsidy and the increase in the wool guarantee.

Consumers will want to be reassured that the retention of the butter subsidy, and beef and lamb variable premiums will mean that increases in butter, beef or lamb prices are unlikely. The price of bread will not rise and there will be no tax on margarine. I do hope you will be able to seek every opportunity with the media to put these matters over and I enclose a brief for your use.

Overall the package is not unfair to Britain compared with other States. Of course, farmers throughout the Community have very difficult times ahead. But the Common Agricultural Policy has been out of control. It has got to be brought back to reality. This deal is a giant step in that direction.

Michael Jopling

AGRICULTURAL AGREEMENT

1. Introduction

The agreement of 31st March is a major step forward both for the CAP and for Britain in the Community. For the first time nominal price cuts in the CAP have been agreed and the burden of this essential step in the reform of the CAP is being evenly shared between the Member States. Taken together with the provisional agreement that farm spending should grow more slowly than the rest of the Community budget, the way is now open for further vital negotiations in the one outstanding element of the post-Stuttgart agreement - budgetary imbalances.

2. The Agreement itself

The Council of Agricultural Ministers agreed the following package in Brussels on Saturday 31st March 1984.

i) Milk

The Community consumes 88 million tonnes of milk a year.

The super levy will cut back milk productions from an estimated 105-6 million tonnes to 99-100 million tonnes in 1984.

Production will be cut back to 98-99 million tonnes in 1985.

In the negotiations we avoided the damaging intensive levy which would have penalised British farmers.

We blocked the French proposal to exempt small farmers from the super levy.

We insisted on non-dairy sales being included in the super levy, this blocks Italian, French and Belgium escape routes.

We obtained a 65,000 tonnes bonus for Northern Ireland.

We ensured that butter prices would be stable, in spite of a reduction in the consumption subsidy.

We ensured that Ireland has no guarantee of extra quota next year.

ii) The dismantling of Monetary Compensatory Amounts (MCAs) whereby both positive and negative MCAs will be eliminated over the next three years. This will remove distortions to agricultural trade, but will be costly to the Community. However, this agreement does NOT include the revaluation of the Green Pound which has been opposed so strongly by the NFU. The dismantlement of MCAs will not affect farmer or consumer prices in the UK.

iii) Price adjustments comprising 1% reductions for several commodities including most cereals, beef, pigmeat and sheepmeat.

iv) The introduction of guarantee thresholds for products in surplus, the cost of which is rising rapidly.

- v) Continuation of the beef Variable Premium Scheme although marginally reduced. This is very welcome to the NFU's. We have doubled the suckler cow subsidy to £24.74.
- vi) We have increased the wool guarantee by 5p. The first increase for four years.

3. Benefits to Consumers

The overall effect of the agreement on consumer prices will be broadly neutral with the possibility of reductions in some commodities.

- a) It is the first major step taken to cut back unwanted surpluses, for example milk production should be six million tonnes less than it would have been in 1984/5 - a saving of over £1,000 million a year.
- b) The butter subsidy was retained with no increase in butter prices.
- c) The beef variable premium was retained with no increase to be expected in beef prices.
- d) Reductions in support prices for cereals which will hold the price of bread and cereal products down.
- e) The variable premium on lamb was retained. No increase in price is expected for lamb.
- f) No oils and fats tax which would have increased the price of all food products containing vegetable oils or animal fats, for example margarine and cakes.

A full brief is available from the Whip's Office

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