

PRIME MINISTER


POLICY UNIT
22 February 1984

COMMON AGRICULTURAL POLICY: PROPOSED SUPPLEMENTARY LEVY ON MILK

Mr Jopling's efforts to negotiate a milk-tight super levy deserve support. On-farm milk quotas will be unpopular, and difficult to administer. They will force some dairy farmers to disband their herds and others to abandon their expansion plans. But both consequences have to be faced because the Community is 140% self-sufficient in milk.

The alternative is a substantial and sustained reduction in the price of milk. This was proposed by the UK; it would be a better solution in many ways, and should be kept on the table in Brussels, as a reserve in the event that a fair and effective super levy proves impossible to negotiate.

The worst feature of the quotas is that they will freeze the structure of the dairy industry. The partial remedy to this is a market in quotas: let those farmers who are tempted to go out of milk sell their quotas to those who wish to expand, or start herds. This will allow efficiency to increase without increasing milk production.


NICHOLAS OWEN