



Ref. A084/1874

PRIME MINISTER

You agreed with the Minister of Agriculture, Fisheries and Food and the Chief Secretary, Treasury that there should be a review of United Kingdom domestic support for agriculture. You instructed me to set up an Official Group on Agricultural Expenditure (MISC 100) under Cabinet Office chairmanship with the following remit:

- i. to establish on the basis so far as possible of agreed figures the present cost of agricultural support and the degree to which the scale of this support may exceed the scale of support provided for other sectors of the economy such as manufacturing industry;
 - ii. to consider, in the light of likely developments in the Common Agricultural Policy (CAP) following the post-Stuttgart negotiations, the scope for changes in United Kingdom domestic support for agriculture;
 - iii. in particular to examine each of the present measures of United Kingdom domestic support (other than rate relief on which there has been a very recent Government commitment) with a view to establishing whether it should continue and at what level; and to prepare options for reducing expenditure to be considered by Ministers in good time for decisions to be taken in the next Public Expenditure Survey.
2. The summary and conclusions are in Section 8 of the report. Ministers are asked to consider first the following broad strategic issue:
- (a) whether an overall substantial reduction in the level of domestic support, as opposed to changes in emphasis, would prejudice the Government's ability to keep up the pressure for further reform of the CAP and damage United Kingdom agriculture; or



(b) whether domestic support for agriculture should be substantially reduced to bring it more in line with the Government's economic policies generally and as a more logical accompaniment to United Kingdom efforts to reduce CAP market support.

3. If Ministers decided that they wish to make a substantial reduction in United Kingdom domestic support for agriculture they are asked to indicate which of the following areas of support should be reduced (1984-85 figures provided):

Capital Grants	(£167 million)	→
Drainage	(£ 66 million)	→
Agricultural Training Board	(£ 8 million)	
Research and Development	(£170 million)	→
Agricultural Development and Advisory Service (ADAS)	(£ 42 million)	
Animal Health	(£ 52 million)	
Less Favoured Areas	(£154 million)	→
Taxation Reliefs	(£ 25 million)	

4. Sections 4-7 of the report discuss the options which might be available for reducing expenditure under each of these headings. Depending on the views expressed by Ministers on whether there should be a substantial reduction in United Kingdom domestic support for agriculture, and, if so, in what areas, officials might be instructed to pursue the options in detail in the course of this year's Public Expenditure Survey, taking account as necessary of policy reviews already in progress.

5. I am sending copies of this minute and the attached report to the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Scotland and Wales, the Minister of Agriculture, Fisheries and Food and the Chief Secretary, Treasury, with the request that these papers should be seen only by those in their Departments who have already participated in the work of the Official Group (MISC 100) or who are specifically authorised by their Minister to see them for the purposes of giving essential advice.

RIA

ROBERT ARMSTRONG

3 July 1984

These sections are optional reading. Sections 1-3 plus the summary in 5.8 will suffice.