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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon John MacGregor OBE
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London SW1

Opp's

25 October 1985

EMERGENCY RELIEF FOR LIVESTOCK SECTOR

You wrote to me on 4 October and I have since, of course, made the statement you agreed at the Party Conference. We now need to decide urgently on the action to be taken to deal with the serious situation facing the livestock sector.

I have reviewed the effect to this summer's weather on the industry with George Younger, Nick Edwards and Tom King. We are entirely agreed that your suggested figure of "well below £10m" would be a totally inadequate response to the scale of the problem facing large numbers of farmers, following a quite exceptional period of sustained bad weather. The meteorological office has confirmed that the weather patterns in many areas have been the most extreme for the summer months for the past 30 years. Rainfall has been 2 - 2½ times normal in many areas with 3 times normal in mid September in central Scotland. At the same time, average temperatures and sunshine hours have been exceptionally low. All this has had a devastating effect on the winter fodder supplies of the livestock sector in particular, with the hay crop much reduced in quantity and quality; and much of the silage crop of low quality also.

The problem is particularly concentrated in upland areas and in the lower ground areas of south west Scotland and the north west England. In the England and Wales LFAs, the overall shortage of hay is estimated at 25%, but some farmers managed to get in no hay at all. Scotland's hay crop suffered very badly and is some 80% down on normal; while Northern Ireland has only 10% of its intended crop in the LFAs and only 30% elsewhere. In some areas the problem has been made worse by the need to bring cattle indoors early to avoid permanent damage to waterlogged pastures.

Because of the overall shortage, hay has become very expensive. Figures of £140 or more per tonne for good quality hay are now quite commonly being quoted and in remoter areas quotations are much higher than this. In many areas hay prices are running at twice the levels which farmers have normally been paying in recent

years. Against this background and with each cow requiring 1 - 1½ tonnes of hay for the winter, the £10 million you mentioned would go nowhere and would be seen as a derisory response to a very serious situation.

Although there are many producers outside the Less Favoured Areas who have suffered badly, the livestock producers in the upland regions are the most vulnerable and we consider that the payments should be concentrated there. But the dairy producers in the south west of Scotland and the north west of England have had fodder losses no less substantial and costly to replace than the worst hit upland producers. The most straightforward way of implementing help would be to make a straight headage payment on cows and sheep, though we wish to skew the aid towards the cattle sector.

Our proposal is, therefore, that we should make available an aid package calculated on the basis of £20 per head per beef cow/50 pence per head per sheep in the Less Favoured Areas; £10 per head per dairy cow in the Less Favoured Area of Northern Ireland and in the old Less Favoured Area in Wales; and £10 per head per dairy cow and beef cow in Dumfries and Galloway, Strathclyde and Central Region of Scotland; the Less Favoured Areas in Northern England and in the lowland area of Cumbria. /and

The costing of this aid package is set out in the Annex attached.

We have considered whether arrangements could be made to identify producers who have been most affected. We have concluded that this would result in a lot of arguments and ill feeling, as well as a heavy additional administrative cost. We think that this across the board approach is both the most straightforward and defensible.

To give you some idea of what this payment would mean for individual producers, a typical beef cow herd in Scotland of 40 cows could well be facing increased costs of over £3,000. This producer would receive help amounting to only about a quarter of the additional costs he might be facing. The other 75% he would be left to find himself.

We would implement these arrangements, except for dairy cows, by using the HLCA machinery. The payments would need to be funded under the Appropriation Act. Since it will be necessary to proceed with payments as quickly as possible, we will need to have access to the Contingencies Fund.

In putting the special aid package proposal to you, I must make it clear that the review of the HLCAs has to proceed in the normal way and that we shall need to decide on what increases in the basic HLCA rates are required for 1986 in the light of that review. We could not accept that the emergency package in the current year should prejudice the outcome of the review which must be properly and objectively carried through on the basis of the data which is now being prepared. We agreed this approach in our PES round. I shall be writing to you shortly about the results of the HLCA review.

Because of the weather conditions, some farmers are having problems about completing work in time to claim grant aid under the Agriculture and Horticulture Grant Scheme by 31 December 1985 and it would clearly be impossible to defend in equity depriving farmers from grant aid because they were prevented from meeting the deadline by the havoc caused by the weather. My colleagues and I would wish to extend the closing date to 30 June 1986. This does not involve extra expenditure; the extended deadline simply means that farmers who entered into commitments before 9 July will have longer to complete their work and make their claims.

We are also proposing to provide for free testing of conserved fodder on farmers in the worst affected areas. It is estimated that the cost of this in England and Wales would be around £10,000.

We do not need to notify the Commission of State aids which fall under Article 92(2) of the Treaty which, as in this case, compensate for the effects of exceptional events. But we have, in any case, been keeping them informed of the scale of the problems facing us. I would not foresee any difficulties with the Commission unless we decided to alter the HLCA rates for 1985. But I am not proposing this since I concluded from your letter that you would see objections to this.

I hope that we can have your early agreement to the measures outlined above. My officials are ready to go over details with yours.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Edwards, Tom King and George Younger.

A handwritten signature in cursive script, appearing to read "James E. ...".

A handwritten signature in cursive script, appearing to read "Michael Jopling".

MICHAEL JOPLING

EMERGENCY RELIEF FOR LIVESTOCK SECTOR

Beef cattle in LFAs	918,000 x £20	18.4
Sheep in LFAs	10,317,000 x 50p	5.2
Dairy cows		
(i) in Northern Ireland LFA	170,000 x £10	1.7
(ii) in Dumfries and Galloway, Strathclyde and Central Regions	200,000 x £10	2.0
(iii) in Wales old LFA	50,000 x £10	0.5
(iv) in Northern England LFA and in the lowland area of Cumbria	320,000 x £10	3.2
Beef cattle in (ii) and the lowland area of Cumbria under (iv) above	50,000 x £10	0.5
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Expenditure: AGRICULTURE
Sept 83.

