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PRIME MINISTER

30 October 1985

EMERGENCY AID FOR FARMERS

The Treasury have offered "well below" £10 million; Michael Jopling has now put in a bid for over £30 million.

We are in the process of reversing the modest economies in agricultural support, which took a year's hard grind to secure. We trimmed £40 million from capital grants in the last Expenditure Survey, but have lost £30 million of these through overruns. The intervention fund is way over budget. Now we are thinking of an extra £30 million rescue operation.

The Summer's disasters call for some help, but we should see this in perspective. We did not withhold assistance to farmers during the good years, when they didn't need it. Why then should they expect assistance during a bad year? The hoteliers would not dream of asking for compensation for the effects of the disastrous Summer on their businesses, nor would the Government consider providing it if they did.

A package which you might recommend for consideration would be:

1. Treasury to increase their offer to £10 million, to be paid, as MJ suggests, in the form of headage payments (so much per cow and per sheep).

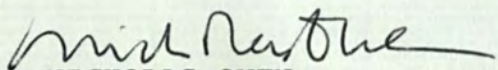
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2. Advance some of next year's (ie 1986-87's) hill livestock compensatory amounts (HLCAs) to the farmers in the affected Less Favoured Areas. The HLCAs are reviewed in the Autumn and paid in January. Michael Jopling wants this review to be kept separate from the relief. He is right, but for reasons which the Chief Secretary has put forward: we don't want to establish a baseline for future HLCA payments on the basis of an exceptionally bad year.

3. Press the Commission harder for grain relief, as the Irish, Italians and French have done. MAFF have been diffident about this, partly because they fear that grain relief will "spoil the market". But since reduction in cereal prices is an avowed objective of our policy, why should we be concerned?


NICHOLAS OWEN

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