



10 DOWNING STREET

THE PRIME MINISTER

30 January 1984

DA
ALVAF

Dear Sir Richard,

Thank you for your letter of 18 January giving the views of the National Farmers' Union on the European Commission's price proposals for 1984/85 and in particular on the level of the green pound.

I was glad to hear that your members accept the need for the CAP to be operated cost-effectively and that they are prepared to play their part in the changes which must come.

On the green pound, as I am sure you will appreciate, the Government will have to take account of all relevant factors before finally deciding on our position. The economic health of our farming industry and the level of retail prices which you mention are clearly both highly relevant.

I am not, therefore, able to give you a definite Government view at this stage, but I can assure you that we fully intend to maintain the record of success of our farming industry in recent years.

I expect that Michael Jopling will wish to reply to the detailed points you make including the estimates you give for the effects of the Commission's proposals.

Like you, I am sending a copy of this letter to Michael Jopling.

Yours sincerely

Maynard Mackenzie

Sir Richard Butler



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's
Private Office

David Barclay Esq
Private Secretary
10 Downing Street
London SW1

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27 January 1984

Dear David

As requested in your letter of 19 January to Ivor Llewelyn, I am enclosing a draft reply to the letter of 18 January which the Prime Minister received from Sir Richard Butler.

As usual, I should be grateful if you would arrange for a copy of the Prime Minister's reply to be sent to me.

Yours ever
David

DAVID DAWSON
Assistant Private Secretary



DK
my

DRAFT LETTER FOR THE PRIME MINISTER'S SIGNATURE

Sir Richard Butler
President
The National Farmers' Union
Agriculture House
Knightsbridge
London SW1X 5NJ

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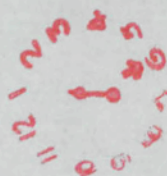
~~I am copying this letter to Michael Jopling.~~

Like you, I am sending a copy of this letter to Michael Jopling

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27 JAN 1984



April 19/11

JP

19 January 1984

I enclose a letter which the Prime Minister has received from Sir Richard Butler, President of the National Farmers' Union.

I should be grateful for a draft reply for the Prime Minister to send to Sir Richard Butler by Friday 27 January.

(DAVID BARCLAY)

Ivor Llewelyn, Esq.,
Ministry of Agriculture, Fisheries and Food.

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THE
NATIONAL FARMERS'
UNION

FROM THE PRESIDENT
SIR RICHARD BUTLER

18th January, 1984

The Rt. Hon. Mrs. Margaret Thatcher, PC., MP.,
Prime Minister,
10 Downing Street,
London.
S W 1

Dear Prime Minister,

Thank you for your letter of 4th January in reply to mine, giving our views on negotiations about the Common Agricultural Policy. I was very glad to see that the Government recognises the importance of the green pound to UK agriculture and that you recognise the special situation of sterling as a floating currency.

The EEC Commission have now published their price proposals for 1984/85 and have also said that the monetary gaps in the UK, the Netherlands and Germany should be reduced by half. I thought you should know straight away that the proposal on the green pound is totally unacceptable to British farmers.

My members accept the need for the CAP to operate cost-effectively and are prepared to play their part in realistic measures to deal with the EEC's financial problems. But the effect of the Commission's proposals would be to reduce farm support prices in the UK by about $3\frac{1}{2}$ per cent, when allowance is made for our mix of products, against an average increase in EEC common prices of just under 1 per cent. And this is proposed following a year when there has been a drop of some 15 per cent in UK farm income.

Our calculations suggest that the Commission's farm price and agri-monetary proposals together (excluding the negative effects of proposed related measures, such as the introduction of the supplementary levy on milk) would cause farm income to fall further by at least 25 per cent in 1984.

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Of this total, 11 per cent would be due to the suggested green pound revaluation. In real terms the industry's income would be below even the very depressed 1980 level.

Revaluation of the green pound would lead to virtually no direct saving in Community expenditure, as the reduction in UK export restitution expenditure would be broadly offset by the lower yield in import levies. There would only be a minimal advantage to the consumer (about 0.2 per cent reduction in the RPI in a full year) and there would be unfortunate repercussions for employment in the agricultural ancillary industries and in the rural areas.

I have exceptionally written to you on one aspect of the Commission's proposals because an adjustment in the green pound affects our competitive position within the Community and is an area where your Government retains a large measure of control. I should like your earliest assurance that the Government will reject the Commission's proposal.

I am also gravely concerned about many other aspects of the Commission's proposals which could seriously affect UK agriculture. I am putting our views direct to Michael Jopling, and of course I am copying this letter to him.

Yours sincerely

Richard Butler

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19 JAN 1984

