



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD  
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cc: HJC  
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10 Downing Street  
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14 March 1984

Dear Tim

COUNCIL OF AGRICULTURE MINISTERS: 11-13 MARCH 1984

I attach a copy of the statement which Mr Jopling hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); David Beamish (Whip's Office, Lords); Richard Hatfield (Cabinet Office); Alex Galloway (Chancellor of the Duchy of Lancaster's Office) and to the Private Secretaries of the other Agriculture Ministers and members of the OD(E).

*Yours Sincerely*  
*Ivor Llewelyn*

IVOR LLEWELYN  
Private Secretary

DRAFT STATEMENT TO THE HOUSE

1. With permission. Mr Speaker, I wish to report to the House on the meeting of the Council of Agriculture Ministers which took place in Brussels on 11, 12 and 13 March. I represented the United Kingdom together with my Hon Friend the Minister of State.
2. The Council discussions mainly focussed on milk and monetary compensatory amounts.
3. I am glad to tell the House that a substantial measure of agreement was reached on an important scheme for tackling the growing milk surplus and the horrendous increase in the budgetary costs of this sector. The principal element in this scheme is a supplementary levy. This will be charged on all milk produced above a specified quantity. This Community-wide quota for deliveries to dairies is 98.2 m tonnes for 1984/85 and 97.2 m tonnes for the succeeding four years of the proposed five-year agreement.

97.2m tons represents the total of Community milk deliveries in 1981 + 1% and the quotas will be divided between Member States on that basis. The agreement provides for the levy to apply either at the level of the dairy, in which case deliveries in excess of the quota will be charged at 100% of the target price for milk, or at the level of the individual producer in which case excesses will be charged at 75% of the target price. Allocation of the quota in member states can be made on a more recent basis than 1981.

4. It was one of my main priorities to ensure that all producers without exception should be brought within the scope of any supplementary levy scheme. I am glad to say that this objective was achieved. There is no provision for exceptions for small producers or any other special category; and milk not delivered to dairies is also liable to the supplementary levy. The special aid to small milk producers was agreed for an additional two years. This will help with the income problems of small milk producers but does not exempt them from the supplementary levy.

5. I know that the industry was concerned about having to face the full rigour of the basic quota immediately. I was therefore glad to accept an intermediate step for 1984/85. In order to

finance the additional 1 m tonnes involved, I agreed to a 1% increase in the co-responsibility levy for one year only.

6. Under the agreement there would be no intensive levy on milk producers. This was a major objective for me because this would have discriminated seriously against the UK milk industry.

7. The agreement is related to a freeze on the common price for milk in 1984/85. There is provision for the butter subsidy to be reduced. But the UK price of butter to consumers will not increase.

8. The main outstanding issue relates to possible special arrangements for individual Member States. There is reference to a Community reserve of 600,000 tonnes in addition to the basic Community quota. The Irish have maintained their demand for exception from the supplementary levy to enable them to continue to expand up to the average yield levels for the Community. I have maintained a reserve on the whole idea of a Community reserve and the linked question of any special arrangement for the Irish and other Member States. The Irish made it clear that they would wish to pursue this issue at the European Council.

9. Turning to the question of monetary compensatory amounts, the negotiations centred on the German suggestion for dismantling existing positive MCAs, and for avoiding the creation of new positive MCAs at future EMS alignments. I have made it clear throughout that the UK is concerned about the budgetary implications of the German ideas. But this is an issue of high importance to certain other Member States. The text which was worked out in negotiation would provide for the dismantlement of German and Dutch positive MCAs in three steps. It recognises the special position of sterling as a floating currency. If implemented, the UK positive MCAs would be reduced in the first stage by <sup>about</sup> 3 percentage points but there would be no effect on the level of support to UK farmers in terms of sterling. I have maintained a reserve particularly in relation to the budgetary costs of this arrangement. Because of these budgetary implications, the issue will be put before the European Council.

10. The texts on milk and MCAs are subject to a number of reserves, including a reserve related to the overall agreement on agricultural prices which will need to cover other commodities. The Agricultural Council will be resuming its work on Friday. But the agreement on the implementation of a supplementary levy is, I believe, a historic step forward in bringing sanity in the common agricultural policy. It marks a recognition by the Council that the milk sector cannot go on expanding and adding to the waste of Community resources. My concern now will be to discuss in detail with our own industry how we can most sensibly implement these arrangements in the United Kingdom.