



John Ly

MARR

10 DOWNING STREET

THE PRIME MINISTER

26 March 1984

Dear Sir Richard,

Thank you for your letter of 7 March about the current negotiations on the European Commission's farm price proposals for 1984/85 enclosing a copy of your leaflet headed "British Agriculture Under Threat".

We discussed many of these concerns when you came to see me on 15 March, and you will know that since then the Council of Agriculture Ministers has again discussed this year's price proposals. The French Presidency subsequently reported the extent of agreement on all aspects of the proposals, to the European Council, and this formed part of our discussions there. The farm price proposals have now been referred back to the Agriculture Council which continues its discussions next week.

Your main concern when we met was milk. The agreement reached at the Council of Ministers (11 - 13 March) is against a background of a market where the Community is producing more milk and milk products than it can consume. The problem of dealing with such surpluses is bound to be difficult, but it is a problem which we are committed to tackle. The agreement on milk makes some significant progress in this respect, and I think it is worth remembering that we have managed to achieve a solution which does not exempt the smallest producers nor put an additional burden on the intensive producers. Both of these would have been detrimental to the United Kingdom. We shall now be working to ensure that any final agreement is operated fairly throughout the Community.

/We also

JK



We also discussed some of the other commodities in the negotiations, but you have, of course, been into greater detail on these with Michael Jopling. In particular he has already made it clear to the Council of Ministers that the proposal to revalue the green pound was not justified and did not take account of sterling's position as a floating currency. The Commission has now withdrawn its proposal to revalue the green pound and it is therefore unlikely that a revaluation will figure in the final package. Alternative measures for MCAs were discussed at the Council on 11 - 13 March. While these proposals would change the level of MCAs they would not commit the UK to any changes in the level of the green pound and would not affect the returns to UK producers in sterling. The Council of Agriculture Ministers meets again on 26 - 27 March to resume its discussions on this year's price-fixing.

It has been clear that unless member states faced up to the need to take difficult and sometimes painful decisions, it would be impossible to finance the CAP in 1984 within the resources available. So our objective has been to reach a solution which was compatible with these realities, but also one which did not discriminate unfairly against United Kingdom producers. We are working for an agreement which is fair both to producers and consumers, and to the United Kingdom as a whole; this offers a much surer foundation on which the agriculture sector can make its plans than it has enjoyed in the recent period of uncertainty overhanging the terms of the CAP.

Sir Richard Butler

Yours sincerely

Richard Butler





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

From the Minister's  
Private Office

David Barclay Esq  
Private Secretary  
Prime Minister's Office  
10 Downing Street  
London SW1A 0AA

~~Mr Coles~~

23/3

23 March 1984

Type letter pl.

MR 23/3

Dear David

Thank you for your letter of 8 March to  
Ivor Llewelyn enclosing a copy of one from  
Sir Richard Butler.

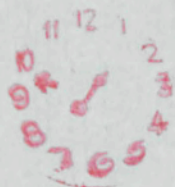
--- A draft reply is attached and as usual I would  
be grateful for a copy of the final reply.

Yours ever

David Dawson

DAVID DAWSON  
Assistant Private  
Secretary

23 MAR 1964



UNITED STATES POSTAL SERVICE  
WASHINGTON, D. C. 20540

7-10-64





DRAFT REPLY FOR THE PRIME MINISTER'S SIGNATURE

Sir Richard Butler  
President  
National Farmers' Union  
Agriculture House  
Knightsbridge  
LONDON  
SW1X 7NJ

March 1984

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We discussed many of these concerns when you came to see me on 15 March, and you will know that since then the Council of Agriculture Ministers has again discussed this year's price proposals. The French Presidency subsequently reported the extent of agreement on all aspects of the proposals, to the European Council, and this formed part of our discussions there. The Council made significant progress on the proposals, and on the linked problems of the Community budget and the farm price proposals have now been referred back to the Agriculture Council for the detailed provisions to be agreed.

Your main concern when we met was milk. The agreement reached at the Council of Ministers (11-13 March) is against a background of a market where the Community is producing more milk and milk products than it can consume. The problem of dealing with such surpluses is bound to be difficult, but it is a problem which we are committed to tackle. I am sure I could enlist your general support in this objective. The



agreement on milk makes some significant progress in this respect, and I think it is worth remembering that we have managed to achieve a solution which does not exempt the smallest producers nor put an additional burden on the intensive producers; these were both candidates for inclusion which would have been detrimental to the United Kingdom. We shall now be working to ensure that any final agreement is operated fairly throughout the Community.

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Sir Richard BUTLER



22/3

RM

10 DOWNING STREET

*From the Private Secretary*

8 March, 1984

I enclose a copy of a letter which the Prime Minister has received from the Honourable Sir Richard Butler, President of the National Farmers' Union. (7.3.84)

I should be grateful if you would provide a draft reply which the Prime Minister might send to Sir Richard by 22 March.

DAVID BARCLAY

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

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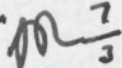




GR  
IL (MAFF)  
PM

10 DOWNING STREET

DMB  
8/3

- 1) MW ~~Coles~~  7/3.  
2) PRIME MINISTER (2)

To be aware of this letter  
from Sir Richard Butler.

We will ask MAFF for a  
draft reply.

DMB

7 March 1984



AGRICULTURE HOUSE · KNIGHTSBRIDGE · LONDON SW1X 7NJ

01-235 5077



THE  
NATIONAL FARMERS'  
UNION

FROM THE PRESIDENT  
SIR RICHARD BUTLER

RFB

March 7<sup>th</sup>

Dear Prime Minister,

I write to you again about the negotiations in Brussels because I am very concerned to ensure that Agriculture is not unduly adversely affected by them. I realise the importance of getting decisions on the UK contribution to the EEC Budget and of bringing spending on the CAP under control.

I am concerned not only about the economic aspects which affect us and our ancillary industries but also about



the consequences for the rural community as a whole. Prosperity or adversity in the rural areas is closely linked to prosperity or adversity in Agriculture & Horticulture and wrong decisions about our Industry could have far reaching consequences. There could also be very adverse effects on smaller producers, particularly milk producers and many could be forced out of business by harsh cuts in the quantity which they can produce combined with a price freeze.

I enclose a paper setting out some of the detail of our reaction to the Commission's proposals. I am sorry to burden you with this and of course I have had discussions with Mihal Topling about it, but I hope you will find it of interest. I shall be pleased to come to talk to you if you so wish.

Yours sincerely  
Richard Butler



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Yours sincerely,

Richard Butler.



## BRITISH AGRICULTURE UNDER THREAT

1. If the wrong decisions are taken in the next few weeks, the part which agriculture plays in our national life could be imperilled. The EEC Commission's proposals on farm prices, on the green pound and on changes in the CAP represent the most damaging set of measures which British agriculture has faced since we joined the Community. The package as a whole, if implemented would cause an agricultural recession with serious consequences for rural areas and for the economy in general.

2. The Commission's proposals on farm prices and the green pound would cut agricultural support levels in this country by 3½ per cent in nominal terms - 8 or 9 per cent after taking account of inflation. But this is only the beginning of the story. In addition there would be the impact of the drastic proposals for changes in the CAP and the effect of economy measures which have already effectively cut support levels for cereals, beef and milk.

3. The NFU accepts that agricultural support must be cost-effective and that farmers must play their part in helping to resolve the EEC's financial problems. But British farming plays a vital part in our national economy, It must be vigorously defended in the current round of Brussels negotiations.

### The Financial Position

4. The Government's Annual Review White Paper shows that UK farming income declined by 15 per cent in 1983 and in real terms was 30 per cent below the average for the ten years 1973-82. The NFU estimates that implementation of the Commission's price proposals alone would cause a further (and possibly severe) decline in 1984 and if the proposed green pound revaluation were also adopted farming income in 1984 would fall very sharply below the already depressed 1983 level.

5. These forecasts relate only to the proposals on common price levels and the green pound. They take no account of the very harsh effects on producers in individual commodity sectors of the CAP adaptation proposals. They also make no allowance for proposals to economise on CAP expenditure



by raising quality standards for intervention or export, which would undermine and destabilise agricultural markets.

#### Green Pound

6. A green pound revaluation would substantially reduce farm revenue at a time when the industry is already under great pressure. It would also reduce the competitiveness of UK farmers in relation to other EEC producers, with adverse consequences for the UK's trade balance.

7. It would do nothing to help the EEC's budgetary difficulties. Any savings to the Community on the refunds provided for UK exports would be offset by lower receipts from levies on UK imports. The effect on retail prices in the UK would be minimal. Even if the impact on producer prices were fully reflected in retail prices, the food price index would be less than one per cent below where it might otherwise have been. The effect on the general RPI would be only 0.2 per cent.

8. The UK is not a member of the European Monetary System and, unlike the Deutschmark, the Guilder and the Krone, the other currencies for which revaluations are proposed, the pound floats freely. Sterling is a potentially unstable currency as its strength is based on the vulnerable world price of oil together with the UK's comparatively high interest rates. As happened in the early months of 1983, the positive monetary compensatory amounts (MCAs) which the Commission wishes to reduce by a green rate revaluation, could be eliminated quickly by a decline in the market value of sterling.

#### Milk

9. The NFU accepts that steps have to be taken to contain the cost of the EEC milk surplus. But there are several elements in the Commission's package of milk proposals which it cannot accept.

10. The proposal for on-farm quotas and a supplementary levy designed to reduce deliveries to dairies to 1981 levels plus 1 per cent would be very damaging for the UK. By using 1981 as the base year and linking



the levy to deliveries rather than production, the Commission's proposal would discriminate against the UK and impose unbearable penalties on many producers. If the supplementary levy must be imposed, then the Union believes that it should operate through a system of national standard quantities, which would leave Member States free, within agreed rules, to decide how to collect the levy from producers. In any case, on-farm quotas could not be considered without a firm assurance that the support price for milk produced within the quota would be adjusted each year to offset cost inflation.

11. Among the Commission's other proposals, the Union is strongly opposed to the intensive levy, the suspension of intervention in skimmed milk powder (SMP) during the winter months, and the tightening of SMP quality standards. The Union agrees with the Commission that some reduction in the butter intervention price is desirable in order to stimulate demand. But any such reduction should be fully offset by an increase in the intervention price for skimmed milk powder. The Commission's proposals do not do this; they reduce the overall level of support for milk and this is unacceptable.

#### Cereals

12. The NFU accepts that the balance between cereal support prices and those for livestock should be further adjusted this year, provided action is taken to limit imports of cereal substitutes from outside the Community. But we cannot accept the Commission's suggestion that EEC cereal prices should be aligned with those in countries such as the USA or Australia, where production conditions are completely different. The Commission's proposals to tighten quality standards for intervention and for export, which would further depress prices in the UK and discriminate against UK producers, must be strongly opposed. The NFU has proposed the introduction of differential support prices for feed wheat and barley to reflect their different feed values. We have also suggested measures to improve access to and availability of cereals held in intervention. The aim of these proposals is to make the cereals market more sensitive to the needs of livestock producers whilst maintaining effective support for the cereal grower at a reasonable level.



EURO PAR : CAP 12

Beef

13. The NFU totally rejects the Commission's proposal to abolish the UK variable premium which benefits both consumers and producers and is less costly to the EEC budget than intervention alone. We are very concerned about the future of the UK beef industry. We want to see an increase in the suckler cow premium in order to promote specialist quality beef production.

Lamb

14. The Union is totally opposed to the Commission's proposal to limit the GB variable premium to 25 per cent of the guide price without a fully compensatory increase in the ewe premium. The proposal conflicts with the principle of common support and discriminates against British producers. The Union has put forward an alternative proposition to limit the cost of the variable premium and a number of detailed measures to improve the operation of the sheepmeat regime.

- 7 MAR 1984

