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CENIO

10 DOWNING STREET

THE PRIME MINISTER

8 June 1984

Dear Mr. Daire:

Thank you for your letter of 16 May which you wrote in your capacity as President of the Ulster Farmers' Union. May I express my appreciation of the work you have done on behalf of the agriculture industry and offer my very best wishes to you for the future.

I have noted the points you make about the effects of the CAP settlement on Northern Ireland agriculture and I know that you have discussed these with the Secretary of State for Northern Ireland. He has left me in no doubt of the strength of feeling among farmers about the new price settlement.

I am sure you will agree that something had to be done to curb over-production, particularly of milk, in the EC. The Government could not have allowed the continued production of massive surpluses which were a drain both on the EC budget and on the United Kingdom taxpayer. However we did recognise that particular difficulties would be caused for Northern Ireland and special efforts were made to help. We managed to secure an additional 65,000 tonnes from the Community milk quota reserve for Northern Ireland and you will know that in spite of a much greater increase in production in Northern Ireland than elsewhere in the United Kingdom quota allocations have been made in such a

/way.

way as to leave Northern Ireland with no greater a reduction than the rest of the United Kingdom.

You will also be aware that additional money has been provided for the recently announced outgoers' scheme for milk producers to enable up to 5 per cent of quota to be purchased in Northern Ireland compared with 2½ per cent for Great Britain.

It is too early to predict what the final outcome of the new arrangements for beef will be. I am hopeful nevertheless that the result will not be nearly as bad as you predict in your letter. Mr. Jopling's success in negotiating the retention of the Beef Variable Premium Scheme even though at a lower rate and with the imposition of clawback will, I feel, be to the advantage of the industry. As you know, the scheme is particularly valuable in that it provides direct support to producers and encourages the market by keeping down consumer prices. I hope that the Scheme along with the more attractive intervention arrangements which we have been able to negotiate, similar to those in the Republic of Ireland, will be successful in enabling the Northern Ireland industry to remain on a competitive footing.

Sheep producers' returns have been reasonable, and I am sure that the trend will continue. It is encouraging to see the steady increase in sheep numbers in Northern Ireland. This indicates to me confidence in a sector which represents an alternative enterprise for farmers in an area of the United Kingdom where the choice is limited. Northern Ireland producers have not been particularly disadvantaged by the Price Fixing. Moreover, we did retain the system of an advance payment of ewe premium for the Less Favoured Areas where it is needed most and where the vast majority of Northern Ireland sheep are to be found.

/All in all,

All in all, I think the Government has made a positive response to the particular problems of Northern Ireland. It will obviously be important for your Union to keep in touch with the Secretary of State and Lord Lyell and I know they will welcome this continuing contact.

Yours sincerely

Raymond Storer

A.N. Bailie, Esq.

From: THE PRIVATE SECRETARY



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

David Barclay Esq
10 Downing Street
LONDON SW1

GR
Re type for
PM's sig.
D.A.H.
7/6

6 June 1984

Dear David

Thank you for your letter of 18 May enclosing a letter to the Prime Minister from Mr A N Bailie, who is now the immediate past President of the Ulster Farmers' Union.

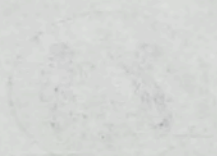
The points raised in Mr Bailie's letter were discussed at a recent meeting the UFU had with the Secretary of State; Mr Prior saw them again on June 5th. I should add that Mr Prior does not accept some of the figures quoted by the UFU. In all these circumstances he considers that a detailed reply to all the points raised is not appropriate. The attached draft reply therefore concentrates on the measures that have been taken to help the Northern Ireland industry.

Yours ever

Derek

D A HILL

Euro POT CAP



DRAFT LETTER

FILE NUMBER.....

ADDRESSEE'S REFERENCE.....

To	Enclosures	Copies to be sent to
<p>A N Bailie, Esq Ulster Farmers' Union 475 Antrim Road Belfast BT15 3DA</p> <p>(Full Postal Address)</p>		<p>(Full Address, if Necessary)</p>

LETTER DRAFTED FOR SIGNATURE BY Prime Minister
(Name of Signatory)

Thank you for your letter of 16th May which you wrote in your capacity as President of the Ulster Farmers' Union. May I express my appreciation of the work you have done on behalf of the agriculture industry and offer my very best wishes to you for the future?

I have noted the points you make about the effects of the C.A.P. settlement on Northern Ireland agriculture and I know that you have discussed these with the Secretary of State for Northern Ireland. He has left me in no doubt of the strength of feeling among farmers about the new price settlement.

I am sure you will agree that something had to be done to curb over-production, particularly of milk, in the EC. The Government could not have allowed the continued production of massive surpluses which were a drain both on the EC budget and on the United Kingdom taxpayer. However we did recognise that particular difficulties would

be caused for Northern Ireland and special efforts were made to help. We managed to secure an additional 65,000 tonnes from the Community milk quota reserve for Northern Ireland and you will know that in spite of a much greater increase in production in Northern Ireland than elsewhere in the United Kingdom quota allocations have been made in such a way as to leave Northern Ireland with no greater a reduction than the rest of the United Kingdom.

You will also be aware that additional money has been provided for the recently announced outgoers' scheme for milk producers to enable up to 5% of quota to be purchased in Northern Ireland compared with 2 $\frac{1}{4}$ % for Great Britain.

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All in all, I think the Government has made a positive response to the particular problems of Northern Ireland. It will obviously be important for your Union to keep in touch with the Secretary of State and Lord Lyell and I know they will welcome this continuing contact.

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10 DOWNING STREET

From the Private Secretary

18 May 1984

I enclose a copy of a letter which the Prime Minister has received from the President of the Ulster Farmers' Union, Mr. A.N. Bailie.

BF 11 I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Friday, 1 June.

I am sending a copy of this letter and its enclosure to Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

David Barclay

Derek Hill, Esq.,
Northern Ireland Office.

ACKD on 18/5

Ulster Farmers' Union

Telegrams:-
"FARMERS BELFAST"
Telephone:-
779222/3/4/5

475 Antrim Road.
Belfast. BT15 3DA

From The President

ANB/VC

16th May, 1984.

R18

The Rt. Hon. Mrs. Margaret Thatcher, PC MP.,
Prime Minister,
10 Downing Street,
LONDON,
SW1.

Dear Prime Minister,

See DB to NIO 10/5
NIO to AT 4/5

I am very disappointed that you have rejected my request through the N. Ireland Office for a meeting with you. As I leave office and hand over to my successors at our Annual General Meeting later to-day, I felt that you should be aware of the depth of feeling in our industry at the present time as a result of the disastrous decisions reached in Brussels and in London.

Had I had the opportunity to meet you, I would have explained to you that since last August we have been expressing our worries about the future of our industry as a consequence of proposals by the E.E.C. Commission to introduce severe economy measures much too rapidly for an industry like agriculture to be able to take in its stride.

I would also have explained to you the irreparable damage which the Commission's proposals on prices and C.A.P. reforms would have done to N. Ireland agriculture; I would have

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told you that when advised of our estimates, both Lord Mansfield and the Secretary of State had no doubt that they were realistic.

I would have informed you that when the decisions on Price support for 1984/85 were taken on 31st March, we then estimated that the reduction to net income in 1984 for our industry would be £22 to £25 million, which should be considered in connection with an expected 1983 net income of about £70 million. I would have reminded you that net income in 1983 was down 15% in U.K. terms, (but 22% in N.I. terms) from 1982 levels. This forecast was based on the assumption that the U.K. milk quota would be divided in such a way that Northern Ireland would be seen to get the full benefit of the special quota allocation.

I would have drawn your attention to the numerous references by Government Ministers of good intent as regards getting a similar concession for N.I. milk producers if a special concession was granted to the Republic. I would have indicated that your own view, as stated to the House of Commons, was that N. Ireland would be able to expand its production - a view which prevails even now amongst many M.P.'s and probably 95% of G.B. producers, despite your letter of retraction to Mr. Hume, M.P. I would have suggested to you that the time was more than ripe for a proper clarification to Parliament, so that everyone may be made aware of the realities of the situation.

I would have told you that our revised estimate of the damage to our industry, in the light of the decision taken by H.M. Government on the U.K. quota split, was £26 to £29 million. I would also have said that we now believe that this estimate will prove to be conservative, particularly as regards the beef sector.

The reduction of the U.K. variable premium limit, coupled with the introduction of clawback on exports will have major effects not only on the net income of N.I. farmers, but also on the employment prospects for several hundred workers in our modern and efficient meat processing plants. The valuable trade built up between N. Ireland and European countries (especially France and Germany) by sustained marketing effort may be lost. The consequence is bound to be increased pressure on the U.K. market itself, and an increased need for greater access to the intervention support system.

Our estimate on the N.I. beef sector disadvantage is £12.12 million net. This ignores the abolition of the U.K.'s positive m.c.a., which existed up till March. We are not yet certain that this factor will prove to have the neutral effect we originally believed. (Others are putting the total effect as high as £20 million).

Our estimate on the sheep sector is a reduction in producer returns of £2 million (with no input savings), despite the increase in wool guarantee and sheepmeat support level.

For the record, our estimate of the negative effect on the N.I. milk sector is now £18 million net. Others can justify figures of over £30 million for the dairy industry.

I would have told you that we have been severely criticised for not using the gross value figures, as these represent more accurately, and still incompletely, the effect on the Province's economy as a whole.

I find it hard to believe that it ever was the Government's intention to agree to a package of Community measures

which would have such disastrous effects on U.K. agriculture. Nor can I believe that the Government intends to allow the economy of N. Ireland to be so seriously damaged. We are convinced of the realism of our estimates. We are also convinced that the Government will be prepared to take urgent remedial measures, bearing in mind that the adverse effect on N. Ireland agriculture is in excess of twice the adverse effect on U.K. agriculture as a whole.

My colleagues and I are having discussions later this morning with the Secretary of State. This was to have been a meeting to prepare for my anticipated meeting with yourself. In the new circumstances, the nature of our discussions with Mr. Prior have to be directed at finding ways to offset the damage to the industry.

I hope you will find it possible to support our needs through the provision of the necessary resources in the current financial year.

Yours sincerely,

Noel Bailie

A.N. BAILLIE

EURO POL: C. A. P.

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