



10 DOWNING STREET

Prime Minister

This note from
John Macgregor follows
up your talk with him
in the House of Commons
last Tuesday.

MA

16/3



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

From the
Minister of State

The Rt Hon Michael Alison MP
10 Downing Street
London SW1

15 March 1984

Dear Michael

You will recall our conversation last night when the Prime Minister asked me to send over some of the statistics which I mentioned in relation to Britain's relative share of the CAP. I enclose the particular tables I had in mind, with a brief summary pulling out a few key points; and one or two additional notes[†]. They are really for background briefing and for use if the going gets really rough. We have not had to use any of the material so far!

I think you ought also to see the enclosed Revised Draft Reply which I cleared yesterday. This is an answer to a PQ from Lord Chelwood who asked for net farm income per farm broken down between the different types of farm from 1978/79. When you handed over the figures from 1979/80 to the Prime Minister you may recall that I briefly mentioned that the figures varied depending on the base year. It was this I had in mind. There were some dramatic changes between 1978/79 and 1979/80 which is why the figures look so different from the ones I sent to you. You will note that although Lord Chelwood did not ask for them, I have put in the 1979/80 figures because I have been making quite a lot of use of them and I did not want there to be any confusion! The relativities remain the same in the two tables, but I think the key points which it may be worth pointing out to the Prime Minister at some time is that LFA cattle and sheep farms (which she spotted last night) do look quite different when you take a 1978/79 base year. — The

PQ (which is enclosed) gives you the figures you asked for on the phone on the other table.

I also enclose the paper I prepared today for Cabinet colleagues and backbenchers as promised.

Again with many thanks for your help.

JOHN MACGREGOR

*but now
sent to avoid
burdening
you with
paper.*

*Yes, ev,
JH*

REVISED DRAFT REPLY

Index numbers of net farm income per farm in the United Kingdom for the main types of farm are shown in Table 26 of the White Paper on the Annual Review of Agriculture 1984 (CMND 9137). They indicate the following percentage changes in real terms (deflated by the RPI) in the 5 years since 1978/79 including the forecast change in 1983/84:

Cereal farms	+ 27%
Dairy farms	- 39%
LFA Cattle and Sheep farms	- 27%
Lowland Cattle and Sheep farms	- 58%
Pigs and Poultry farms	- 81%

However, the figures vary considerably from year to year and a different base year can give significantly different results. If, for example, the comparison is made on the basis of a 1979/80 base year, the figures are as follows:

Cereal farms	+ 74%
Dairy farms	- 2%
LFA Cattle and Sheep farms	+ 60%
Lowland Cattle and Sheep farms	- 6%
Pigs and Poultry farms	- 73%

Comparable figures are not available for beef, sheep and pig farms separately. This comparison of trends reflects in part of the fact that cereals yields have increased proportionately more during the period than such livestock indicators as milk yields and eggs laid per bird.

KEY POINTS IN TABLE

a) One of the points that is sometimes made in relation to the sheepmeat regime is that the UK is almost the sole beneficiary (and of course that the cost is rising substantially). We have 90.7% of total EEC expenditure, at a total of 228 MECU (1982 figures).

b) The table shows that, as percentages of EEC expenditure (1982 figures):-

On Cereals

France has 37.3% - 680 MECU

Germany has 16.5% - 300 MECU

UK has 13.2% - 240 MECU

UK has 18.5% of EEC wheat production and 33.9% of EEC barley production

On Sugar

France has 40.9% - 508 MECU

Germany has 18.5% - 230 MECU

UK has 7.7% - 95 MECU

On Olive Oil

Italy has 83.6% - 412 MECU

On Fruit and Vegetables, Wine and Tobacco

Italy has 69.4%, 68% and 46% respectively, to a total of 1,311 MECU for these three products alone. UK's total FEOGA for all products was 1286 MECU.

On Milk

Germany has 24.1% - 800 MECU

Netherlands has 22.8% - 757 MECU

France has 20.9% - 696 MECU

UK has 8.7% - 290 MECU

On Eggs and Poultry

France has 55.6% - 57 MECU

UK has 1.5% - 1 MECU

c) FEOPA expenditure for 1982 per country compared with agricultural production as a percentage of EEC totals was:

	FEOPA Expenditure %	Agricultural Output %
UK	10.4	13.4 (P)
France	23.1 (1)	19.6 (1)
Germany	16.4	18.4 (3)
Greece	5.5	5.1
Belgium	4.3	3.0
Denmark	4.5	4.0
Ireland	4.0	2.1
Italy	20.2 (2)	19.6 (1)
Luxembourg	-	-
Netherlands	11.5	12.5

TABLE 4

GUARANTEE EXPENDITURE BY MEMBER STATE

mecu

		Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK	Total
Cereals	1981 expenditure % of EC total	108.5 5.6%	32.6 1.7%	318.0 16.6%	19.2 1.0%	878.4 45.7%	3.0 0.2%	256.4 13.3%	0.6 -	83.2 4.3%	221.5 11.5%	1921.4
	1982 expenditure % of EC total	90.0 4.9%	40.3 2.2%	300.1 16.5%	129.3 7.1%	680.1 37.3%	5.4 0.3%	233.5 12.8%	0.1 -	103.9 5.7%	240.8 13.2%	1824.5
Rice	1981 expenditure % of EC total	0.6 2.8%	Nil Nil	0.9 4.1%	Nil Nil	0.4 1.8%	Nil Nil	19.3 90.6%	Nil Nil	0.1 0.5%	0.4 1.8%	21.7
	1982 expenditure % of EC total	0.7 1.4%	- -	- -	Nil Nil	0.7 1.4%	Nil Nil	48.9 97.2%	Nil Nil	- -	- -	50.3
Sugar	1981 expenditure % of EC total	88.1 11.5%	29.6 3.9%	156.3 20.4%	2.8 0.4%	317.7 41.4%	3.9 0.5%	64.5 8.4%	Nil Nil	51.5 6.7%	53.1 6.9%	767.5
	1982 expenditure % of EC total	166.7 13.4%	44.9 3.6%	230.0 18.5%	11.7 0.9%	508.5 40.9%	5.2 0.4%	92.7 7.5%	- -	87.2 7.0%	95.0 7.7%	1241.9
Olive oil	1981 expenditure % of EC total	- -	- -	Nil Nil	43.6 9.9%	- 0.1 -	Nil Nil	398.5 90.0%	Nil Nil	- -	0.4 0.1%	442.7
	1982 expenditure % of EC total	- -	- -	- -	76.2 15.5%	1.2 0.2%	- -	412.2 83.6%	Nil Nil	Nil Nil	0.7 0.1%	493.1
Oilseeds and proteins	1981 expenditure % of EC total	19.6 3.0%	8.5 1.3%	228.3 35.2%	- -	204.1 31.5%	0.1 -	49.9 7.7%	- -	28.4 4.4%	109.2 16.8%	648.1
	1982 expenditure % of EC total	16.3 2.0%	21.6 2.7%	295.7 36.8%	1.4 0.2%	215.1 26.8%	0.5 0.1%	53.0 6.6%	- -	82.4 10.3%	117.5 14.6%	803.5
Textiles	1981 expenditure % of EC total	2.1 2.9%	Nil Nil	- -	54.9 76.0%	13.1 18.1%	Nil Nil	0.6 0.8%	Nil Nil	0.9 1.3%	Nil Nil	72.2
	1982 expenditure % of EC total	3.0 2.6%	Nil Nil	Nil Nil	96.6 83.0%	14.3 12.3%	Nil Nil	0.5 0.4%	Nil Nil	1.0 0.9%	Nil Nil	116.4

1982

1982 & cont.

		Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK	Total
Fruit and vegetables	1981 expenditure	5.7	0.7	19.3	20.5	106.7	0.1	479.9	Nil	6.1	2.1	641.1
	% of EC total	0.9%	0.1%	3.0%	3.2%	16.6%	-	74.9%	Nil	1.0%	0.3%	
	1982 expenditure	3.8	0.9	15.4	133.8	110.0	0.1	634.2	Nil	13.2	2.8	914.3
	% of EC total	0.4%	0.1%	1.7%	14.6%	12.0%	-	69.4%	Nil	1.4%	0.3%	
Wine	1981 expenditure	Nil	-	0.5	3.3	215.0	Nil	240.4	Nil	Nil	0.2	459.4
	% of EC total	Nil	-	0.1%	0.7%	46.8%	Nil	52.3	Nil	Nil	-	
	1982 expenditure	Nil	-	4.0	20.7	157.7	Nil	387.8	Nil	Nil	0.4	570.6
	% of EC total	Nil	-	0.7%	3.6%	27.6%	Nil	68.0%	Nil	Nil	0.1%	
Tobacco	1981 expenditure	2.2	Nil	27.0	Nil	79.5	Nil	253.1	Nil	-	Nil	361.8
	% of EC total	0.6%	Nil	7.5%	Nil	22.0%	Nil	69.9%	Nil	-	Nil	
	1982 expenditure	3.9	Nil	35.9	205.5	87.8	Nil	289.3	Nil	0.2	Nil	622.6
	% of EC total	0.6%	Nil	5.8%	33.0%	14.1%	Nil	46.5%	Nil	-	Nil	
Minor products	1981 expenditure	1.0	8.5	7.0	1.3	8.3	0.1	3.8	-	6.0	10.7	46.7
	% of EC total	2.1%	18.2%	15.0%	2.8%	17.8%	0.2%	8.1%	-	12.8%	22.9%	
	1982 expenditure	0.9	9.6	7.0	2.3	7.8	0.2	4.9	0.1	7.1	13.5	53.4
	% of EC total	1.7%	18.0%	13.1%	4.3%	14.6%	0.4%	9.2%	0.2%	13.3%	25.3%	
Milk	1981 expenditure	174.8	261.1	810.1	0.4	828.9	193.0	57.9	3.1	722.7	290.7	3342.7
	% of EC total	5.2%	7.8%	24.2%	-	24.8%	5.8%	1.7%	0.1%	21.6%	8.7%	
	1982 expenditure	222.7	293.8	800.7	1.9	696.7	191.8	69.5	2.8	757.7	290.1	3327.7
	% of EC total	6.7%	8.8%	24.1%	0.1%	20.9%	5.8%	2.1%	0.1%	22.8%	8.7%	
Beef	1981 expenditure	19.1	54.5	288.2	Nil	402.5	219.2	213.1	0.1	101.5	138.7	1436.9
	% of EC total	1.3%	3.8%	20.1%	Nil	28.0%	15.3%	14.8%	-	7.1%	9.7%	
	1982 expenditure	10.0	48.9	173.1	2.9	275.6	263.0	244.2	0.1	37.5	103.3	1158.6
	% of EC total	0.9%	4.2%	14.9%	0.3%	23.8%	22.7%	21.1%	-	3.2%	8.9%	



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 1981
 1982

TABLE 4 cont.

		Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK		Total
Sheepmeat	1981 expenditure	Nil	Nil	Nil	Nil	Nil	4.0	Nil	Nil	Nil	187.5		191.5
	% of EC total	Nil	Nil	Nil	Nil	Nil	2.1%	Nil	Nil	Nil	97.9%		
	1982 expenditure	Nil	Nil	1.8	Nil	11.8	8.7	Nil	Nil	1.1	228.3		251.7
	% of EC total	Nil	Nil	0.7%	Nil	4.7%	3.5%	Nil	Nil	0.4%	90.7%		
Pigmeat	1981 expenditure	9.3	84.8	19.8	Nil	7.1	0.4	11.4	-	19.8	2.0		154.6
	% of EC total	6.0%	54.9%	12.8%	Nil	4.6%	0.3%	7.4%	-	12.8%	1.3%		
	1982 expenditure	5.2	58.6	12.9	-	5.0	1.7	8.6	-	17.2	2.4		111.6
	% of EC total	4.7%	52.5%	11.6	-	4.5%	1.5%	7.7%	-	15.4%	2.2%		
Eggs and poultry	1981 expenditure	1.5	6.1	10.3	0.2	40.7	-	0.2	-	23.3	1.6		83.9
	% of EC total	1.8%	7.3%	12.3%	0.2%	48.5%	-	0.2%	-	27.8%	1.9%		
	1982 expenditure	1.5	5.6	11.9	0.2	57.8	-	0.3	-	25.0	1.6		103.9
	% of EC total	1.4%	5.4%	11.5%	0.2%	55.6%	-	0.3%	-	24.1%	1.5%		
Processed goods	1981 expenditure	56.4	21.1	27.5	Nil	26.2	14.2	18.0	-	55.9	63.1		282.4
	% of EC total	20.0%	7.5%	9.7%	Nil	9.3%	5.0%	6.4%	-	19.8%	22.3%		
	1982 expenditure	13.3	25.5	38.1	1.8	28.7	18.9	32.4	-	68.6	187.1		414.4
	% of EC total	3.2%	6.2%	9.2%	0.4%	6.9%	4.6%	7.8%	-	16.6%	45.1%		
Fish	1981 expenditure	0.4	1.3	2.5	Nil	3.7	2.6	4.6	Nil	8.4	4.5		28.0
	% of EC total	1.4%	4.6%	8.9%	Nil	13.2%	9.3%	16.4%	Nil	30.0%	16.1%		
	1982 expenditure	0.4	2.0	2.5	Nil	2.9	4.3	6.0	Nil	8.1	7.8		34.0
	% of EC total	1.2%	5.9%	7.4%	Nil	8.5%	12.6%	17.6%	Nil	23.8%	22.9%		
Total Guarantee section (incl. MCAs)	1981 expenditure	500.1	513.6	2058.0	146.2	3146.8	441.0	2065.0	4.0	1179.5	1086.2		11141.0
	% of EC total	4.5%	4.6%	18.5%	1.3%	28.2%	4.0%	18.5%	-	10.6%	9.7%		
	1982 expenditure	535.5	558.7	2030.0	684.6	2869.1	500.8	2508.6	2.7	1424.8	1286.1		12405.6
	% of EC total	4.3%	4.5%	16.4%	5.5%	23.1%	4.0%	20.2%	-	11.5%	10.4%		

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TABLE 4 cont.

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	Belgium	Denmark	Germany	Greece	France	Ireland	Italy	Lux	Neth	UK		Total
Agricultural revenue (incl. expenditure for production) (1981 and 1982)	206.2	29.4	306.8	18.4	257.6	8.9	310.1	0.1	214.5	395.5		1747.5
	11.8%	1.7%	17.6%	1.1%	14.7%	0.5%	17.7%	-	12.3%	22.6%		
	283.0	32.8	392.1	76.6	281.9	13.0	368.6	0.1	231.4	548.3		2227.8
	12.7%	1.5%	17.6%	3.4%	12.7%	0.6%	16.5%	-	10.4%	24.6%		

Source : EC Commission FEOGA Financial Reports (except agricultural levy revenue from EC Court of Auditors Reports)