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SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON
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28 November 1983

Alan Russell

CHANGES TO THE COMMON AGRICULTURAL POLICY : POST STUTTGART

Although I support the line which you took at the Special Council in Athens on 9/11 November on the Common Agricultural Policy, the consequences for Northern Ireland agriculture if certain radical changes are made in the CAP support regimes (even if the Commission's original proposals are modified, as now seems probable) could be extremely damaging. I must place them on record before the Athens Summit and ask that they be taken fully into account in the developing discussions with our Community partners. I am also conscious from our meeting on 7th with the Irish that they will be pressing very hard for many concessions, particularly on milk.

Our national objective must of course continue to be to bring the Community's agricultural budget under control but our interest in attaining this must not lead us to accept principles or special pleading for exemptions from other members which would improve the competitive position of their agriculture vis-a-vis that of the United Kingdom.

I am currently faced with forecasts of 25% unemployment overall in Northern Ireland by 1988. Agriculture in Northern Ireland has exhibited very valuable stability through the present recession and could continue to sustain employment both on and off the farm. Agriculture is relatively four times more important to the Northern Ireland economy than in Great Britain and its contribution could be seriously eroded if the Commission proposals for changes in the CAP were implemented as they bear most adversely on the grassland based livestock which account for the greater part of Northern Ireland's production. They would add to Northern Ireland's

/unemployment

..... unemployment. I attach an analysis by William Mansfield which evaluates our main pre-occupations.

You will understand my anxiety as the attachment indicates a very large potential loss for Northern Ireland farmers relative to a net farm income of £91 million in the good year of 1982. I appreciate, of course, that our negotiations with our Community partners can only be conducted on the basis of the balance of our national interest. Like my colleagues I am in no doubt that this lies in curtailing CAP guarantee expenditure. But we must not unfairly damage the agriculture of any one part of the United Kingdom. Sacrifices are obviously called for but they should be fairly shared. With present levels of unemployment over 20%, and significantly higher in many rural areas, I will have to consider carefully what steps might need to be taken to remedy any economic damage. If we should fail to meet what I understand to be our current negotiating objectives the compensatory measures which would be necessary would make large claims on the public purse which I certainly could not begin to meet from my Northern Ireland allocation.

This is the first opportunity I have had to expose to you the importance of the current negotiations to Northern Ireland. With so many major issues to be weighed and deals to be made I want to ensure the regional difficulties are not at risk of being overlooked in the final rush to agreement, and I hope there will be full access for the regional Secretaries of State to the consultations and briefing.

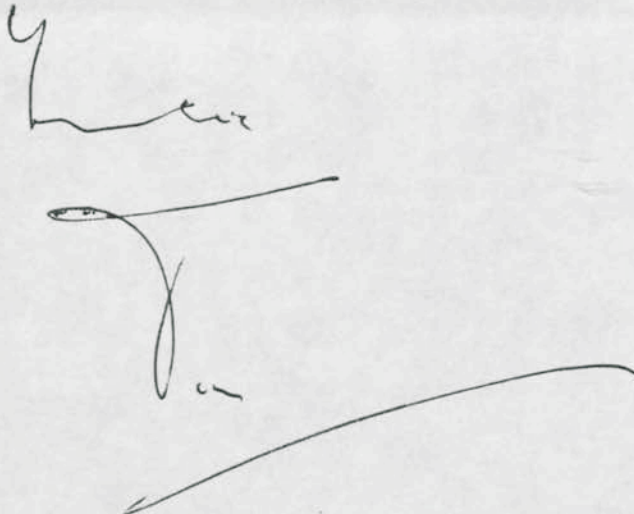
I would urge strongly that in our negotiations we should seek to stand on the following points:-

- (a) if a milk supplementary levy has to be accepted that the base period will be related to the 1983 level of production without any exemptions;
- (b) the implementing regulations are drawn sufficiently tightly to ensure that the correct production figures are used in all Member States for the levy free milk quota and that there are no loopholes which would allow others to escape paying their proper share of any levy;
- (c) no weakening of the resolve to maintain cereal substitute imports under present GATT rules;
- (d) if beef points are raised no weakening of resolve to maintain the beef variable premium and in particular not to accept clawback or a separate beef support system for Northern Ireland; and

/if

- (e) if other countries get concessions to seek,
if appropriate, equivalent assistance for
Northern Ireland.

I am copying this letter to the Prime Minister, Geoffrey Howe,
George Younger, Nicholas Edwards, and Nigel Lawson.

Handwritten signature and scribbles. The signature appears to be 'G. Younger' written in a cursive style. Below the signature are several horizontal lines and a large, sweeping curve, possibly representing a flourish or a signature of another person.

SOME IMPLICATIONS FOR NORTHERN IRELAND AGRICULTURE OF THE
COMMISSION'S CAP PROPOSALS

Note by Lord Mansfield

The Commission's super levy proposals for milk would entail Northern Ireland farmers paying a levy of £28 million, almost 15% of the total value of farm gate milk output if production continued at the 1983 level or 30% of total Northern Ireland net farm incomes in 1982. Even the compromise discussed last week at Athens would entail a penalty for Northern Ireland of £18 million. The proposed super levy will in fact have a much more severe impact on Northern Ireland because our increase in production has been greater between 1981 and 1983 than in Great Britain or in the Irish Republic. As well as being made worse off in absolute terms Northern Ireland dairy farmers would be even worse off relative to their counterparts in England and Wales who are sheltered to some extent because so much of their production goes into the liquid market. At present the Northern Ireland Milk Board gets some £17 million per annum less than would be obtained for an equivalent quantity of milk sold by the England and Wales Board. Using the Athens presidency compromise this disadvantage would widen to £25 million.

2. I am also concerned that, if a quota/levy system has to be conceded at the end of the day it should be water tight and without exemptions. I realise Michael Jopling used the term "fair effective and nondiscriminatory" in the Athens meeting. I agree with this entirely but I am worried that other Member States might be able to reduce their liability by manipulating their figures for "deliveries to dairies".

3. Another concern is that many dairy farmers here have been trying to make their holdings more viable in size by development plan investment which has entailed increased production. They have been aware of the problems of surplus production but have watched recent

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large increases in The Netherlands and elsewhere in the EC. They have felt that they could compete on price alone and that this was to be the likely path of things to come rather than rigid back-dated quota following on last year's agreement to have a guaranteed threshold.

4. My anxiety underlines the need to stick to the approach which we have already adopted on milk, namely to press for control through prices rather than a levy and, if a levy has to be accepted to secure a 1983 baseline even if it is at a fixed percentage of that production which may even be less than 100%. Above all we must ensure that any such regime is administered strictly and that the detailed implementing rules are so tightly drawn that there is no leakage in any Member State.

5. On this point we will be open to major and justifiable criticism if Northern Ireland farmers take the full weight of any new levy while farmers in the Irish Republic, or particular groups of farmers elsewhere are given relief from the levy or offered scope for evading it. I see no valid reasons for any exemptions and I trust we will be able to continue the strong line on this already taken by Michael Jopling.

6. The United Kingdom line on cereal substitutes is that there must be no tampering with the present GATT arrangements unless the major suppliers, such as the USA, agree. I trust that it will be possible to maintain this opposition to change as access to these products is worth some £0.6 million to the intensive livestock industry in Northern Ireland in 1983. Although of lesser importance to the Northern Ireland economy than grass based livestock the intensives provide a valuable 11,000 jobs in processing, production and ancillary industries while facing a disadvantage compared with Great Britain of some £6 million in the cost of its feedingstuffs. It has been on a knife-edge throughout the early part of this year because of low returns generally in the United Kingdom and we must avoid increasing its burdens if at all possible.

7. I realise it is the intention that the proposed changes to the beef and sheep regimes should not form part of the Summit discussions. I agree entirely with this but I am perturbed that in Athens last week there was an attempt by others to introduce them into the deliberations. I feel that I should therefore raise a warning of the problems for Northern Ireland if the discussions should follow certain directions.

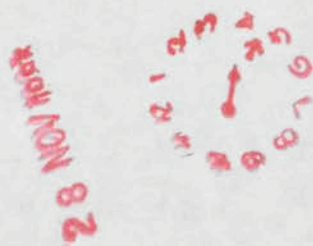
8. I agree with Michael Jopling that we must defend the beef variable premium. Even worse for us than ending the beef variable premium would be an agreement for it to continue but with a claw-back on exports. The Irish Republic would like to see this. If conceded the Northern Ireland beef industry would have great difficulty in maintaining its exports outside the United Kingdom which look like reaching 45,000 tonnes or almost one-third of its shipments this year. There would be a massive attempt to smuggle carcasses across the border to avoid clawback. The alternative of seeking to divorce Northern Ireland from the British beef variable premium system would be to opt for full intervention support here. Quite apart from almost impossible practical difficulties due to lack of facilities this would mean causing the politically embarrassing prospect of two different systems or beef support within the United Kingdom and we have had sufficient difficulty already in this direction over sheepmeat. It would also have economic implications for employment in Northern Ireland.

9. Under the Commission proposals Northern Ireland stands to lose £10 million of calf premium and £2.3 million of additional suckler cow premium (also paid in the Irish Republic). These aids have been extremely valuable in stabilising the drastic decline in the beef breeding herd since 1974 and in helping to make up for part of the general price disadvantage of Northern Ireland dairy and beef farmers compared with their counterparts on the mainland. Along with the other likely upsets to beef marketing their loss would be a serious blow and I would hope that it may be possible to retain some features of them for Northern Ireland if the Italians, Irish or Greeks are able to retain any special beef support. Other Commission proposals for beef are

still vague. It is quite impossible to quantify their impact at this stage but it is certain that they would seriously depress the absolute prices received by Northern Ireland beef produces and lead to increasingly lower producer returns in Northern Ireland than in Great Britain. This relative gap could widen to some £15 million or more with the effect on net farm income being even greater.

WILLIAM MANSFIELD

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From the Minister

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30 November 1983

CHANGES TO THE COMMON AGRICULTURAL POLICY: POST STUTTGART

attached
 Thank you for your letter of 28 November attaching William Mansfield's analysis of Northern Ireland interests.

Your points are well taken; indeed you will have noted I made some of the same points in my recent minute to the Prime Minister. There is nothing between us on objectives, and while you will recognise that it would not be sensible for any absolute commitments to be given, I am sure the Prime Minister and Geoffrey Howe will bear your points very much in mind in Athens.

I am copying this to the Prime Minister, Geoffrey Howe, George Younger, Nicholas Edwards and Nigel Lawson.

MICHAEL JOPLING

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