



Needham
(Agriculture
file)

10 DOWNING STREET

THE PRIME MINISTER

14th May 1984

Dear Richard,

Thank you very much for your letter of 1st May about the problems currently faced by farmers, especially dairy farmers.

I fully recognise the vital part that agriculture plays in our national life. Its record in terms of output, productivity and the devotion of its whole workforce to their tasks is second to no other industry in the country. Farmers can take a real pride in their achievements since the last war which have made a major contribution to the national economy and to our society as a whole.

But agriculture both here and in the rest of the Community is facing increasing problems because production has continued to expand whilst consumption has remained stagnant. The Commons Agricultural Policy now costs European taxpayers some £9,000 million per year. The milk regime alone, before the recent quota agreement, threatened to cost well over £3,000 million. Production of milk was running some 20 million tonnes above market outlets of about 86 million tonnes, and there was no scope for absorbing any increased production either in the Community or by exports to other countries. Further, the Community's continually expanding exports at subsidised prices were a source of friction with some of our closest allies.

The seemingly inexorable increase in expenditure on the CAP simply had to be contained; and since milk represented such a large proportion of that expenditure it was inevitable that attention would focus especially on that sector.

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I recognise the very real problems with which our dairy producers are faced following the decision by the Agricultural Council of Ministers to introduce a supplementary levy on milk production over a given quota. I sympathise in particular with the sort of producer you specifically mention in your letter, ie the small specialist dairy farmer who has no alternative form of production to engage in. But it was essential to cut back the continued growth of the milk surplus and the deal Michael Jopling obtained in Brussels was fair to British producers.

I am sure you are right when you say that farmers are resilient people who will by their own energies find their way round the problems they face. Certainly farmers can be assured that they will continue to have my full sympathy, understanding and support and that of the Government as a whole.

Yours

Richard