

Agriculture

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AGRICULTURAL BRIEF

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Extract from a speech by the Rt Hon Michael Jopling MP (Westmorland), Minister for Agriculture, Fisheries and Food, at a European Elections Press Conference at Conservative Central Office, 32 Smith Square, London, SW1 on Friday 25th May 1984.

The Conservative Party is committed to the support of British agriculture within the broad framework of the Common Agricultural Policy. Our record over 5 years in Government, and the record of farmers in response to our policies, are good. We have pushed up farm production by over 10%, we now produce $\frac{3}{4}$ of our food which could be grown at home, and our food exports are at record levels. Meanwhile, as the graph shows, food prices over the past 5 years have risen consistently and considerably less than retail prices generally. Where Labour gets its Manifesto myth of "sky-high food prices" from, I am not sure.

Our approach has never been maximum output regardless of cost. In Britain, recent increases in food output have been more than matched by improvements in farm productivity. But the problem of excess production on a European scale must be tackled.

Before the European price-fixing agreement this spring, it was estimated that milk would cost at least £3 billion to support this year. We in Britain were making our own contribution to this astronomic figure. Even after the price-fixing, thought to save about £1 billion, it is anticipated that the European Agricultural Fund will spend some £1.3 billion over budget this year, mainly on disposal of unwanted production. We could not go on as we were.

Having said this, I recognise that the decisions we had to take were painful for our farmers. It would have been better if my European counterparts had heeded our advice and acted earlier, and through price rather than quota! But at least we now have a decision. In the circumstances, I mean to do the very best I can for our farmers. Indeed, in their immediate reaction to quotas, farmers tend to forget the strength of their industry, and the support and successes recorded this year by this Government even in a time of difficulty. Let me mention:-

- No revaluation of the green £
- The retention of the beef variable premium, at a rate higher than that applying up to 1982,
- The doubling of the suckler cow premium to nearly £25 a cow,
- The maintenance of the sheep variable premium, and the first increase in wool prices for 4 years.
- Major extension of support for our Less Favoured Areas.

I am absolutely determined to see that we in the UK, while we play by the European rules, watch other member states like a hawk to see that they are doing likewise; and that we ourselves take full advantage of the opportunities afforded to us by EEC agreements.

A large number of producers will face difficulties adjusting to the milk quota scheme. But by common consent, one group of dairy farmers is particularly hard hit by quotas. This is the specialist dairy farmer, with a herd of up to around 40 cows on a restricted acreage. He has no economic possibility of alternative production, and the effect of the imposition of quotas is immediately to force him to scale down his output. In contrast, the larger dairy farmer though hit proportionately equally as greatly has more options open to him.

/...

Most of these specialist dairy farmers naturally wish to continue in production. The best means of ensuring an economic future for them is to rebuild their quota entitlement. To do this, we need to obtain spare quota as quickly as possible.

On the other hand, some producers may wish to quit dairying altogether. They would be the direct beneficiaries of our proposed outgoers scheme, which is tailored to provide them with some acknowledgement of their loss of capital and income imposed by the new quotas, and at the same time, if they wish, to give them the means to establish an alternative area of production.

To meet their needs, I have today announced a UK outgoers scheme which will be introduced as soon as possible. Those who wish to go will be helped to go; at the same time their departure from milk production will make available additional quota, so that as soon as possible we can fulfil our objective which is to return in the first instance all producers with 40 cows or less wishing to continue milk production to a quota at their 1983 production level.

The Government has decided to make available up to £50 million over a five year period to cover up to 2½ per cent of quota in England and Wales, and in Scotland, and up to 5 per cent of quota in Northern Ireland. (This is over and above the 2½ per cent already earmarked for hardship cases). Taking 5,000 litres as roughly equivalent to one cow, payment will total £650 a cow spaced over the period.

We are of course aware that additional cow cullings are bound to have an impact on the beef market and we shall be keeping a very close eye on this section. We shall also take careful account of this factor in framing the detailed arrangements for the outgoers scheme.

/....

We are moving ahead as quickly as possible with the establishment of the review bodies and local panels for the assessment of hardship cases; and these, together with the outgoers scheme which I have outlined today, should go far to mitigate the most severe impacts of the milk situation. Nevertheless, with milk quotas with us for at least 5 years, many other decisions will be required. We will be in constant touch with leaders of the industry, the marketing boards and the dairy trade, to ensure that the right decisions are taken and that the flow of milk and milk products from British farms to the consumer is sustained.

End.

BACKGROUND BRIEF FOR THE MINISTER's STATEMENT ON MILK QUOTAS

The March 31 settlement

The agricultural settlement of 31 March marked an important turning point in the history of the CAP. For the first time many guaranteed prices were actually reduced and thresholds put on products in surplus or where the support cost was rising rapidly.

Reform of the CAP was a priority in the 1979 Conservative manifesto for Europe and has remained a priority. The Plumb report in the European Parliament in 1981 followed up the manifesto commitment and showed what action needed to be taken. The March settlement was the culmination of this reform process marking a new direction in CAP thinking. Mr Jopling called the settlement "a historic step forward in bringing sanity to the Common Agricultural Policy". Had the warnings given in Brussels and Strasbourg by Conservatives in the European Parliament and by successive British Ministers been listened to then the milk settlement would not have had to be so tough.

The state of the dairy sector

Milk has been taking up to 30% of the CAP budget - largely on disposing of unwanted surpluses.

At 26 April the EEC had - over 943000 tonnes of butter in store
- over 900000 tonnes of skimmed milk powder

At 26 April
- 13.6% of EEC butter stocks were accounted for by UK stocks
- 19.0% of EEC SMP stocks were accounted for by UK stocks - a staggering 692 days supply

In answer to a PQ John MacGregor said, "The estimate for last year was that in butter fat, taking New Zealand imports into account, which we have to ... we were 103 per cent self-sufficient - and even without NZ we are likely to be pretty nearly self-sufficient this year. For solids not fat we were 131 per cent self sufficient.

Since 1973 imports of NZ butter to the UK have fallen from 132000 tonnes to our estimated 87000 tonnes in 1983." (EEC Written Answer 1763/83)

Since the UK joined the Community UK milk production has increased from 3996 litres per cow to 4934 litres per cow (23%). Since 1975 UK butter production has gone up from 49000 tonnes to 216000 tonnes in 1982.

Mr Jopling has assured the dairy industry that even during the production trough of August and September there should be adequate supplies of milk available in Britain. The liquid market accounts for less than half of total milk supplies.

Note imports of UHT have been less than anticipated - some 230 tonnes to date - a tiny proportion of UHT sales.

There are some 58000 dairy herds in the UK. The average UK herd was 55.5 in 1982.

In the UK 76.6% of cows are in herds of over 50 cows.

In France 10.5% of cows are in herds of over 50 cows.

In Germany 7.2% of cows are in herds of over 50 cows.

In the Netherlands 60% of cows are in herds of over 50 cows.

The agreement of 31 March cuts back production from a possible 106 million tonnes to 99 million tonnes this year and 98 million tonnes next year. There is to be an increase in the co-responsibility levy of 1% from 2 to 3 % to cover the transition year.

The quota system is likely to save expenditure of about £1000 million. But even with the quotas - Community production may exceed consumption by nearly 14 million tonnes.

National milk production and quotas

Country	Deliveries		Quotas (excluding reserve)	
	1981	1983 Estimate	1984/85	1985/86 and following years
West Germany	23 032	25 187	23 487	23 248
France	25 090	26 100	25 585	25 325
Italy	7 811	8 290	8 323	8 323
Netherlands	11 818	12 850	12 052	11 929
Belgium	3 077	3 210	3 138	3 106
Luxembourg	262	284	268	265
UK	15 394	16 864	15 698	15 538
Ireland	4 514	5 270	5 280	5 280
Denmark	4 837	5 226	4 932	4 882
Greece	458	440	472	467
EEC	96 293	103 721	99 235	98 363

Ireland

Ireland has been allowed to increase its dairy production. 3.5% of Irish GDP comes from dairying. Nowhere else in the Community does dairying amount to 1.5% of GDP. Mr Jopling was opposed throughout to special treatment for Ireland but if he had voted against he would still not have succeeded because only the Dutch supported us. Further other hard fought measures would have been lost. In a recent press statement MMB Chairman Sir Steve Roberts recognised this important point. In agreeing to extra quota for Ireland a further 65000 tonnes of Community reserve was allotted to Northern Ireland.

The MMB has also stated that even with a UK production cut back of 6.5% there would still be some 13 million tonnes of milk to be marketed in England and Wales and there are opportunities for developing high value markets.

Positive points in the package

All farmers are included in the quota system - therefore no let out for small continental farmers and direct sales.

The 4% intensive proposal levy which would have hit the UK hard was scrapped.

Other important plus points were:

- keeping down the price of butter
- retention of the beef variable premium at a rate higher than that applying up to 1982
- maintenance of the sheep variable premium
The Government has also secured a substantial increase in the less favoured areas
- it has doubled the suckler cow premium to nearly £25 a cow and has increased the wool price.
- no oil and fats tax which would have hit consumers.

Fairness of quotas

The quotas are all based on the 1981 base year. The French cut back is moderately smaller than the UK's because production has gone up less. The Germans and Dutch face larger cut backs.

The German scheme for dairy farmers leaving the industry definitively

Mr MacGregor: "I understand that the Federal Republic of Germany intends to introduce a scheme providing for payments to be made to producers who undertake to go out of production definitively. From the information so far made available I understand that the main features of the scheme are that the premium will be 1000 DM per 1000 kg of milk (approximately £266 per tonne) but with a maximum payment per farm to be specified. It will be paid over a period of 10 years in 10 equal instalments. There will be an overall limit of 1 million tonnes of milk production eligible for the scheme. The scheme will cost 100 million DM annually for 10 years starting in 1985.

(Hansard, Written Answers 22 May 1984)

Answers to Mr Steels three questions - Press Conference 24/05/84

Question 1

A few months ago, Michael Jopling had a simple message for dairy farmers: "Produce, produce, produce." Now, after no consultation whatsoever he has imposed unprecedented cutbacks on the same farmers production quotas.

Answer

British Ministers have been calling for CAP reform for years. The Commission proposals were published last summer and were well publicised in the farming press. The Government has been in continuous consultation with the industry.

Question 2

Britain is only 90% self sufficient in dairy products. The French produce two gallons of milk for every gallon they drink. How, then, can he justify cutting out quotas three times more than the French's are being cut?

Answer

- (a) After allowing for imports of New Zealand butter we were 103 per cent self-sufficient last year in butterfat, and 131 per cent self-sufficient in solids not fat. It is also a fact that we contribute significantly to the surplus stocks of butter and skimmed milk powder in intervention.
- (b) In the UK less than half of total milk supplies goes to the liquid market. Like the French we are now producing a lot more of our own butter and cheese. The French use more of their milk for animal feed.
- (c) The French are having to cut back less because they have increased their production less since the 1981 base year. The Dutch and Germans have increased their production more.

Question 3

The Prime Minister has recently said: "Our purpose as a Government has been, and will remain, to give our farmers support in adjusting to new conditions." Will Mr Jopling follow the Germans' lead and set aside Government money to help farmers adjust, especially the small producers whose very livelihood is threatened.

Answer

Mr Jopling has today announced a scheme to assist small dairy farmers - see separate statement.



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From the Rt Hon Michael Jopling MP, Minister for Agriculture,
Fisheries and Food

Dear Colleague.

Ever since the imposition of quotas I have been conscious from the representations I have received from Members of Parliament, producer organisations and others, of the need to assist the small milk producer. I believe that the best way to achieve this is to return him as soon as possible to his 1983 production level. My payment-to-outgoers scheme, detailed in the attached press release, and involving £50 million of Government money over 5 years, is intended to achieve this. It will also give direct assistance to those who choose - and it is their choice - to leave milk production.

I believe that we should give vigorous support to this scheme as a reminder to the electorate, and farmers in particular, that despite all the difficulties, the Government is prepared to support our greatest national industry.

James Enw

Michael

Michael Jopling