



Prime Minister.

A.C. 1/2.

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PRIME MINISTER

COMMON AGRICULTURAL POLICY: MILK

The Minister of Agriculture copied to me his minute of 25 November.

2. I would not dissent from Michael Jopling's description of the problems which a "super levy" would cause for individual producers. But, as he acknowledges, action must be taken in this area to reduce surpluses. Community milk production is 20 to 25 per cent higher than consumption, and the gap is growing every year; over 30 per cent of expenditure on market support on the CAP is on support for milk. An effective super levy, coupled with a price freeze, could be expected to bring about some improvement. The adjustment would be painful, whether it resulted from a super levy or a price reduction (which, as Michael says, is the economically correct course); but no more painful than the adjustment to changing economic realities that many of our industrial producers have had to make in recent years.

3. There will no doubt be pressure in Athens to agree to modifications to a super levy which would make it less unpopular with the farming lobbies of Europe, for example by increasing the overall base quantity for the levy, allowing generous exemptions or allowing for some "pooling" of the levy among producers, or by increasing prices for milk to ease the pain caused by the introduction of the levy. I am sure that, as Michael says, we must resist pressure for a special deal for Ireland or Greece; equally we must

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resist any modifications which would weaken the scheme, remove its punitive character or turn it into just another corresponsibility levy - a way of raising money to pay for the excesses of the CAP. An ineffective super levy would be worse than no special arrangement for milk at all. And we must argue that a super levy should be accompanied by a price freeze for milk; it makes no sense to impose a levy with one hand and raise prices with the other. A tightly defined, effective super levy, levied on individual producers, and accompanied by a price freeze, should be our target.

4. I am copying this minute to Michael Jopling, and to Geoffrey Howe, Jim Prior, George Younger, Nick Edwards and Sir Robert Armstrong.

*M.*

N.L.

1 December 1983

## Ireland and milk

- ① Irish milk production increased by 50% since they joined
- ② Super levy very unpopular with UK. milk producers too.
- ③ we can support Irish on taking 1983 figures as the basis for the levy (related to, say, 98 m. tonnes)
- ④ we could agree to financial help on structural measures, but not any special terms for the super levy.