

CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1



From the Minister

Annex (2)

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
London SW1P 3HE

Annex

14 October 1980

kg
Annex *MS*

W. L. Goffin

THE GREEN POUND

You wrote to me on 7 October advocating a revaluation of the green pound, either immediately or at the next price-fixing.

No country has ever yet revalued its green rate outside the price-fixing because they regard it as politically impossible to reduce, in terms of national currency, the level of support for their farmers. I would similarly regard this as out of the question, especially in view of the present state of the industry and our announced policy towards it. In any case it would be tactically strange to concede in advance something which, assuming the pound remains strong, we may be pressed to do as part of the overall deal struck at the price fixing.

Discussions are shortly to take place at official level on the attitude we should adopt at the next price-fixing and I suggest that the question of the level of the green pound should be considered in that context.

I feel bound to add, however, that the income situation of the industry has not improved since the question was last considered. On the contrary it is now clear that net farm income will fall in real terms in 1980 for the fourth year in succession, perhaps by 15% or more, adding up to a cut of almost 50% compared with 1976; and not surprisingly the volume of investment is sharply down: hardly the picture of a "sheltered" industry.

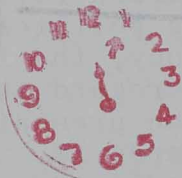
CONFIDENTIAL

CONFIDENTIAL

You may also wish to bear in mind that, given the terms of the settlement on our budget contribution, a green pound revaluation increases both public expenditure and the PSBR.

I am copying this letter to the Prime Minister, other members of OD(E) and Sir Robert Armstrong.

114 OCT 1980



PETER WALKER

CONFIDENTIAL