



u MASTER SET

## 10 DOWNING STREET

*From the Private Secretary*

26 June, 1985.

**FUTURE OF THE COMMON AGRICULTURAL POLICY**

The Prime Minister held a meeting this morning with the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and your Minister about the future of the common agricultural policy. Mr. D.F. Williamson was also present. The meeting had before it your Minister's minute of 20 June to the Prime Minister.

The Prime Minister said that she agreed that the best way to correct the operation of the common agricultural policy was through price restraint. It was essential that the whole agricultural support price structure of the Community should not be geared to the least efficient small farmers but only to the full-time efficient enterprises. The problems of the smaller, less viable farmers were of a social nature and might be tackled outside the support price mechanism. In addition, she considered that we ought to continue to think of other ways of achieving the price restraint which we sought, for example, by less rigid intervention systems.

Mr. Jopling said that the essential objective must be to maintain the pressure for price restraint and not to move publicly to any fall-back position. In order to get price support geared to efficient production it was necessary to think how to tackle the problem of the small farmers in the Community who would become even less viable. It would also be necessary to think about alternative land use when, in the next decades, some agricultural land went out of production. He considered that there were real risks in starting on an income support policy for small farmers within the common agricultural policy; there was a risk that market support would cost up to the limit set by the financial guideline, but other Agricultural Ministers would want, in effect, to top this up with income support for their problem farmers.

In discussion it was said that the current trends gave rise to major long-term problems. Productivity was rising everywhere in agriculture and it was probable that the Soviet Union would eventually become more self-sufficient. The area into which



surpluses might be exported could then contract. It seemed likely, therefore, that over a period of time some land in Western Europe would go out of agricultural production or would move to lower forms of production. This did raise important political questions about the maintenance of rural communities and about what would be done with the land. In substance, the problem of many marginal farmers in the Community might have to met either by some form of outgoers scheme or by a deliberate decision to make forms of social payments to keep the land populated. If, in the end, there was a movement towards social support for these small farmers, of whom there were large numbers in the southern part of the Community, the United Kingdom would need to reiterate that it was inequitable that social security for the urban population should be wholly on national budgets while social security for the rural population was almost entirely on the Community budget.

There was a genuine conflict between the need to reduce surpluses on the one hand and to avoid depopulation of the rural areas on the other. This made it all the more important that there should be a fuller investigation of other possible land use, in particular timber. It would also be desirable to look in more detail at the various national aids and tax incentives in other member states which were contributing to the creation of agricultural surpluses elsewhere and at the possibility of revising and reducing some of the least acceptable support regimes, for example, that for tobacco.

The Prime Minister, summing up the discussion, said that the major objective of continuing price restraint within the Community was endorsed and that the Minister of Agricultural, Fisheries and Food, with the collaboration of the other Agriculture Ministers, should now prepare a further paper on the implications of price restraint for land use and population in rural areas of the United Kingdom. Taking account of the difficulties of achieving price restraint directly, the Cabinet Office should produce a paper which would set out the various ways (e.g., by making intervention less attractive) which could be used to buttress the United Kingdom's main objective of price restraint.

I am sending copies of this letter to Colin Budd (Foreign and Commonwealth Office), Rachel Lomax (HM Treasury) and Richard Hatfield (Cabinet Office).

(C.D. Powell)

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Ministry of Agriculture, Fisheries and Food.