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From the Minister's  
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*Dear Colin*

**THE COMMON AGRICULTURAL POLICY AND EUROPEAN FOOD  
SURPLUSES**

At OD(E) on 20 November my Minister was invited to circulate material for use by Ministers and others for briefing on the need to reduce European surpluses of food. I now enclose some briefing, including points to make suitable for incorporation in speeches.

I am copying this letter to the Private Secretaries to Members of the Cabinet and to Sir Robert Armstrong.

*Yours ever*  
*Clw*  
C I LLEWELYN  
Private Secretary



## EUROPEAN AGRICULTURAL SURPLUSES: THE NEED TO CHANGE THE CAP

### POINTS TO MAKE

#### Why the Common Agricultural Policy needs to be changed

The Common Agricultural Policy (CAP) is costing Europe almost £11½ billion in 1985 - almost double its cost in 1978.

And since 1982 it has taken a rising part of the Community's budget so there is less to spend on other policies.

The cost of the CAP has grown because support prices have been set too high in relation to market demand and growing yields and efficiency in farming. As a result there has been a build-up of expensive surpluses. Stocks of butter, cereals, wine, beef and olive oil are all too high. This wastes money because of the costs of storing and disposing of unwanted produce at subsidised prices.

Selling off stocks to other countries causes difficulties in international trade because traditional exporters like New Zealand have their markets damaged. Some stocks are used for food aid, but there are limits to what can be dealt with this way. For example, not all the stocks are of foods which are suitable for the needy countries; and distribution of food is often a major difficulty.

Consumers are also disadvantaged by the high prices. If they were set lower consumers would get the advantage of cheaper food. And a lower cost of living also helps the economy generally by releasing resources for use in other parts of the economy.

#### How UK is Tackling the Problem

The UK has consistently pressed for CAP support prices to bear a closer relation to the realities of the market as the best way of containing the costs of the CAP and bringing a better market balance of supply and demand.



Significant progress has been made. The 1984 price fixing included an overall reduction, for the first time, in the level of common prices. It included a cut in real support levels across the Community of 4%. Milk quotas were introduced for the Community needs 5% below the level of production in the previous year. The 1985 price fixing, taken with the Commission's actions on cereals and rapeseed, constituted a further cut in real support levels of 3½%.

In 1984 the Community adopted a financial guideline for agriculture to operate from 1986 designed, broadly, to control the growth of CAP expenditure within the rate of growth of the Community's own resources.

We shall continue to press for further steps to be taken to cut the expensive surpluses and keep the cost of agricultural support within the budget guideline. A major element of the policy must be prices which reflect market demands more realistically.



## COMMON AGRICULTURAL POLICY: BACKGROUND FACTS

### 1. CAP Market Support<sup>(i)</sup> 1985 by Commodity

	£m	(million ecu)
Milk	3,773	(6,602)
Beef	1,406	(2,460)
Cereals	1,380	(2,415)
Sugar	965	(1,689)
Fruit and Vegetables	775	(1,356)
Wine	570	(998)
Olive Oil	513	(897)
Tobacco	481	(841)
Other	1,554	(2,721)
<b>TOTAL</b>	<b>11,417</b>	<b>(19,979)</b>

### 2. CAP Market Support<sup>(i)</sup> 1985 by Type of Support

	£m	(million ecu)
Export Refunds	3,835	(6,711)
Internal Disposal	2,109	(3,690)
Public Intervention	2,413	(4,222)
Private Storage	491	(859)
Production Subsidies	2,742	(4,799)

(i) Provisional expenditure under the Guarantee Section of the Agricultural Guidance and Guarantee Fund.

£1 = 1.75 ecu.

### 3. CAP Expenditure as % of Total EC Budget

1980	73
1981	65
1982	64
1983	69
1984	70
1985	73



4. Intervention Stocks

UK and EEC Agricultural Produce in Public Intervention  
and Assisted Private Storage ('000 tonnes)

<u>Commodity</u>	<u>UK Intervention</u>	<u>EC Intervention</u>	<u>EC Days Supply</u>
Butter	213	1,172	276
Skimmed Milk Powder	40	502	93
Bread	-	4,197	64
Wheat: Feed	3,581	7,646	-
Barley	1,952	4,358	48
Rye	-	1,022	145
Durum	-	970	82
Beef	104	914	59
Olive Oil	-	65	27
Table Wine	-	1,800 million litres	75

(A further 1000million litres (approx) of wine has become wine alcohol now held in stock.)

(i) Table Wine as at end March 1985. All other figures end October 1985.