

PREM 19/10/19

Part II

Confidential

Common Agricultural Policy
(CAP)

EUROPEAN POLICY

Part I May 1979

Part II February 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
12.83		28.4.83					
10.2.83		5.5.83					
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PART 11 ends:-

M/MAFF to S/S NIO 30.11.85

PART 12 begins:-

FCO to MAFF 1.12.85

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
EQO(83) 139	26/10/1983
EQS(83) 24	25/10/1983
CC(83) 24 th Meeting, item 3	21/07/1983
CC(83) 18 th Meeting, item 3	12/05/1983
CC(83) 15 th Meeting, item 3	05/05/1983
CC(83) 13 th Meeting, item 3	21/04/1983
CC(83) 12 th Meeting, item 3	14/04/1983
CC(83) 11 th Meeting, item 3	24/03/1983
CC(83) 10 th Meeting, item 3	17/03/1983
CC(83) 8 th Meeting, item 3	10/03/1983
CC(83) 7 th Meeting, item 3	03/03/1983
CC(83) 6 th Meeting, item 3	24/02/1983
C(83) 6	21/02/1983
CC(83) 4 th Meeting, item 3	10/02/1983

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed J. Gray Date 27/3/2013

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Command 8804 - Annual Review of Agriculture 1983, to be published by HMSO.
ISBN 0 10 188040 5

Signed

J. Gray

Date

27/3/2013

PREM Records Team



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
 WHITEHALL PLACE, LONDON SW1A 2HH

The Rt Hon James Prior MP
 Secretary of State for Northern Ireland
 Northern Ireland Office
 Great George Street
 London SW1P 3AJ

A.S.C. 1/12

h-a-

30 November 1983

CHANGES TO THE COMMON AGRICULTURAL POLICY: POST STUTTGART

attached
 Thank you for your letter of 28 November attaching William Mansfield's analysis of Northern Ireland interests.

Your points are well taken; indeed you will have noted I made some of the same points in my recent minute to the Prime Minister. There is nothing between us on objectives, and while you will recognise that it would not be sensible for any absolute commitments to be given, I am sure the Prime Minister and Geoffrey Howe will bear your points very much in mind in Athens.

I am copying this to the Prime Minister, Geoffrey Howe, George Younger, Nicholas Edwards and Nigel Lawson.

MICHAEL JOPLING

Euro Pol = CAP

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10 DOWNING STREET

From the Private Secretary

30 November 1983

I am writing on behalf of the Prime Minister to thank you for your letter of 30 November.

I will show this to the Prime Minister before she leaves for Athens.

(Andrew Turnbull)

Sir Richard Butler

010

Prime Minister ②

To note before leaving for Athens. This has been acknowledged.
Advice is being sought on a reply, which
will, of course go out after Athens.

AT 30/11

AGRICULTURE HOUSE · KNIGHTSBRIDGE · LONDON SW1X 7NJ

01-235 5077



THE NATIONAL FARMERS' UNION

FROM THE PRESIDENT
SIR RICHARD BUTLER

*Put in folder
for meeting meeting
not*

30, November, 1983

The Rt. Hon. Mrs. Margaret Thatcher, PC., MP.,
Prime Minister,
10 Downing Street,
London.
S W 1

not

Dear Prime Minister

HEADS OF GOVERNMENT MEETING - ADAPTION OF THE CAP

I believe the overwhelming majority of British farmers are solidly behind you in your fight to get a fair and lasting formula for the UK contribution to the EEC budget. They recognise the justice of the case and they know that cementing Britain's position within the EEC is in the interests of the nation generally. They also accept that expenditure on the CAP must be cost-effective and that where surplus production gives rise to undue expenditure it must be brought under control.

But farmers are deeply concerned that decisions which may be taken in Athens could discriminate against the UK and cause lasting damage to our agriculture. I do not have to remind you of the immense contribution which farming makes to the British economy. In your speech at the Royal Show in 1982 you paid tribute to the achievements of the industry. It would be a major setback for the country if decisions were to be taken which undermined those achievements.

There are two matters of particular concern: milk and MCAs. Heads of Government may be invited to take decisions in principle for the introduction of a penal "super levy" on milk produced over and above a certain quantity; and for this to be applied to the individual farmer through a system of quotas.

/..

The super levy idea itself is very harmful to the UK dairy industry, which has been winning a bigger share of the milk products market since we joined the EEC and which needs more rather than less milk in order to cut its overheads and compete more effectively. I do recognise, however, that the super levy idea may now have become the only negotiable option. If so, it is most important that it is not implemented in such a way as to heighten the inherent discrimination against this country. There are three points which I would like to emphasise. First, the basic reference quantity should be set at a recent level of production, preferably actual levels in 1983. Secondly, farmers should get a fair price for milk produced within the reference quantity. Thirdly, the Council of Ministers should be instructed to ensure that the levy is implemented fairly throughout the EEC with no exemptions.

This latter point is crucial. In the NFU we believe it could best be achieved by setting national standard quantities for production and making individual Member States responsible for deciding, within set rules, how to raise the levy from the farmer. This would have the added advantage of enabling those countries for whom the very small dairy farmer is a social problem to make special provision within their own territory. It would also help to ensure that the super levy applied to all milk produced and not just to deliveries to dairies, which in this country account for a much higher percentage of total supplies than is the case elsewhere. The arrangements for implementing a quota system in fact would be of crucial importance and it is vital that whatever decisions are taken at Athens, there is opportunity for further detailed consideration over the coming weeks.

The operation of the green currency system, as you know, is crucial to the well-being of British agriculture. The Government up to now, despite great pressure from the EEC Commission and other Member States, has maintained a positive monetary compensatory amount in the UK. Farmers recognise the Government's courage and determination in taking this line. It is now proposed by the Greek Presidency that existing positive MCAs should be phased out over a three or four year period; that the basis should be changed so that only negative MCAs would be created in future; and that there should be some detailed changes in the application of the system. The net effect of these changes would be to reduce the ability of British agriculture to meet the European competition over the next few years and to starve our industry of the financial resources which it needs for recovery. I should therefore like to urge you to insist that any decisions of principle that may be taken about the MCA system in Athens should recognise that the MCAs of countries with floating currencies are subject to special considerations, and should be excluded from any general rules.

I believe that the Summit may also discuss cereals. The NFU cannot accept the principle that EEC cereal prices should be aligned with those of other exporting countries which in some cases are not economic. We do, however, accept that support prices for cereals should continue to increase less than those for livestock products generally. But steps must be taken towards limiting imports of cereals substitutes which exacerbate the cost of the CAP and distort competition in the livestock sector.

There are two other important proposals which are not expected to arise at the Summit meeting but which are of great concern. For both beef and lamb the Commission is proposing changes in the regimes which would hit at both consumers and farmers in this country. For beef, they want to discontinue our variable premium scheme; for lamb, to introduce severe limitations. Both proposals are totally unacceptable.

If you would like to discuss any of these matters with me I should be very glad to do so.

Yours sincerely

Richard Butler

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Debate on the European Commissions
Proposals for the Reform of the
Common Agricultural Policy.

Thursday 1st December 1983

House of Commons

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Reform of the Common Agricultural Policy

1. Introduction

(a) The Problems of the Common Agricultural Policy

Today's crisis on Europe in which Thursday's Debate is based, has been foreseen by successive Ministers of Agriculture for a long time. It is not just that the European Community is running out of money. The whole political and economic future of the Community is at risk and the root cause of the problem is to all intense and purpose, the Common Agricultural Policy, one of only two firm Community Policies, the other being the Common Fisheries Policy.

(i) The Success

The primary problem of the CAP is that it has been too successful since its inception two decades ago. The advance of technical progress and productivity in agriculture has been rapid. The long-term trend of increase in the volume of agricultural production in the Community has been between 1.5 per cent and 2.0 per cent a year, while consumption has only increased by about 0.5 per cent a year. As a result, the Community has become more than self-sufficient for many of the principle products, and has come to rely increasingly on exports, or on subsidised sales within the Community, for the disposal of its production. Even so, the Community is still the World's largest importer of food.

(ii) Employment

Employment in agriculture has been falling since the War. Today, there are approximately 8 million people employed in Agriculture out of a total population (ten member states) of about 260 million, and about 5 million farms of 1 hectare or more. This development has been accompanied by an increase in part-time farming. Also, this structural change of European Agriculture has broadened the extremes of efficiency with parts of Central Europe made up of small uneconomic farms compared with the steady increase in average farm size in other parts of the Community, notably the United Kingdom.

(iii) CAP Finance

The CAP has traditionally been the major cost of the European Budget, because it has been up till 1983, the only fully fledged policy of the Community. Expenditure has been fluctuating between 80 per cent and 65 per cent of the total European Budget, the high point being in the late 1970's under Labour and the low in 1982/83 under the Conservatives in Britain.

The Annual Review of Agriculture carried out by the European Commission either side of Christmas which each year has led to a Council of

Agricultural Ministers decision to increase support prices to farmers, has been one of the major factors leading to the Community running out of resources. Expenditure under this policy of open-ended support for virtually all agricultural products together with the cost of disposal of surpluses on the world market and subsidised sales within the Community, has outstripped EEC income from import levies and the one per cent of VAT revenue. Twice before Europe nearly ran out of money resulting primarily from excessive increases in support prices only to be saved by World shortages which enable the Community to dispose of their surpluses at not too great a cost.

However, this year despite a low increase in support prices agreed in May by the Council CAP expenditure is expected to be 30 per cent higher than last year - hence the crisis.

Conclusion

Given that demand for food within the Community is likely to be static or at best to increase less rapidly than in the past; that World Markets will vary considerably year by year thereby creating uncertainty on the disposal of surplus produce and last that developments in breeding, crop production, machinery and the techniques of modern farming will continue and should be allowed to continue, the problem is here to stay and must be tackled now. The European Commission has at last seen this crisis in the clearest of terms.

"It cannot be the Community's aim to stop the development of its agriculture. But in view of the future perspectives, the Community has no choice but to adapt its policy of guarantees for production. If Community agriculture is to succeed - as it should - in expanding its exports and maintaining its share of world markets, it must increasingly accept the market disciplines to which other sectors of the Community's economy are subject. In this dynamic approach, which rejects any Malthusian limitation of agriculture's potential, the accent must be placed more and more on production at a competitive price. Hitherto, the price guarantees for most products have been unlimited in nature. This situation cannot continue, if the CAP is to develop on a rational basis."

(CAP - Proposals of the Commission (Com(83500 final) para 2.14)

2. Agriculture in the United Kingdom

The British Economy and Agriculture have on the whole benefitted from Membership of the European Community as the following shows:-

<u>Self-Sufficiency</u>	<u>Now</u>	<u>Increase since 1973</u>
In all food consumed	62%	10%
In indigenous-type food	76%	11%
	<u>1973</u>	<u>1982 (prov)</u>
<u>Agriculture's contribution to gross domestic product</u>	£1,770 million	£5420 million

	1973	1982 (prov)
<u>Agriculture's share of gross fixed capital formation</u>	£441 million	£1150 million
<u>Imports of food, feed and alcoholic beverages</u>	£3205 million	£5699 million +77.8%
<u>Exports of food, feed and alcoholic beverages</u>	£853 million	£2539 million +197.7%
<u>Farming Income</u>	£952 million	£1849 million
<u>Index of net product</u> (at constant prices (1975=100))	110	142
<u>Labour productivity index</u> (1975=100)	104	146

Even though farm incomes rose last year by an AVERAGE of 45 per cent, they are still below those achieved in the mid to late 1970s. This year incomes are expected to fall by an average of about 15 per cent.

The problems. Britain, because of the structure of her agricultural industry when compared with the rest of Europe, (large farms compared with small continental farms) has not benefitted quite as much from the CAP in financial terms as the rest of Europe. This when compared with her gross contribution to the European Budget is one of the major problems that need to be tackled. It is not possible at present to increase agricultural spending in the United Kingdom and therefore, it is fair that our gross contribution should be adjusted to take in this fact or by increasing expenditure in other areas of the United Kingdom economy.

As the United Kingdom increases her self-sufficiency in agricultural products, so will her receipts increase from the CAP Budget on the disposal of surpluses. This, however, is not a solution to the problem.

3. The Commission Proposals

These are clearly stated in the Commission document Comm(83) final of the 28th July 1983. Below are the main points to be noted:-

(a) Aim

"The adaptation of the agricultural policy must be made in accordance with the market conditions prevailing in each product sector; the aim must be not to achieve economies irrespective of the economic and social conditions particular to agriculture, but to streamline expenditure in such a way that the financial resources available are concentrated on the areas where those resources are most needed, where the interest of Community action is most clearly demonstrated, and where budgetary intervention can be cost-effective."

(b) How?

(i) Guarantee Thresholds

Guarantee thresholds can be applied by different procedures according to the product concerned. For example, thresholds can be applied by

- (a) lowering the increase in the target price or intervention price if production exceeds a global quantum;
- (b) limiting the aids paid under the market regulation to a global quantum;
- (c) participation of producers, by means of a levy, in the cost of disposing of additional production (or in the cost of net exports);
- (d) quotas at national level, or at the level of the enterprise.

A choice is therefore necessary, in the light of the situation in each sector, as to which procedures should be applied.

All these various modalities have in fact been used, in differing degrees, in the context of the existing market organisations. For example, the approach at (a) was followed in the decisions taken by the Council concerning the common prices for cereals and milk for 1983/84; the modality under (b) exists in the market organisation for cotton (and has been proposed for dried raisins); the coresponsibility levy introduced for milk in 1977 goes in the direction of (c); and quotas on the model of (d) have existed for sugar since the inception of the market organisation.

(ii) Prices

Alongside the introduction of guarantee thresholds, the Commission considers it necessary to pursue a restrictive price policy. Its annual price proposals will continue to take account not only of the development of agricultural incomes in the Community, but also of the agricultural market situation, the budgetary situation, and other general economic factors.

As regards the level of Community agricultural prices in relation to those applied internally by its competitors on the world market, the Commission notes that in many cases (particularly for milk) the common prices are at about the same level (or in some cases lower) than in other countries. However, particularly in the case of cereals, it continues to advocate a progressive reduction in the gap between Community prices and those of its principal competitors, not only in the interest of a more competitive production of Community cereals.

The application of such a price policy in future years cannot exclude the possibility that, in certain cases where the market situation is particularly difficult, or where the effective application of a guarantee threshold so requires, the common prices expressed in ECU may be frozen or even reduced; and consequently that the Community support prices expressed in national currency may be reduced in nominal terms.

(iii) Incomes of small producers

The Commission will propose, in those cases where it would be necessary, further measures to alleviate the possible consequences for the incomes of certain small producers, or producers in certain less-favoured regions. Such measures, which would be defined on a Community basis and limited to producers whose principal income is from agriculture, and whose opportunity for other economic activity is limited, could be financed totally or partly by the Community budget.

(iv) Aids and Premiums

The Commission has made a systematic examination of the aids and premiums under the market organisations covered by this report, in order to verify their economic justification and to see if their objectives are properly attained. In some cases, the market situation which existed at the time of the original introduction of the measures has changed, and their justification is no longer evident. The Commission therefore makes specific proposals for improvement or discontinuation, as indicated in the product-by-product examination. In addition, the Commission will pursue the examination of the other aids and premiums, particularly those under market organisations not covered in this report, and will propose appropriate measures.

(v) External Trade

As regards agricultural imports, the Community is obliged to re-examine the regimes applicable for the different products, with a view to adapting them to the market situation. In some cases, the Community has contracted international commitments concerning agricultural imports in exchange for reciprocal concessions in the agricultural sector, or other sectors; in these cases, an adjustment of the import regime must take account of the possibilities of negotiation and of the reactions of the Community's trading partners. In other cases, autonomous concessions have been granted for reasons of general commercial policy and foreign policy. Nevertheless, if the Community is to demand greater disciplines of its own agricultural producers, it must be prepared to take parallel action in respect of imports and to ensure a satisfactory observance of Community preference.

(vi) Market Management and delegation of powers

In response to the solemn declaration adopted by the Heads of State and Government in Stuttgart on 19 June 1983, which "confirmed the value of making more frequent use of the possibility of delegating powers to the Commission within the framework of the Treaties", it is the intention of the Commission to propose, in appropriate cases, the delegation by the Council of further powers in the context of agricultural management. The objective is to make the management of the policy more flexible and less automatic, with a view to the most efficient use of the instruments and of the financial resources.

(c) Individual Sectors

The Commission examined the economic context of each market organization for which adaptations appear to be required, taking account of all market organisations with a share of more than 2.0 per cent of the expenditure of the Guarantee Section:

Milk

Cereals and Rice

Beef

Sheepmeat

Fruit and Vegetables

Oilseeds

Olive Oil

Tobacco

Wine

This Brief covers those commodities that are particularly relevant to the United Kingdom giving the outline of the important proposals.

(i) Milk

By far the most important sector is the Dairy Sector. The trend here is for production to increase rapidly whilst consumption stagnates or even falls. The trend of annual increase of milk deliveries was about 2.5 per cent in the period 1973 to 1981 but has increased in 1982 and 1983 to about 3.5 per cent. Meanwhile, consumption which showed an annual increase of 0.5 per cent in the 1970's is now tending to stagnate at present levels.

"The Commission, having taken into account the gravity of the imbalance in the milk sector, and the economic and social aspects of the situation, is of the view that in future the principle of the guarantee threshold in this sector should be implemented through a quota system, accompanied by a restrictive price policy."

"This system should be applied by means of a supplementary levy, analogous to that already suggested by the Commission in its memorandum of October 1981. A reference quantity (quota), corresponding to the concept of the guarantee threshold, would be established for each dairy, based on deliveries in 1981. All deliveries in excess of this quantity would be subject to a supplementary levy, calculated in such a way as to cover the full cost of disposal of the additional milk. The dairies in turn would apply the charge to producers, according to criteria to be fixed in Community legislation.

Intensive Production

"The Commission is concerned that the possibility of increasing output through purchases of concentrated animal feed is leading to the development of "milk factories" where the connection with the land is diminished. The Commission already suggested in its memorandum of October 1981 the introduction of a special levy on milk from intensive farms, for example those which deliver more than 15.000 kg per hectare of forage.

The Commission now proposes a levy of this kind, and will submit the detailed measures to the Council at a later stage."

Butter Subsidy

"The Commission proposes to eliminate, in two steps, the special subsidy for butter consumption. This will result in some loss of butter consumption, but compensating increases in disposal of milk fat can be obtained by more cost-efficient measures (extension to other foods of the aid for butter used in pastry and ice-cream, introduction of a special aid for whole concentrated milk). The disposal possibilities should also be increased by an increase in the fat content of whole milk for human consumption."

(ii) Cereals and Rice

"A guarantee threshold was first fixed in this sector for 1982/83, at the level of 119,5 million tonnes. The Council decided that, if average production of cereals (excluding durum wheat) in the three most recent seasons exceeded the threshold, the intervention price would be abated. However, it also decided that, if imports of cereals substitutes exceeded 15 million tonnes, the guarantee threshold would be increased accordingly. Since the threshold for 1982/83 was exceeded, the increase in the intervention price for 1983/84 was abated by 1 per cent.

The threshold fixed for 1983/84 is 120,56 million tonnes. Taking account of the harvest prospects, and the level of imports of cereals substitutes, it is unlikely that the thresholds will be exceeded in the coming season."

Cereal Substitutes

The Community has already stabilised the impact of manioc and brans. On corn gluten feed and citrus pellets, the Commission proposes by using its rights under GATT to use either

- a quantitative restriction of imports (Article 11)
- the safeguard ie injury to domestic producers of similar or competing products via compensation (Article 19)
- or a modification of a binding compensation

Pricing Policy

"The Commission proposes that the speeding-up of the narrowing of the gap between its prices and those applied by its main competitors should be an objective in its future proposals for common prices for cereals.

If this objective is not attained by the prices policy, the Community will then have to consider, in spite of the administrative difficulties which such a solution would create, imposing a levy on cereals to cover all or part of the cost of exports.

To achieve a proper price relationship between different qualities of wheat, and thus obtain economies in expenditure on intervention and exports, there should be a reduction in the gap between the intervention price for minimum quality bread-making wheat and feed wheat. The present gap is 10 per cent, and the correct gap (taking into account nutritional value) would be 5 per cent. With the same objective, there should be a reinforcement of quality standards for barley and wheat for use inside the Community and for export."

(iii) Beef

Intervention

The intervention measures should be adapted, so as to conform more to market realities. The Commission will submit proposals to:

- (a) Restrict purchases to whole and half-carcases during 2 autumn months (peak period for slaughtering); limit purchases of fore-quarters to 5 summer months, and of hindquarters to 5 winter months.
- (b) Apply the carcass classification grid to purchases from 1.1.1984, on the basis of the prices already proposed by the Commission in March 1983. This will have the effect of reducing purchase prices in Member States now having high coefficients and possibly increasing prices in those having low coefficients.
- (c) Terminate all national exemptions (exemptions for "stop" and "go", for packaging etc.)

Premiums

- (a) Non-renewal of the Calf Premiums
- (b) Termination of the Variable Premium applied in the United Kingdom
- (c) Continuation of the Suckler Cow Premium at its current level

(iv) Sheepmeat

Premiums

The Commission proposes that, as from the 1984/85 marketing year, the system of premiums should be adapted in the following way:

- (i) Limitation of the variable premium applied in the United Kingdom to a certain proportion of the reference price. This would result in a corresponding increase in market prices, sufficient to maintain producers' revenue.
- (ii) Application of the ewe premium according to strict criteria. There should be no advance payment of the premium.

(v) Oils and Fats

"In order to restore balance on the market of Fats, ie Butter and margarine, the Community has already applied remedial measures in the form of a co-responsibility levy on milk and a guarantee threshold for milk and oilseeds, which has resulted in a lowering of institutional prices.

Similarly, it has restricted aids for the production of olive oil to trees planted before a certain date.

If the Community reinforces these measures by introducing a supplementary levy on milk, and thus an internal check on butter production, it must supplement its measures for re-establishing balance on the market in oils and fats by introducing a non-discriminatory internal tax on the consumption of oils and fats other than butter, irrespective of their origin. Such a tax would be in conformity with the international commitments of the Community."

(vi) Monetary Compensatory Amounts

Any monetary compensatory amount introduced after the entry into force of the new regulation would be eliminated in three stages by altering the green rate. The stages would be as follows:-

- one-third would be eliminated on the introduction of new monetary compensatory amounts;
- one-third at the beginning of the marketing year immediately following the introduction of new MCAs; and
- one-third at the beginning of the second marketing year following the introduction of the MCAs.

MCAs existing at the time of entry into force of the new regulation would be dismantled by altering the green rate in two identical stages at the beginning of the two following marketing years.

By way of derogation from the provisions set out above, the Commission could propose to the Council the more speedy dismantling of negative compensatory amounts.

4. The Government's Attitude to the Proposals

The Government has two separate aims during the negotiations for improving the existing Common Agricultural Policy:

- To organise the market regimes of the CAP and the financial system of the Community so that the cost of the CAP rises slower than the income of the Community;
- and to ensure that the package that is finally worked out is one where Britain is not treated unfairly.

As Michael Jopling said at the Party Conference in Blackpool this year:-

"There is a simple truth, that EEC farmers cannot go on and on producing more and more food which we neither eat at home nor sell abroad."
(Thursday 13th October 198)

Further on in his speech, the Minister outlined his views on the Commission's Proposals.

"I am certain that, given prudent and realistic management of the CAP it can fulfill its entirely worthy principles.....While the Commission has put forward some useful proposals it has not really grasped the nettle. The immediate areas of concern are milk, cereals, wine and a number of other Mediterranean commodities. Here we must make use of the fundamental devices of price discipline linked to the Commission's own guarantee prices, extended as necessary to other problem areas. There is some support for the Commission's proposal for a super levy on milk. It is a poor substitute for a realistic price level and could easily become a device to favour small, inefficient farmers in various regions of the Community. It is not for the CAP market regime either to penalise large-scale efficient farmers, as they are proposing, or to subsidise their small, inefficient counterparts. If individual states want to do that let it be done principally through controlled, nationally based funds..... We shall especially resist some of the easy options that the Commission has proposed. Many add up to a package that discriminates against United Kingdom interests. They have made an attack on our beef and sheepmeat premia and the butter subsidy. The attack is ill-conceived, particularly because these aids help consumers and reduce the need for intervention buying. The Commission has proposed the ridiculous tax on oils and fats. We reject that. It would be a triple folly, taxing consumers, particularly the less well-off, adding costs to our highly efficient food manufacturers who do so much to improve the marketing of British food and infuriating third countries."

Below are some specific comments on the proposals which outline the Government's attitude.

(a) Milk

"I consider the best way to solve the problem in the milk sector is firm action in the level of milk price support.

A supplementary levy based on 1981 figures would not suit us at all well.

My Hon friend might like to know that the Presidency recently suggested taking the average for 1981/82 and 1983 minus 2 per cent. That also would not be satisfactory to us. To be acceptable, a supplementary levy would have to be on a more satisfactory basis than either of these suggested.

My Hon friend would do well to consider the implications of national quotas. In practice, it would mean operating a scheme on similar lines to the co-responsibility levy, which is so unpopular in this country and has been ineffective in dealing with the growing milk surpluses. I have severe reservations about the national quota idea.

We have consistently said that the best way to deal with surplus milk is to use the mechanism of price and the discipline of threshold guarantees. That view is supported by the Milk Marketing Board....."

(Hansard, 17th November 1983, col 971/2)

In a speech in London in October, the Minister said:-

"It would in principle have the advantage of halting the growth of milk production in its tracks. But it would also be difficult to administer and enforce effectively. In particular diversion of milk away from dairies could provide a significant loophole, and this could affect the marketing arrangements throughout the Community and hence the effectiveness of the levy." (26th October 1983)

A third option has been put forward that if there is to be a superlevy, it should be based on 1983 production levels minus up to 6 per cent. This would get near the target level of 97.2 million tonnes of milk produced.

(b) Butter Subsidy

".....the Commission propose that the butter subsidy should be phased out in two stages. When greater consumption is what we need as part of the solution to the surplus problem, this does not make sense. I think it would have a more damaging effect on the United Kingdom butter market and of course in the operation here on our Danish and Irish friends than the Commission anticipate. We cannot overlook the fact that butter consumption has fallen some 40 per cent in the past 10 years, even though there are recent signs of some stability."

(Michael Jopling, London, 26th October 1983)

(c) Tax on Oils and Fats

"As the Minister, Mr Michael Jopling, and I have already made very clear on several occasions, we are entirely opposed to this proposal which would do nothing to solve the difficulties facing the CAP and would have serious consequences for consumers, for manufacturers and for the Community's relations with our overseas suppliers."

(John MacGregor, London, 3 November 1983)

In a written answer on this proposal, Mr MacGregor said:-

"A tax at the rate proposed would, if passed on in full to consumers, cost the average United Kingdom household about £2.80 per year.....At the proposed rates it is estimated that about £58 million would be raised in the United Kingdom. It is not, however, possible to estimate with certainty how much of the economic impact would fall on oils and fats processors as opposed to suppliers and consumers."

(Hansard, 23rd November 1983, col 199/200)

(d) Cereal Subsidies

"The Commission proposes that steps should be taken to stabilise the Community's imports of cereals substitutes, and of maize gluten feed and citrus pulp in particular. These materials are used by the livestock sector to the extent, when they are cheaper than alternative ingredients. Any restrictions on their availability are liable to have some adverse effect when relevant on feed costs."

(John Macgregor, Hansard 17th November 1983, col 561)



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON
SW1

28 November 1983

CHANGES TO THE COMMON AGRICULTURAL POLICY : POST STUTTGART

Although I support the line which you took at the Special Council in Athens on 9/11 November on the Common Agricultural Policy, the consequences for Northern Ireland agriculture if certain radical changes are made in the CAP support regimes (even if the Commission's original proposals are modified, as now seems probable) could be extremely damaging. I must place them on record before the Athens Summit and ask that they be taken fully into account in the developing discussions with our Community partners. I am also conscious from our meeting on 7th with the Irish that they will be pressing very hard for many concessions, particularly on milk.

Our national objective must of course continue to be to bring the Community's agricultural budget under control but our interest in attaining this must not lead us to accept principles or special pleading for exemptions from other members which would improve the competitive position of their agriculture vis-a-vis that of the United Kingdom.

I am currently faced with forecasts of 25% unemployment overall in Northern Ireland by 1988. Agriculture in Northern Ireland has exhibited very valuable stability through the present recession and could continue to sustain employment both on and off the farm. Agriculture is relatively four times more important to the Northern Ireland economy than in Great Britain and its contribution could be seriously eroded if the Commission proposals for changes in the CAP were implemented as they bear most adversely on the grassland based livestock which account for the greater part of Northern Ireland's production. They would add to Northern Ireland's

/unemployment

..... unemployment. I attach an analysis by William Mansfield which evaluates our main pre-occupations.

You will understand my anxiety as the attachment indicates a very large potential loss for Northern Ireland farmers relative to a net farm income of £91 million in the good year of 1982. I appreciate, of course, that our negotiations with our Community partners can only be conducted on the basis of the balance of our national interest. Like my colleagues I am in no doubt that this lies in curtailing CAP guarantee expenditure. But we must not unfairly damage the agriculture of any one part of the United Kingdom. Sacrifices are obviously called for but they should be fairly shared. With present levels of unemployment over 20%, and significantly higher in many rural areas, I will have to consider carefully what steps might need to be taken to remedy any economic damage. If we should fail to meet what I understand to be our current negotiating objectives the compensatory measures which would be necessary would make large claims on the public purse which I certainly could not begin to meet from my Northern Ireland allocation.

This is the first opportunity I have had to expose to you the importance of the current negotiations to Northern Ireland. With so many major issues to be weighed and deals to be made I want to ensure the regional difficulties are not at risk of being overlooked in the final rush to agreement, and I hope there will be full access for the regional Secretaries of State to the consultations and briefing.

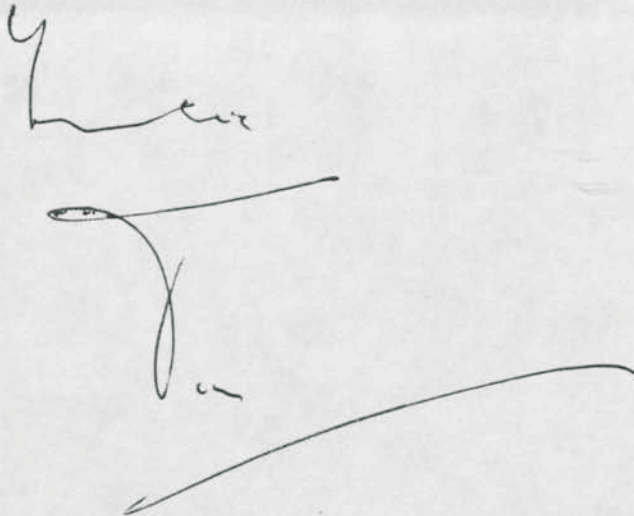
I would urge strongly that in our negotiations we should seek to stand on the following points:-

- (a) if a milk supplementary levy has to be accepted that the base period will be related to the 1983 level of production without any exemptions;
- (b) the implementing regulations are drawn sufficiently tightly to ensure that the correct production figures are used in all Member States for the levy free milk quota and that there are no loopholes which would allow others to escape paying their proper share of any levy;
- (c) no weakening of the resolve to maintain cereal substitute imports under present GATT rules;
- (d) if beef points are raised no weakening of resolve to maintain the beef variable premium and in particular not to accept clawback or a separate beef support system for Northern Ireland; and

/if

- (e) if other countries get concessions to seek,
if appropriate, equivalent assistance for
Northern Ireland.

I am copying this letter to the Prime Minister, Geoffrey Howe,
George Younger, Nicholas Edwards, and Nigel Lawson.

A handwritten signature, possibly 'G. Younger', followed by a large, sweeping flourish that extends across the width of the page.

SOME IMPLICATIONS FOR NORTHERN IRELAND AGRICULTURE OF THE
COMMISSION'S CAP PROPOSALS

Note by Lord Mansfield

The Commission's super levy proposals for milk would entail Northern Ireland farmers paying a levy of £28 million, almost 15% of the total value of farm gate milk output if production continued at the 1983 level or 30% of total Northern Ireland net farm incomes in 1982. Even the compromise discussed last week at Athens would entail a penalty for Northern Ireland of £18 million. The proposed super levy will in fact have a much more severe impact on Northern Ireland because our increase in production has been greater between 1981 and 1983 than in Great Britain or in the Irish Republic. As well as being made worse off in absolute terms Northern Ireland dairy farmers would be even worse off relative to their counterparts in England and Wales who are sheltered to some extent because so much of their production goes into the liquid market. At present the Northern Ireland Milk Board gets some £17 million per annum less than would be obtained for an equivalent quantity of milk sold by the England and Wales Board. Using the Athens presidency compromise this disadvantage would widen to £25 million.

2. I am also concerned that, if a quota/levy system has to be conceded at the end of the day it should be water tight and without exemptions. I realise Michael Jopling used the term "fair effective and nondiscriminatory" in the Athens meeting. I agree with this entirely but I am worried that other Member States might be able to reduce their liability by manipulating their figures for "deliveries to dairies".

3. Another concern is that many dairy farmers here have been trying to make their holdings more viable in size by development plan investment which has entailed increased production. They have been aware of the problems of surplus production but have watched recent

CONFIDENTIAL

/large

large increases in The Netherlands and elsewhere in the EC. They have felt that they could compete on price alone and that this was to be the likely path of things to come rather than rigid back-dated quota following on last year's agreement to have a guaranteed threshold.

4. My anxiety underlines the need to stick to the approach which we have already adopted on milk, namely to press for control through prices rather than a levy and, if a levy has to be accepted to secure a 1983 baseline even if it is at a fixed percentage of that production which may even be less than 100%. Above all we must ensure that any such regime is administered strictly and that the detailed implementing rules are so tightly drawn that there is no leakage in any Member State.

5. On this point we will be open to major and justifiable criticism if Northern Ireland farmers take the full weight of any new levy while farmers in the Irish Republic, or particular groups of farmers elsewhere are given relief from the levy or offered scope for evading it. I see no valid reasons for any exemptions and I trust we will be able to continue the strong line on this already taken by Michael Jopling.

6. The United Kingdom line on cereal substitutes is that there must be no tampering with the present GATT arrangements unless the major suppliers, such as the USA, agree. I trust that it will be possible to maintain this opposition to change as access to these products is worth some £0.6 million to the intensive livestock industry in Northern Ireland in 1983. Although of lesser importance to the Northern Ireland economy than grass based livestock the intensives provide a valuable 11,000 jobs in processing, production and ancillary industries while facing a disadvantage compared with Great Britain of some £6 million in the cost of its feedingstuffs. It has been on a knife-edge throughout the early part of this year because of low returns generally in the United Kingdom and we must avoid increasing its burdens if at all possible.

7. I realise it is the intention that the proposed changes to the beef and sheep regimes should not form part of the Summit discussions. I agree entirely with this but I am perturbed that in Athens last week there was an attempt by others to introduce them into the deliberations. I feel that I should therefore raise a warning of the problems for Northern Ireland if the discussions should follow certain directions.

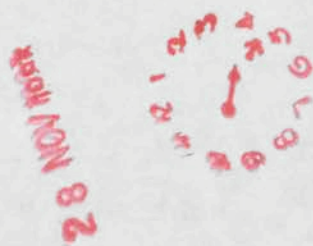
8. I agree with Michael Jopling that we must defend the beef variable premium. Even worse for us than ending the beef variable premium would be an agreement for it to continue but with a claw-back on exports. The Irish Republic would like to see this. If conceded the Northern Ireland beef industry would have great difficulty in maintaining its exports outside the United Kingdom which look like reaching 45,000 tonnes or almost one-third of its shipments this year. There would be a massive attempt to smuggle carcasses across the border to avoid clawback. The alternative of seeking to divorce Northern Ireland from the British beef variable premium system would be to opt for full intervention support here. Quite apart from almost impossible practical difficulties due to lack of facilities this would mean causing the politically embarrassing prospect of two different systems or beef support within the United Kingdom and we have had sufficient difficulty already in this direction over sheepmeat. It would also have economic implications for employment in Northern Ireland.

9. Under the Commission proposals Northern Ireland stands to lose £10 million of calf premium and £2.3 million of additional suckler cow premium (also paid in the Irish Republic). These aids have been extremely valuable in stabilising the drastic decline in the beef breeding herd since 1974 and in helping to make up for part of the general price disadvantage of Northern Ireland dairy and beef farmers compared with their counterparts on the mainland. Along with the other likely upsets to beef marketing their loss would be a serious blow and I would hope that it may be possible to retain some features of them for Northern Ireland if the Italians, Irish or Greeks are able to retain any special beef support. Other Commission proposals for beef are

still vague. It is quite impossible to quantify their impact at this stage but it is certain that they would seriously depress the absolute prices received by Northern Ireland beef produces and lead to increasingly lower producer returns in Northern Ireland than in Great Britain. This relative gap could widen to some £15 million or more with the effect on net farm income being even greater.

WILLIAM MANSFIELD

EURO POZ : CAP
P 11





From the Minister

CONFIDENTIAL

PRIME MINISTER

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

~~NO~~ NO
Can a note be prepared for the meeting at X
which is on Thursday, 1 December.

AT
25/11

COMMON AGRICULTURAL POLICY: MILK

The most important element in any agricultural package in Athens will be the text on milk. It is clearly essential for some radical action to be taken to deal with the increasingly alarming imbalance in this sector and the mounting expenditure to which this is giving rise. We have argued that a really tough prices policy is economically the best way of tackling this. But the Commission have stuck to their supplementary levy proposal, which most other member states favour, mainly because they see it as a way of avoiding a tough price policy. While I recognise that we shall have to be prepared to accept the supplementary levy in Athens if an otherwise acceptable package emerges, I do want you and Geoffrey Howe to understand the implications of this policy for our own industry and for the Agricultural Departments.

Milk represents some 22.5% of agricultural output in the UK and it provides the major proportion of calves and cattle reared for beef. If you add in the value of the beef coming from the dairy herd, we are talking about some 32.5% of agricultural output. In Northern Ireland, Wales and South-west, the concentration on dairying is much higher, with a large number of smaller and less prosperous producers. The alternatives to milk in these areas are very limited.

1983 Applied at a total production level of 97.2 million tonnes as the Commission have proposed and using 1983 as the base from which the calculations are done as we would want, the final 6% or so of milk produced on each holding would be totally uneconomic. A medium sized producer with, say, a 65 cow herd would have to pay over a levy of £4,500 per annum or get rid of five or more of his lowest yielding cows. The rational thing in most cases would be to reduce the size of herd. This would throw up major problems on the beef market. And for a large number of producers - particularly the more enterprising who have recently gone in for an expansion programme on the basis of borrowed money - there could be a disastrous effect on the profitability of the milk enterprise as a whole and on the ability to meet interest payments on loans.

/At the dairy ...

At the dairy level, we would be faced with a cutback in milk supplies across the year. This would throw up spare processing capacity. The industry would be faced with either closing certain creameries or continuing to run them at a less efficient level. The industry has made great efforts to improve its product range and marketing impact over the last few years, admittedly under the stimulus of increasing milk production. In particular they have sought to expand our market for home produced cheese and for higher value milk products. There will be great resentment around the industry if this effort and the resources committed to it are now seen to have been wasted. They will point to our continuing substantial imports, notably of cheese and also of New Zealand butter coming into the UK market alone. And these adjustments may be taking place against the background of growing imports of liquid milk from other member states which would further reduce our own market share.

The other big problem will be over the administration of the supplementary levy. It will be necessary to make some arrangements for transfer of levy-free quotas. But this could create quite horrifying administrative problems. It is still not clear whether we should go for transfers only with the land or for a free market in milk quotas. In either case, there are problems about landlord-tenant relationships and I am concerned about setting up a system where richer producers could find it worthwhile to go out and buy-in quota from poorer farmers in Wales or the Southwest of England with damaging social consequences. We shall also have to build in to any supplementary levy system a degree of flexibility to deal with hard cases, but the definition of these will be very difficult indeed. All this will involve burdensome and complicated administrative problems with manpower implications, which we cannot attempt to assess, for the four Agricultural Departments.

→ If we do go down the supplementary levy route, it is essential that the arrangements are seen to be fair and non-discriminatory, both between members states and individual producers. We must continue to resist special exemptions and derogations, beyond a limited degree of flexibility to deal with the hard individual cases. As you know, the Irish are refusing to accept the supplementary levy - or indeed any other proposition - which would inhibit their freedom to continue to expand milk production, and the Greeks also want a special exclusion to deal with their liquid milk needs. The Greek issue is not important in itself. But I do not see how we could defend allowing the Irish a license to go ahead expanding when our own industry was being called upon to cut back.

If it comes to a deal in Athens, the Irish will stick out for special treatment and others may be inclined to look for some way of satisfying them, possibly as in the current Presidency text by giving them different or a later base date for the calculations. Any let-out of this sort would cause a major row with our own industry. We could be faced in Athens with a text which, by letting the Irish off the hook in some way, was seen to be discriminatory and especially damaging to our own industry with which the Irish are in most direct competition. I do not see how we could defend the Irish being treated more favourably than our own producers. I hope that we can discuss this point at your pre-Summit meeting.

/I am copying ...

I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Scotland and Wales and Sir Robert Armstrong.

Cl Hurdyn

for

MICHAEL JOPLING
(Approved by the Minister and
signed in his absence)

25 NOV 1983



Mr Coles ~~was~~ 13/12

For information,
I do not intend to
get involved in such
representations!



Prof. Sir Alan Walters
10 Downing Street
London SW1

AW
13/12/83

Consumers in the European
Community Group (UK)
24 Tufton Street
London SW1P 3RB
Telephone 01-222 2662

21 November 1983

Dear Sir Alan,

Sir Fred Catherwood, MEP, suggested that I write following his recent conversation with you.

He suggested that you might be willing to help us to arrange for some of our members to meet the Prime Minister, to emphasise British consumer support for Government's resistance to any increase in European Community resources without CAP reform.

Such a meeting could help to underline publicly the Government's commitment, and its objections which we share to the Commission's recent proposals for the CAP. A public show of support from UK consumers in this way could assist the Prime Minister in the current negotiations.

Consumers in the European Community Group co-ordinates the representation of the views of its 25 member organisations, which include the Consumers' Association and the National Consumer Council, on EEC policies affecting UK consumers. It is funded by the Department of Trade and Industry. A leaflet about CECG is enclosed.

Also enclosed is a copy of a recent letter from my Chairman to the Prime Minister about the CAP negotiations.

We would very much welcome your advice on the possibility of such a meeting, and I would be pleased to meet you to discuss this if you felt it would be helpful.

Yours sincerely,

Stephen Crampton
Secretary

Chairman Jill Moore
Secretary Stephen Crampton



Consumers in the European
Community Group (UK)

24 Tufon Street
London SW1P 3RB
Telephone 01-222 2662

15 November 1983

The Rt. Hon. Mrs. Margaret Thatcher, MP
Prime Minister & First Lord of the Treasury
10 Downing Street
London SW1

Consumers in the European Community Group represents the views of its 25 member organisations on EEC issues affecting the interests of consumers in the United Kingdom.

We are shortly meeting the Minister for Agriculture, Fisheries & Food to discuss the European Commission's proposals for the Common Agricultural Policy. These proposals have serious implications for the cost of living, and we hope therefore that you will also wish to be aware of our views. A paper is enclosed.

CECG welcomes Government insistence on reform of the CAP as a pre-condition for any agreement on extra Community resources. We also welcome Government opposition to many of the Commission's recent proposals for the CAP, which would penalise consumers for excessive CAP support which consumers have long opposed.

We deplore the proposed oils and fats tax as a back-door way of increasing Community revenue at the expense of consumers. It is quite wrong that the Community should seek to penalise consumers, by imposing a tax on the competing product, for not eating as much butter as the Community's farmers wish to produce.

The proposal for a "super levy" on efficient milk producers also causes us concern. This would if adopted guarantee a surplus of at least 20% a year while maintaining a support price which bears no relation to the laws of supply and demand. CECG welcomes the Government's support for a straightforward cut in the support price of milk, but we are very concerned from our discussions with Commission officials and others that there is a clear assumption that the United Kingdom will give in on this issue.

.... /

Chairman Jill Moore
Secretary Stephen Crampton

Consumers in the European Community Group welcomes Government support for the retention of the lamb and beef premium schemes, and the UK butter subsidy. The Commission fails to take into account adequately the extra costs that would be involved in disposing of the additional surplus butter that would result from a further decline in UK butter consumption.

We deplore the proposal that more surplus butter be disposed of by increasing the fat content of milk. This would interfere with consumer choice and the wishes of many people to reduce their fat consumption.

The proposals to restrict still further imports, particularly of cereal substitutes and lamb, would also affect UK consumers and reduce competition. Further protectionism would also jeopardise the UK's trade relations and the markets for our successful, competitive, non-subsidised industries.

We very much hope that your Government will continue to stand firm on its declared policies on the Commission's recent CAP proposals. The Community's financial crisis presents a unique opportunity to achieve at least a measure of sensible reform. The Community cannot be allowed to continue paying money it hasn't got to encourage the production of more food that Europe doesn't need at prices consumers are increasingly unwilling to pay.

Jill Moore
Chairman



FIVE

W7

10 DOWNING STREET

From the Private Secretary

31 October, 1983

GERMAN AGRICULTURE

Thank you for your letter of 28 October, the contents of which the Prime Minister has noted. I agree that there is no need for Mrs. Thatcher to reply personally. I acknowledged the German Ambassador's letter on receipt.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

A. J. COLES

R. Lawson, Esq.,
Ministry of Agriculture, Fisheries
and Food

Brc



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

A J Coles Esq
Private Secretary
10 Downing Street
LONDON
SW1

28 October 1983

Dear John

GERMAN AGRICULTURE

You wrote to me on 24 October enclosing a copy of a letter which the Prime Minister received recently from the German Chancellor.

I suggest there is no need for the Prime Minister to send a personal reply. The Chancellor says nothing in the letter which calls for a response as such, and it should be sufficient if you send an appropriate acknowledgement to the German Ambassador in London.

The letter illustrates some of the confusion which is unfortunately to be found in German, and indeed other member state, thinking about the supposed virtues of small farmers, and small dairy farmers in particular. For one thing there is no reason why large dairy herds should be found exclusively in "milk factories". The great majority of British herds of 50 cows or more are farmed in the semi-intensive style which is typical of dairy farming generally. And for another thing, a good proportion of farmers running businesses which are so small that there is no employed labour will be of an ability more suited to an employee than someone who is self-employed. Small farms tend, on average, to be less well-managed than larger enterprises employing hired labour. Farming efficiency does not imply enterprises employing thousands on an industrial scale, but it does imply management by people of above average ability and employment of those with average ability and below.

/The

The kind of small farm structure described in the Chancellor's letter is not economically sound, and for that reason is probably not socially sound either, at any rate in the long run.

Copies go to Roger Bone and Richard Hatfield.

Yours sincerely

Robert Lawson

ROBERT LAWSON

Evts for 1 CAP
Pt 11

28 OCT 1983



PRIME MINISTER

MW

GERMAN AGRICULTURE

You will recall your conversation with Chancellor Kohl.

I enclose a message which he has now sent you about German agriculture. It is dated 5 October, but was forwarded to us by the German Embassy on 20 October.

I also attach a comment by the Ministry of Agriculture about Chancellor Kohl's letter.

A-J.C.

28 October 1983



de ve.

10 DOWNING STREET

From the Private Secretary

24 October 1983

German Agriculture

When the Prime Minister dined with Chancellor Kohl in Bonn on 21 September there was some discussion of German agriculture. Chancellor Kohl has now written to the Prime Minister to convey certain data about farming in the Federal Republic. I should be grateful for any comments which you, Robert Lawson or Richard Hatfield may have on this letter before I show it to the Prime Minister. I should also be grateful for advice on whether a reply is desirable; if so, I should be grateful for a draft.

✓ BF |

Although Chancellor Kohl's letter is dated 5 October, it was sent to us under cover of a letter from the German Ambassador dated 20 October.

I am copying this letter and enclosure to Robert Lawson (MAFF) and Richard Hatfield (Cabinet Office).

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

5



Azkd 24/10

DER BOTSCHAFTER
DER BUNDESREPUBLIK DEUTSCHLAND

London, 20th October, 1983

Dear Prime Minister

I have been instructed to transmit to you the enclosed letter from Herr Helmut Kohl, Federal Chancellor of the Federal Republic of Germany. A courtesy translation is attached.

I am, Dear Prime Minister

Yours sincerely
Jürgen Ruhfus

Her Excellency
The Rt.Hon. Margaret Thatcher
Her Majesty's Prime Minister and
First Lord of the Treasury
L o n d o n



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

Prime Minister.

A J Coles Esq
Private Secretary
10 Downing Street
London SW1

A.J.C. 19/10

19 October 1983

Dear John

The Prime Minister will no doubt already have heard that an agreement was reached on the Mediterranean Acquis at this week's Agricultural Council. My Minister would doubtless have wished to write personally on this subject, but as you know, there is a Fisheries Council in Luxembourg today.

The agreement provides for a package of reforms to the CAP regime on fresh fruit and vegetables to be introduced as soon as the Community has presented declarations to the applicant countries covering the transitional arrangements for fruit and vegetables. There is also a Council declaration that the accession negotiations on agriculture are unblocked. The provision of the agreement on the timing of the reforms will put France under some pressure to make progress with the preparation of the Community's negotiating position on agriculture, so that their producers can get the benefit of the changes to the regime.

The Prime Minister's brief on Enlargement already refers to the need to make progress with the agriculture chapter of the negotiations. This obviously still stands, but it will now be appropriate for her to express to M. Mitterand her pleasure that agreement has at last been reached on the Mediterranean Acquis, and her hope that agreement can be reached quickly on the terms of the declarations to be put to Spain and Portugal. She could point out that the UK has been pressing for some time for work on the drafting of such declarations to begin.

The Minister wishes the Prime Minister to know of an important issue between us and the French - namely the extension of our less favoured areas which the French Minister (with the Germans) blocked at this week's Council. The Minister proposes to raise this issue with the bilateral with M. Rocard. I am attaching a brief on the point for the Prime Minister.

I am copying this letter to the private secretaries to the Chancellor of the Exchequer and the Secretaries of State for Foreign Affairs, Trade and Industry, Scotland, Northern Ireland and Wales, and to Sir Robert Armstrong's private secretary.

Yours ever

David Dawson

David Dawson
Assistant Private Secretary

ANGLO-FRENCH SUMMIT: 20-21 OCTOBER 1983

AGRICULTURE - EXTENSION OF LESS FAVOURED
AREAS OF THE UNITED KINGDOM

POINTS TO MAKE

1. Concerned that the French Minister in the Agriculture Council is blocking a proposal for extending the less favoured areas in the United Kingdom.
2. Commission have confirmed that proposal meets all the requirements of present Community legislation, involves no new policy and has only a small effect on FEOGA.
3. Important to the United Kingdom to secure less favoured area designation for the hard-pressed marginal areas. Will simply bring the United Kingdom into line with the situation in France. Removes a disadvantage which our marginal areas now suffer.
4. Hope French Government will reconsider attitude before November Agriculture Council.

BACKGROUND

5. When the Less Favoured Areas Directive came into force in 1975, the United Kingdom designated as "less favoured" those hill areas in which we were already paying hill livestock subsidies. It has long been recognised that there is a substantial area of land outside the present LFAs suffering a sufficient degree of natural handicap to merit designation as "less favoured" under the EC Directive. The farming industry harbours a deep sense of grievance at the stringent criteria adopted in the United Kingdom, compared with other Member States, and there is a widespread feeling that farmers in these marginal areas are being unjustly treated.

6. A study in 1980 revealed a further 1.2m hectares of marginal land which met the requirements of the LFA Directive. This was confirmed by the Commission. But the proposal to give formal LFA status to these areas first put to the Council of Agriculture Ministers last month, has been blocked for a second time at this week's Agriculture Council. This is largely because of opposition from France and Germany whose Agriculture Ministers are concerned about adverse political reaction to their being seen to support a major extension of LFAs in the United Kingdom. In the Council of Ministers, they have argued that since the LFA Directives expire at the end of 1983, and new policies are being discussed, the United Kingdom application should be set aside and considered in the context of the new policies when agreed. We have pointed out, with Commission support, that the United Kingdom application meets all the requirements of present EC legislation. It raises no new policy principles. The extension of our LFAs is, therefore, our legal entitlement.

7. Questions have also been raised about the cost to FEOGA. The Minister has made it clear that we intend the assistance in the newly designated areas to be at a lower level than in existing LFAs. The FEOGA cost will be very small - probably less than 2m ECU per annum.

8. Farmers on marginal land are hard-pressed and it is, politically, very important to the Government to secure early extension of the present LFAs. The Minister announced at the Party Conference that the Government was committed to helping these marginal areas when formal designation has been secured in the Council.

19 October 1983

13 JUL 1983

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Qz.03378

MR COLES

PART TIME FARMING

The Prime Minister asked yesterday morning about the figures on part-time farming in the Community. All the figures in paragraph 2 of my paper of 28 July are right. They are the published statistics from the European Commission. It is important, however, that the following figures (of which (1) and (4) were in my earlier paper) should not be confused:-

- (1) 36% of all Community farmers are fully occupied in farming for 100% of their full working time. The rest are underemployed, helping their families or friends on other farms or earning money outside agriculture.
- (2) 29% of all the persons working on farms are fully employed. This figure refers not to farmers only but to the total agricultural labour force (ie farmers, family workers, hired workers etc).
- (3) 29% (strictly speaking, 28.6%) of all the small farms in the Community are officially classified as full time. On the remaining small farms the farmers are underemployed, helping on other farms or earning money outside agriculture. Many of the small part-time farmers are old and, in British terms, would be considered as retired persons.
- (4) 27% of all Community farmers have a gainful activity outside their own farm eg employed as postmen, working in small factories.

These figures vary slightly from year to year or survey to survey.


D F WILLIAMSON

20 October 1983

cc: Sir Robert Armstrong



*Dave -
now
pa
T.R.*

10 DOWNING STREET

MR. FLESHER

CAP

Please see the minute by the Prime Minister attached. She would like you to make a note, for the purpose of Parliamentary Questions, of the essential statistics contained in paragraphs 1, 2 and 3 of Mr. Williamson's paper.

A.J.C.

13 October 1983



Send

10 DOWNING STREET

From the Private Secretary

MR. HATFIELD
CABINET OFFICE

On 8 August Sir Robert Armstrong forwarded a paper by Mr. Williamson entitled "The Common Agricultural Policy: Improving Cost Effectiveness and Cutting Costs in Real Terms".

The Prime Minister read it during the holidays. You may like to know that she described the paper as "excellent and illuminating".

A. J. COLES

13 October 1983

SUBJECT

Translation

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 144^A/83

FEDERAL REPUBLIC OF GERMANY
THE FEDERAL CHANCELLOR

5300 Bonn, 5 October 1983

*cc M. Müller
ops*

Dear colleague,

Your visit on 21 September 1983 gave me great pleasure, and I am delighted that you took back with you from Germany such positive impressions. I feel that our exchange of views was, as always, extremely useful and fruitful. At a time when we in the West must more than ever demonstrate our unity a short working visit, too, sends out a message that does not fail to have an effect.

In our conversation at table we discussed the problem of agriculture in Europe. I feel that the difficulty in reaching agreement in Brussels on this subject is due largely to the different agricultural structures of the individual countries. In this context I described to you the situation of German agriculture. I am now sending you the promised statistics.

Her Excellency
Mrs Margaret Thatcher, M.P.
Prime Minister of the
United Kingdom of Great Britain and Northern Ireland

London

Let me point out the following with regard to these statistics: All in all, about 5 % of the German population are directly engaged in agriculture. This figure does not of course reflect the relative economic importance of agriculture since related branches account for over another 10 % of the working population; the agricultural sector in general therefore provides a livelihood for over 15 % of the working population.

60 % of all farms over 1 hectare in size are a primary source of income for the owners, and the remaining 40 % a secondary source. 93 % of all primary-income farms are smaller than 50 hectares, which underscores the balanced medium-scale structure of German agriculture.

The same holds true of the data on dairy-farming. Three quarters of the dairy cattle in the Federal Republic of Germany are to be found on farms with a herd of between 10 and 49 cows, i.e. the typical farms. "Milk factories" as such are few and far between. In the Federal Republic of Germany there are only 408 farms with over 100 dairy cows and only 19 with over 200.

These figures illustrate our desire for a policy which - on this point we are agreed - restricts Community spending on agriculture without changing what we consider to be a socially and economically sound farming system.

Yours sincerely,

(sgd) Helmut Kohl

Dairy Farming Classified by Herd Size

Item — Units	Year	Total	Dairy farmers owning .. to .. dairy cows or dairy cattle in-herds of .. to .. head									
			1 (91)	10 (141)	15 (19)	20 (29)	30 (39)	40 (49)	50 (59)	60 (99)	100 (199)	200 and more
Farmers - 1,000s -	1973	630	415	110	52	39	10	3	831*	634*	114*	13*
	1975	572	357	101	53	44	12	4	1 176*	810*	119*	9*
	1977	519	302	93	53	48	15	5	1 730*	1 228*	163*	10*
	1979	560	248	83	52	53	18	7	2 684*	2 056*	218*	14*
	1980	431	214	77	51	55	20	8	3 244*	2 603*	272*	15*
	1982	397	183	69	48	56	22	9	4 372*	3 827*	389*	19*
Dairy cows - in 1,000s -	1973	5 486	1 874	1 277	869	914	328	117	44	45	14	4
	1975	5 395	1 629	1 176	880	1 018	403	152	63	57	15	2
	1977	5 417	1 402	1 092	886	1 120	502	214	92	87	19	2
	1979	5 442	1 127	974	846	1 243	613	301	143	145	26	4
	1980	5 468	1 018	909	851	1 281	667	349	173	183	32	4
	1982	5 529	883	819	808	1 315	740	409	234	269	46	5
Farmers as %	Percentage of total											
	1973	100	65,8	17,4	8,3	6,3	1,6	0,4	0,1	0,1	0,0	0,0
	1975	100	62,4	17,6	9,2	7,7	2,1	0,6	0,2	0,1	0,0	0,0
	1977	100	58,1	17,9	10,2	9,3	2,9	1,0	0,3	0,2	0,0	0,0
	1979	100	52,2	18,1	11,3	11,7	4,0	1,5	0,6	0,5	0,0	0,0
	1980	100	49,7	17,9	11,8	12,7	4,6	1,9	0,8	0,6	0,1	0,0
Dairy cows as %	Percentage of total											
	1973	100	34,2	23,3	15,8	16,6	6,0	2,1	0,8	0,8	0,3	0,1
	1975	100	30,2	21,8	16,3	18,9	7,5	2,8	1,2	1,1	0,3	0,0
	1977	100	25,9	20,2	16,4	20,7	9,3	4,0	1,7	1,6	0,4	0,0
	1979	100	20,7	17,9	15,9	22,8	11,3	5,5	2,6	2,7	0,5	0,1
	1980	100	18,6	16,6	15,6	23,4	12,2	6,4	3,2	3,4	0,6	0,1
Head of dairy cattle per farmer	1973	8,7	5	12	17	23	33	43	53	71	125	271
	1975	9,4	5	12	17	23	33	43	53	71	122	250
	1977	10,4	5	12	17	23	33	43	53	71	118	241
	1979	11,9	5	12	17	23	33	43	53	70	120	259
	1980	12,7	5	12	17	23	33	43	53	70	119	254
	1982	13,9	5	12	17	24	33	43	53	70	119	245

* Only figures without asterisk are in 1,000s

1) In 1981 the categories were 1 to 10 and 11 to 14 cows respectively.

Landwirtschaftliche Betriebe nach Erwerbscharakter und Größenklassen in 1982

Gliederung category	Farms size from to below... Betriebsgröße von bis unter ha L.F. hectares agricultural area							ab 1 ha L.F. zusammen	total above one hectare	unter 1 ha L.F.) below one hectare	
	1 bis 2	2 bis 5	5 bis 10	10 bis 20	20 bis 30	30 bis 50	50 und mehr				
	1. Zahl der Betriebe a) in 1 000							1. Number of Farms a) in 1000s			
Full-time farm Vollerwerb	9,1	16,6	36,4	121,6	91,3	71,1	27,8	377,3	9,2		
Part-time farm Zuerwerb	4,3	17,6	22,8	19,8	6,6	3,4	4,9	79,4	2,8		
Main occupation Haupterwerb	13,4	34,2	59,2	141,6	97,9	74,8	32,7	456,8	12,0		
Secondary occupation Nebenerwerb	81,0	111,9	81,3	27,5	0,8	1,0	0,8	307,4	27,2		
total zusammen	97,5	146,1	140,5	172,1	98,7	75,8	33,5	764,1	39,2		
	b) in %							b) in % terms			
Full-time farm Vollerwerb	9	11	26	73	93	94	83	49	24		
Part-time farm Zuerwerb	4	12	16	11	7	4	15	11	7		
Main occupation Haupterwerb	14	23	42	84	99	99	98	60	31		
Secondary occupation Nebenerwerb	86	77	58	16	1	1	2	40	69		
total zusammen	100	100	100	100	100	100	100	100	100		
	2. Fläche der Betriebe a) in 1 000 ha L.F.							2. Area of farms a) in 1,000 hectares agricultural land			
Full-time farm Vollerwerb	13,8	57,1	276,4	1 819,0	2 238,9	2 705,3	2 226,8	9 337,2	6,6		
Part-time farm Zuerwerb	6,3	59,4	169,7	286,2	156,2	121,1	338,7	1 137,7	1,5		
Main occupation Haupterwerb	20,1	116,5	446,1	2 105,2	2 395,1	2 826,4	2 565,4	10 474,9	8,1		
Secondary occupation Nebenerwerb	116,8	369,3	577,8	397,7	18,6	36,0	51,4	1 570,6	11,9		
total zusammen	136,9	485,8	1 023,9	2 502,9	2 413,7	2 862,3	2 619,9	12 045,6	20,0		
	b) in %							b) in % terms			
Full-time farm Vollerwerb	10	12	27	73	93	95	85	78	33		
Part-time farm Zuerwerb	5	12	17	11	6	4	13	9	7		
Main occupation Haupterwerb	15	24	44	84	99	99	98	87	41		
Secondary occupation Nebenerwerb	85	76	56	16	1	1	2	13	59		
total zusammen	100	100	100	100	100	100	100	100	100		
	3. Durchschnittsgröße je Betrieb in ha L.F.							3. Average farm size in hectares agricultural land			
Full-time farm Vollerwerb	1,52	3,44	7,59	14,58	24,53	37,90	80,15	24,74	0,72		
Part-time farm Zuerwerb	1,46	3,38	7,43	14,48	23,71	35,71	68,75	14,33	0,53		
Main occupation Haupterwerb	1,50	3,41	7,53	14,56	24,48	37,80	78,43	22,93	0,68		
Secondary occupation Nebenerwerb	1,39	3,30	7,11	14,45	23,45	35,19	68,40	5,11	0,44		
total zusammen	1,40	3,32	7,29	14,55	24,47	37,77	78,19	15,76	0,51		

Farms
classified by
gainfully
productive
character
and size
in 1982

1) Einschließlich Betriebe ohne LF, deren Erzeugungseinheiten mindestens dem durchschnittlichen Wert einer jährlichen landwirtschaftlichen Markterzeugung von 1 ha LF entsprechen.

1) includes farms with no agricultural land whose production figures are at least equivalent to the average annual market produce of one hectare of agricultural land.

Anteil der Erwerbstätigen in der Bundesrepublik Deutschland,
in der Landwirtschaft und in den der Landwirtschaft vor-
und nachgelagerten Wirtschaftsbereichen - 1983 -

	1.000	
Landwirtschaft	1.250	= 5,0 % der Erwerbstätigen
der Landwirtschaft vor- und nachgelagerte Wirt- schaftsbereiche (Schätzung)	2.700	=10,7 % der Erwerbstätigen
Summe	<u>3.950</u>	=15,7 % der Erwerbstätigen
Erwerbstätige insgesamt	25.200	

Percentage of persons employed in the Federal Republic of Germany in
agriculture and in agriculture-related industries (1983)

Figures in 1,000s

Agriculture	1,250	= 5% of all persons employed
Agriculture-related industries (estimated)	2,700	= 10.7% of all persons employed
Total	<u>3,950</u>	= 15.7% of all persons employed

Total number of persons employed

25,200

20 OCT 1983





BUNDESREPUBLIK DEUTSCHLAND
DER BUNDESKANZLER

5300 Bonn, den 5. Oktober 1983

Ihrer Exzellenz
Frau Margaret Thatcher, MP
Premierminister des Königreichs
Großbritannien und Nordirland

L o n d o n

Liebe Frau Kollegin,

Ihr Besuch am 21. September 1983 war für mich eine große Freude. Es freut mich, daß Sie so positive Eindrücke aus Deutschland mitnehmen konnten. Den Meinungs austausch mit Ihnen habe ich wie stets als außerordentlich nützlich und fruchtbar empfunden. In einer Zeit, in der wir im Westen mehr denn je unsere Einheit unter Beweis stellen sollten, geht auch von einem kurzen Arbeitsbesuch eine Botschaft aus, die ihre Wirkung nicht verfehlt.

In unserem Gespräch bei Tisch unterhielten wir uns über das Agrarproblem in Europa. Mir scheint, daß ein beträchtlicher Teil der Schwierigkeiten, in dieser Frage in Brüssel zu einem Ergebnis zu kommen, in den unterschiedlichen Agrarstrukturen der einzelnen Länder begründet ist. Ich erläuterte Ihnen in diesem Zusammenhang die Lage in der deutschen Landwirtschaft. Als Anlage übersende ich Ihnen nun die versprochenen Statistiken.

Aus diesen Statistiken darf ich auf folgende Punkte hinweisen: Insgesamt sind etwa 5 % der deutschen Bevölkerung direkt in der Landwirtschaft beschäftigt. Diese Zahl drückt natürlich das relative volkswirtschaftliche Gewicht der Landwirtschaft nicht aus,

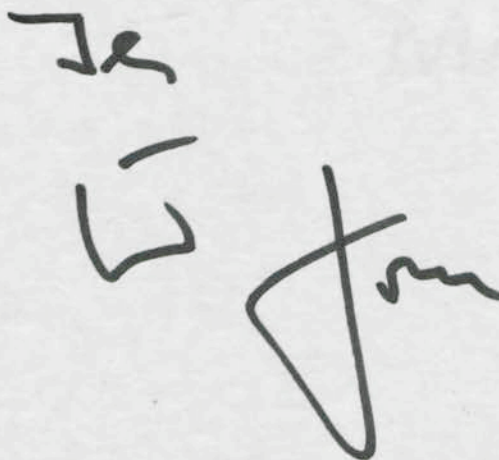
da die der Landwirtschaft vor- und nachgelagerten Wirtschaftsbereiche noch einmal über 10 % der erwerbstätigen Bevölkerung umfassen, der Agrarsektor insgesamt damit über 15 % der erwerbstätigen Bevölkerung in Brot setzt.

60 % aller landwirtschaftlichen Betriebe über 1 Hektar Landfläche sind Haupterwerbsbetriebe, die restlichen 40 % Nebenerwerbsbetriebe. 93 % aller Haupterwerbsbetriebe haben weniger als 50 Hektar Landfläche, was die ausgeglichene mittelständische Struktur der deutschen Landwirtschaft unterstreicht.

Gleiches folgt aus den Angaben über die Milchviehhaltung. 3/4 des Milchviehs in der Bundesrepublik Deutschland steht in Betrieben, die zwischen 10 und 49 Milchkühe halten, d.h. typisch bäuerlichen Betrieben. Die Zahl der sogenannten Milchfabriken ist gering. Es gibt in der Bundesrepublik Deutschland überhaupt nur 408 Betriebe mit mehr als 100 Milchkühen und nur 19 Betriebe mit mehr als 200 Milchkühen.

Diese Zahlen verdeutlichen unseren Wunsch, durch eine Politik, die - und darin sind wir uns einig - die Ausgaben der Gemeinschaft für den Agrarsektor einschränken muß, keine Änderung einer aus unserer Sicht sozialen und volkswirtschaftlich gesunden Struktur eintreten zu lassen.

Mit freundlichen Grüßen

A handwritten signature in black ink, consisting of several stylized, connected strokes. It appears to be a personal name, possibly 'J. L. J.', written in a cursive or semi-cursive style.

ce Sir A.P.
Policy Unit

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

N. B. P. A.

FOREIGN SECRETARY

A. J. C. 13.
9

UK PAPERS ON THE SAFETY NET AND THE STRICT FINANCIAL GUIDELINE

You wrote to me on 8 September about the publication of these papers.

2. I am content with your suggestion that we should publish precis versions of the two papers and I have accordingly asked my officials to clear suitable texts with yours.
3. I accept that the published versions should be distinct in style and format from the negotiating texts. But, while some of the inessential detail can no doubt be omitted, the precis must be sufficiently full to enable us to assure Parliament, if asked, that we have held back nothing of significance.
4. I have also seen Michael Jopling's minute of 8 September, which refers to the difficulty of our negotiating position. I recognise that we may have to compromise on some of the detailed procedural points in the strict financial guideline paper. But I think we must recognise now that, unless something close to our guideline is adopted in a binding juridical form and a strict procedure is included to make Supplementary Budgets the exception rather than the rule, there will be no guarantee of effective control of agricultural expenditure.
5. Copies of this letter go to the Prime Minister, members of OD(E) and to Sir Robert Armstrong.

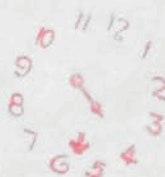
A handwritten signature in dark ink, appearing to be 'N.L.'.

(N.L.)

13 September 1983

Euro Pol: CAP Pt 11

1-5-1993



CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

DA 8/9.

FOREIGN SECRETARY

8 September 1983

PUBLICATION OF UK PAPER ON SAFETY NET AND STRICT FINANCIAL
GUIDELINE

I have seen the minute from Nigel Lawson to you of 2 September urging that the UK paper on a strict financial guideline for the CAP should be published. I am not convinced that this is the best way to proceed.

This paper is, as we all recognise, a negotiating document and we are unlikely to be able to persuade our partners to accept it in precisely the form in which we have put it forward. If we are not to make our negotiating position even more difficult than it presently is we must not give hostages to fortune and must allow ourselves some flexibility in changes that may be necessary to bring about agreement. Against this background it seems to me to be counter-productive to publish the paper and far from seeing the positive advantages in doing so it seems to me we limit our options and make it more likely that any fallback is interpreted as a defeat instead of a tactical victory.

In his letter the Chancellor also refers to the "added advantage" that the papers can be referred to in the written evidence to the House of Lords Sub-Committee A enquiry. I do not see this as an advantage nor do I see the need to table what are essentially negotiating documents in the House of Commons library. It would be a most unfortunate precedent to accept that because texts had been leaked in Brussels they should be made available to the House. In explaining our stance to the House of Lords Sub-Committee A, a specific document setting out the points relevant to their enquiry would be more appropriate.

/I am sending...

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4. The right course now must I think be to publish both papers together at a time and in a form of our own choosing. This should clearly be done as soon as possible. We have an excellent opportunity in the next edition of the Treasury's Economic Progress Report due out on 10 September. Publication then has the added advantage that the papers can be referred to in our written evidence to the House of Lords Sub-Committee A enquiry, which has to be provided by 19 September. The texts will also have to be laid in the House of Commons Library. I suggest that this should be done in the usual way through the Cabinet Office.

5. I am sending copies of this minute to the Prime Minister, the Minister of Agriculture, the members of the Ministerial OD(E) Committee and to Sir Robert Armstrong.

A handwritten signature, likely 'N.L.', consisting of stylized initials.

N.L.

2 September 1983

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Ref. A083/2450

MR COLES (on return)

*Tim - would you
make a note of the
circulars relating under
paras 1, 2 & 3.
for your
time.
mt*

Improving the Common Agricultural Policy

Mr Williamson has written a very interesting paper, setting out his own views about ways in which we can improve the operation of the Common Agricultural Policy. On this subject he writes with all the authority of his experience in the European Commission.

2. I do not suggest that the Prime Minister should read this before she goes away for her holiday; but she might like to read it after she comes back as part of the preparation for some of the discussions she will be having in September.

An excellent and illuminating paper

Christopher Cloke.

on behalf of,

ROBERT ARMSTRONG

8 August 1983

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THE COMMON AGRICULTURAL POLICY: IMPROVING COST EFFECTIVENESS
AND CUTTING COSTS IN REAL TERMS

Background

1. Changes can and must be made in the operation of the common agricultural policy. In order to judge what is desirable in economic terms and feasible in negotiating terms, it is essential not to underestimate the importance of the interests at stake. The Community, with a population bigger than that of the Soviet Union and substantially bigger than that of the United States (after enlargement the Community population will be one and a half times that of the United States), is one of the world's major producers and traders in agricultural and food products. The value of Community farm production in 1981 was about 128,540,000,000 ecu and the gross value added was 68,629,000,000 ecu. Upstream and downstream of agricultural production itself the amount of economic activity is very large. Food processing, for example, accounts for about 10% of the net value added in the Community by all industrial activity and the value of sales is normally about twice the value of agricultural production.

2. The Community is the largest producer in the world, or close to that position, for milk, butter, cheese, pigmeat, beef, poultrymeat, fruit, wine and sugar and is also an important producer of cereals (in a recent year almost 10 times as large as Australia). The number of those directly employed in agriculture is now about 8.1 million. For many years Community farmers were leaving the land at one a minute and the exodus is still high. It is this factor which has helped to revolutionise the efficiency of Community agriculture in the last 25 years. Too little account, however, is taken in policy decisions of the phenomenon of part-time farming. Only 36% of all Community farmers are fully occupied in farming for 100% of their full working time. 20% devote between 50-100% of their working time to farming, while the rest, that is 44%, devote less than 50% of their working time to farming. About 27% of all Community farmers have a gainful activity outside their own farm.

3. The Community is by far the world's largest importer of agricultural products - €60 billion in 1980, about a quarter of all agricultural imports in the world, compared with US imports of €29 billion and Soviet imports of €14 billion. The Community is also a major exporter of agricultural products - €28 billion in 1980, compared with US exports of €43 billion. The Community's deficit on agricultural trade with the US in 1980 was €32 billion. The trading interest in the common agricultural policy is therefore very important (effects on balance of payments and bilateral relations, eg France/China; pressures on governments from particular trading companies or organisations).

4. In recent years Community farmers' revenues took a dip in real terms but have now recovered to at or about the 1973 level in real terms. This has been achieved despite the setting of agricultural support prices on average in recent years below the level of inflation. The productivity gains are almost certainly greater than the Commission allows for in its calculations. At some cost to the budget, the result in terms of farmers' revenues and food prices has been quite good. Between 1978 and 1982 farmers' prices rose by 9.4% a year while food prices rose by 11.6% a year and consumer prices generally by 12.3% a year. We need to make sure that, as we make corrections which will hold down the budget cost, we do not create new difficulties on food prices.

5. Actual expenditure from the Community budget on agricultural support (EAGGF guarantee) in recent years has been:-

billion ecu					
<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1983 including</u>
<u>actual</u>	<u>actual</u>	<u>actual</u>	<u>actual</u>	<u>budget</u>	<u>draft supplementary</u>
				<u>estimated</u>	<u>estimated</u>
10.4	11.3	11.1	12.4	14.1	15.8
annual increase 1979 - 1982 :					5.7%
annual increase 1979 - 1983 (budget) :					7.8%
annual increase 1979 - 1983 (budget and supplementary budget) :					11%

The common agricultural policy

6. The common agricultural policy never was a homogeneous policy. The original policy contained, for a number of major commodities (eg cereals, milk), the classical system of public intervention, import levies and export refunds. This was intended to maintain internal market prices at above "world" levels and thus to impose on the consumer (in some cases another farmer, ie the live-stock producer) the cost of supporting farm revenues. Even at the outset, however, it was clear that international trade arrangements made it necessary to have support systems in some sectors which are basically deficiency payments, because there is free or almost free entry for imports of the product or a directly substitutable product; examples are tobacco (1982 expenditure 623 million ecu) and the vegetable oil seeds, colza and sunflower (1982 expenditure 721 million ecu) which directly compete with soya oil and soya cake and meal.

7. The Community always intended to set a fairly high level of support because of its concern for farm incomes. There was and is a resource cost from this policy, particularly because the base of the system (the support price for cereals) was set too high. In the course of time there have been three further types of development:-

- (i) the increase in the volume of Community production has been very great, particularly in one or two surplus sectors, such as milk products. The original concept of balancing the market through export disposals broke down in these cases because the open-ended guarantee shielded the producer from the low return which he was earning from export markets or from large subsidised disposals on the internal market. The Community perfected new methods of product disposal but nonetheless picked up an ever increasing bill. A system which worked in conditions of self-sufficiency and modest commercial exports simply has to be changed to reflect back the market signals, when a huge volume of production can only obtain prices well below support levels.

- (ii) consumption within the Community, on the other hand, has stopped increasing or slowed down. Consumption of a few products, such as pigmeat, is roughly keeping pace with the increase in production but consumption of cereals and sugar has remained stationary or declined. In other sectors, such as certain milk products, consumption is only being maintained at an exorbitant budgetary cost. The only sectors where a bright light for consumption exists are fruit and vegetables, cheese and certain meats. The effect of increasing production and stagnant consumption is that the Community's self-sufficiency has risen in the last 6 or 7 years for cereals from 91% to 101%, for meat from 96% to 98% and for milk fat from 102% to 113%.
- (iii) third country suppliers have markedly improved their ability to find loopholes in the Community's external protection, eg the substitution for traditional animal feed cereals of a range of cereal substitutes, such as mixtures of tapioca (almost pure starch) imported over the 6% tariff imprudently bound by the Community in a recent GATT negotiation and soya cake and meal (the protein element) imported over a bound zero duty. Thus the Community's own barley has been displaced into export at a cost to the Community budget (export refund). The original intention of the Community was to have a cereal regime in which the income from import levies more than paid for the internal disposal and export refund expenditure. This situation of financial advantage or neutrality was maintained for many years. Now the Community is just about self-sufficient in cereals (after taking account of cereal substitutes) but the regime costs 1875 million ecu, while import levies raise less than that sum.

8. The Community simply has to come to terms now with the production and consumption trends. We cannot go on increasing aids to pay for disposal, particularly on the internal market where the budget cost is normally very high. In a recent year the Community subsidised 88% of the skim milk powder consumed on the internal market and over 40% of the butter. This is bound to bust the budget and is also economic nonsense in terms of use of resources.

9. The conclusion is quite clear. We have gone about as far as we can in thinking up ingenious methods of disposal. We have now to concentrate on the level of price support, the form of the guarantee and the volume of production to be covered, since these are the elements which determine over a period of years the extent to which production increases and budgetary costs can be best contained.

How should the potential changes tie in with the financial guideline?

10. The financial guideline would establish the limits within which agricultural support price decisions would be taken. It would also determine, subject to the possible establishment by unanimity of a supplementary budget, the amount of expenditure which could actually take place in a financial year. It could be argued, therefore, that it is not necessary to establish, in discussions at the level of Heads of Government, how precisely the Council of Ministers is to ensure the respect of the financial guideline. It is important, however, to distinguish between our tactical and substantive objectives. Tactically we cannot hope to obtain at a European Council more than the guideline itself and a very simple statement of the measures which will support it. I consider:-

- (i) that we should seek, as a buttress to the financial guideline, agreement that if the rate of increase of agricultural expenditure is, or risks to be, greater than the rate of increase of own resources, then guarantee thresholds (ie limits on the volume of production subject to guarantee or aid) should be operative for all principal products from the

beginning of the next campaign. My idea is that the Council of Ministers (Agriculture) could establish the figures on the basis of the average of the last 3 years for all these products and that the arrangements would only be triggered if expenditure rose, or risked to rise, too fast. This scheme would have the advantage that there would be equality of misery in all the sectors but that the Agriculture Ministers would not have to explain away immediate implementation.

(ii) it goes without saying that the contingency plans at point (i) do not absolve the Council of Ministers from their obligation to respect the financial guideline in any event and consequently to toughen measures in the surplus sectors such as milk.

11. Our substantive objective is clearly to restrain the cost of expensive surpluses, which will require a strengthening of existing measures in the more difficult sectors. This could only be done in the Council of Ministers (Agriculture) and I set out below the areas which I think would repay more effort by the United Kingdom.

Action to improve the common agricultural policy

12. Prices. It is clear that the United Kingdom should continue its existing policy of seeking restraint on the common price increases, particularly in those sectors such as cereals where the Community is generally out of line with commercial prices practised on world markets. The Commission has already committed itself to the policy of closing the gap between Community cereal prices and those of its principal competitors and we can assume that this policy will be continued in future years.

13. It is important to recognise, in addition, that besides the normal support prices there are a number of important decisions taken within Commission competence after consulting the management committees which do affect the level of prices. The most important sector is again cereals: intervention, when opened, for bread making wheat is normally at a level

/about

about 10% above the feed wheat price. In all the calculations relating to exports and disposal of wheat the bread making wheat price is used. It should be the United Kingdom's objective to support the Commission in reducing the use of this price and replacing it wherever practicable by the feed wheat price. This could achieve savings of many hundred million ecu but will continue to be opposed by many other member states.

14. In general, I would recommend:-

- (i) a very restrictive attitude to the basic support prices decided by the Council of Ministers but not an attempt to have a freeze. Experience has shown that this normally results in a subsequent explosion of prices;
- (ii) opposition, wherever practicable, to the use of buying in, reference or premium prices of any kind above the level of the basic support price.

Less rigid guarantee systems

15. In those sectors where there is a flexible system of guarantee which does not include permanent fixed intervention, the Commission can manage the market at very little public expense. A key example is pigmeat, the most important meat in the diet of the Community consumer, which costs almost nothing and which has increased its share of the Community market, while providing good revenue to producers over a long period. In those sectors where there is rigid intervention (eg butter, skim milk powder) the Commission cannot allow the price to float down in the market since this immediately results in a sharply rising intervention stock. Most agricultural products being seasonal, it should be the objective to make the intervention arrangements, wherever practicable, less rigid so that at least in certain periods of the year the market forces can operate more efficiently on the price. While I was in Brussels I at last managed to break the system of permanent intervention for beef, with the

following result on the budget:

million ecu		
<u>1981</u>	<u>1982</u>	<u>1983</u>
1437	<u>1408</u>	<u>1159</u>

This was during a period when external markets were most unfavourable to the Community for this product. I think that it is still possible, with enough political clout, to reduce the periods of intervention for bread making wheat (which was also reduced during my period in Brussels) and to suspend intervention for skim milk powder in the winter. The evidence available from those cases where we were able to make intervention less rigid did not show that this was disadvantageous to farmers. Generally, it provided greater flexibility to pick up additional consumption in the Community which had been lost under the more rigid arrangements, either to substitute products or to other agricultural products with different support systems.

16. The British objective should be to try to avoid being boxed in by a system which makes the Community pay either through an export refund (or similar disposal payment) or through intervention purchase. If we do accept such a system, we should try to limit it to parts of the year where it is most useful for farmers (eg the late autumn for beef).

Volume of production subject to guarantee

17. Since it is almost impossible within the Community to obtain sufficient restraint on support prices to achieve a markedly better market balance for the main surplus commodities, we simply have to concentrate on limiting support by a system of standard quantities, now known in the Community as guarantee thresholds. The key elements for the United Kingdom are to:-

- (i) hang on to guarantee thresholds and extend their product coverage;

/(ii)

- (ii) make sure that they remain at a fixed level or only reflect real increases in consumption. By this means the cumulative effect of rising production and a stable guarantee threshold means that there will quickly be a real disincentive to a rise in production. This can be seen in the milk sector: we only managed to get the guarantee threshold into the regulation for the first time in 1982 but the cumulative effect by 1984 will be a price reduction of 12% or equivalent measure;
- (iii) argue that the constraining measures triggered by exceeding a guarantee threshold should be capable of covering the full cost of the disposal of the extra production.

18. It is not necessary to insist on a single method of operating the restraining measure triggered by exceeding the guarantee threshold. For some commodities it would be quite appropriate to reduce the normal support price. For other commodities it may be more appropriate to put the whole penalty on additional production, as I proposed when in the Commission for milk; this would mean that the price received for extra milk production above the 1981 level would be about 25% of the existing level and this would certainly crack down on rising milk production. It would be most unwise to argue at the level of the European Council how guarantee thresholds are to be implemented, since this will immediately give rise to dispute whether there should be discrimination in favour of small or poor farmers. On this point I consider myself that it would be quite justifiable to introduce restraining and non-discriminatory measures on all producers, if a guarantee threshold is triggered, but that it would be reasonable after a period of one or two years to see whether there are any socially unacceptable difficulties for small farmers. If so, these could be met by modest payments to the smallest farmers, provided that their principal income is from farming.

Import arrangements

19. Although the basic British position is against any increase in protection, I do not think that we should completely exclude some further import measures where there are obvious inconsistencies in the Community arrangements. An example is the import of manufacturing beef decided each year under the so-called balance sheet. The results of the discussion in the Council generally bear little or no resemblance to the actual or estimated needs of the Community for manufacturing beef.

20. There are a large number of individual measures for agricultural products where in my view the Commission would welcome support from the United Kingdom for savings. I have discussed some of these with the Treasury and the Ministry of Agriculture, Fisheries and Food and no doubt these will be followed up.

Summary

21. I consider that:-

- (i) at the European Council we need to establish the strict financial guideline for agricultural expenditure in a form identical with, or close to, that which we are proposing in our paper;
- (ii) we must ensure that any discussion at the European Council on the ways in which a guideline might be implemented does not slow up the action already under way to restrain Community agricultural expenditure. It should also be our objective, however, to buttress the efforts now being made by proposing that guarantee thresholds should be established for each major commodity and, if not already in operation, should be triggered after the Commission states that the rate of increase in agricultural expenditure is, or risks to be, greater than the rate of increase of own resources;

- (iii) we should continue our pressure for moderation in basic support price increases in the Council of Ministers but should not aim for a total price freeze, which could be counter-productive;
- (iv) we should, as a general principle, seek to limit the use in the market regimes of prices other than the basic support prices. We should thus be opposed to such decisions as the use of the bread making wheat reference price for major cereal support measures, the use of beef buying in prices at above basic intervention levels or premium payments for higher quality product purchases on intervention as in the olive oil sector;
- (v) we should seek, wherever practicable, to make the existing intervention systems more flexible, in particular by suspension of intervention at certain seasons of the year or its replacement in some circumstances by aids for private storage;
- (vi) we should make it a number one priority to maintain existing guarantee thresholds; to extend their product coverage; to insist that any increase in the guarantee threshold should only be justified by an actual increase in consumption; and to seek to ensure that the restraining measures triggered by passing the guarantee threshold should cover the cost of disposal of the additional production. It is not essential to have a uniform system of action following the triggering of a guarantee threshold; in some cases it would be appropriate to reduce the basic support price, in other cases it would be better to put the whole burden of adjustment on additional production, since the effects would be sharper;

/(vii)

(vii) we should examine on their merits any proposals for adjustment of import regimes, in those cases where the present arrangements clearly give rise to increased budget cost, eg cereal substitutes.

D F WILLIAMSON

Cabinet Office

28 July 1983

[Mr. Heseltine]

... on decisions such as these on defence or any other industry. It is wrong to cast a general description against one of our allies in this context.

I must pay tribute to the United States for ensuring that the two-way street has reached a point at which the Americans buy half as much from us as we buy from them, whereas not so long ago the trade was four to one in their favour. It is not possible to make narrow national issues out of this. The Americans have made considerable strides towards a better balance. However, they will always be subjected to the same constituency and industrial pressures as right hon. and hon. Members here.

Mr. Skinner: On a point of order, Mr. Speaker. I wonder whether you can tell me under what Standing Order it is possible for you to draw the attention of an hon. Member to the fact that he is not allowed to draw an analogy between the Government's priorities on weapons of war as opposed to the National Health Service and the disabled.

I well recall, as do many other right hon. and hon. Members, comparisons between the spending of taxpayers' money and other moneys being made when statements are made, when questions are asked and during speeches. I find it quite remarkable that, on this occasion, I was not allowed to make the vivid comparison between the massive amount of money spent on defence and the need for money to be spent in the National Health Service and for the disabled.

Mr. Speaker: Yes, I can answer the hon. Gentleman. I stopped the hon. Member for Bristol, East (Mr. Sayeed) because his question did not directly relate to the statement. I stopped the hon. Member for Bolsover (Mr. Skinner) for exactly the same reason.

EUROPEAN
CAP.

Fisheries Council

4.24 pm

The Minister of Agriculture, Fisheries and Food (Mr. Michael Jopling): With permission Mr. Speaker, I wish to make a statement on the meeting of the Council of Fisheries Ministers on July 25 and 26.

With the Minister of State at the Scottish Office and my hon. Friend the Minister of State in my Department, I represented the United Kingdom.

Once again the Council could not agree about the allocation of quotas for North sea herring and I greatly regret that it proved to be impossible to settle other parts of the package, including the proposed arrangements on structures, in the absence of agreement on herring. The methods of determining quotas for herring will be discussed further by officials before the next meeting of the Council on 3 October.

The Council also refused to confirm the Community's fishing agreement with Norway but the Council did agree, by a qualified majority, to permit the Norwegians to extend their interim fishing for North sea herring to two thirds of their proposed allocation of 31,000 tonnes. I voted against this proposal. The considerations were finely balanced. I attach great importance to our fishing relations with Norway and would certainly not wish in any way to harm them. There are also very important advantages for our fishing fleet in the maintenance of the agreement with Norway. I nevertheless conclude that I should not support an arrangement which permitted Norwegian fishermen to fish for North sea herring when United Kingdom fishermen were not able to do so.

Finally, in my statement on the previous Council meeting I was asked about the possibility of extending controls over foreign klondikers. I am glad to say that my right hon. Friends and I are laying an order before Parliament today which will extend to foreign vessels the arrangements which currently apply to British pelagic vessels transshipping their catch to klondikers within our fishery limits.

Mr. Norman Buchan (Paisley, South): The Minister has held his present position for about one month and, because of his predecessors' actions, has been forced to accept two humiliating experiences. He is now beginning to call it Canossa rather than Brussels.

Has not this deal angered British fishermen, especially Scottish and Shields fishermen, more than any previous one? The original deal, which was made in January, was supported by the fishermen and they assured me today that they supported it on the basis that the Government promised them they would fight like hell to get a good agreement. The Government have failed.

The Minister said that he did not support the proposition but did not use his veto. Some opposition that is. The Danes, who will benefit from it, used the veto three times in the two sets of discussions. We, who will suffer most, learn that our representative did not use the veto. It is a humiliating capitulation. The anger in the north-east of Scotland, Shields and Shetland reflects that.

In the mid-1960s we were fishing 1 million tonnes of herring in the North sea. It was industrial over-fishing, most notably by the Danes and purse-net fishing by the Norwegians which slaughtered the stocks and brought about the introduction of a ban. We, who honour the

principle of conservation, have had to pick up the tab. The Danes, who have been over-fishing this year, were given extra cod and mackerel by the Norwegians and, in compensation, we gave the Norwegians a good quota. We, who gave that quota because of Danish action, must now suffer again. They now have an extra 9,000 tonnes of fish. What a bizarre and ludicrous situation we have. They are fishing in our waters just outside the 12-mile limit—

Mr. Dennis Skinner (Bolsover): I should not be too sure of that.

Mr. Buchan: I hope that they are fishing outside the 12-mile limit—and we can stand on Rattray head and see Norwegian fishermen taking out our fish, and our fishermen are not allowed to fish. It is ludicrous, bizarre and humiliating.

I hope that the Minister will go back to the negotiating table. This time he should take the veto with him and use it. I do not single out the Norwegians for blame, except for their over-fishing in the past. I blame the Danes, but, above all, I blame the Government for reaching an agreement in January without having settled these basic issues.

Will Britain be able to protect its fishing quotas? Hon. Members may remember that a fortnight ago the Minister assured me that we could control over-fishing by klondikers. He has now had to admit that he was wrong and that the Government are bringing in an order on policing after the damage has been done. I have just left the Vote Office and I can tell the House that the order is still not in front of us, at the very last syllable of recorded time, with the House rising tomorrow. It is a disgraceful affair.

It is a pity that the right hon. Gentleman moved from the Whips' Office, because it is easier to look after sheep than it is to look after fish. I feel sorry for the right hon. Gentleman, who has had to pick up the tab, but he had better retrieve his reputation and return Britain to the position achieved under the so-called superb agreement which his predecessor said would last for 20 years. However, six months later, it is in pieces, and Britain must suffer for it.

Mr. Jopling: We have heard the usual display of extravagant language by the hon. Member for Paisley, South (Mr. Buchan). I am sorry that he has not taken the trouble to consider everything that he said. He has condemned the Government because, he says, they did not settle the herring arrangement in January, but he has been around for long enough to know that herring fishing in the northern and middle parts of the North sea was banned for the previous six years, so we could not make that agreement in January. Everyone knew that, because there was no fishing, an agreement would have to be postponed.

The hon. Gentleman condemned me for failing to get an agreement on herring. I could have helped to reach an agreement on herring—I cannot say what others might have done—but there was nothing on offer in Brussels this week that would have been satisfactory to our fishermen. If I had made an agreement just for the sake of making one, that would not have been in the interests of British fishermen. The order relating to klondikers will be laid before the House today.

The use of the veto was, as I said earlier, a fine judgment, since a breakdown in fishing relations with Norway could have implications for our fishermen who

fish in Norwegian waters. The matter was not clear cut, and I could claim no vital national interest to justify the use of the Luxembourg disclaimer.

It is worth explaining to the hon. Gentleman that there are two sides to the argument. I do not wish Norwegian fishermen to fish for herring in the northern and middle parts of the North sea. That is why I voted against the proposal, although it has been allowed. If we had continued to stop Norway fishing for herring in that part of the North sea, Norway would undoubtedly have taken retaliatory action.

I remind the hon. Gentleman that Britain has the right to fish for about 5,500 tonnes of white fish in the waters around northern Norway. That fishery affects especially Grimsby, Lowestoft and other ports on the east coast. At least 100 British vessels can now continue to fish for white fish in the southern Norwegian sector because Norway has been allowed to fish for herring. The hon. Gentleman seems to believe that it was a black and white decision, but he is wrong. Many of our fishermen will be glad that Norway will continue to fish—to put it in perspective, it is only another 9,000 tonnes of herring—for the remaining part of its interim quota, because it means that many of them can continue to fish for white fish in Norwegian waters.

Sir Walter Clegg (Wyre): Is my right hon. Friend aware that many of us believe that the Danes are abusing the Luxembourg disclaimer by using the veto constantly, which is unhelpful, while at the same time they are continuing to over-fish, which is deplorable?

Mr. Jopling: My hon. Friend has put his finger on a serious problem. Some states use the Luxembourg disclaimer much too often, which is not within the spirit of the Community. As the House knows, under both Governments the United Kingdom has used the Luxembourg disclaimer very infrequently. It would have been wrong to use it on an issue of this sort. One could not have claimed logically that it was vital to British interests, and we would have been mistaken to use it in the circumstances.

Mr. J. Enoch Powell (Down, South): Is not the statement which the right hon. Gentleman has been forced to make to the House this afternoon further proof of the fatal consequences of transferring control over our fishery waters to the Community, which will result in continuing loss to our fishing industry, and which will bedevil our relations with other fishing countries with whom we should be making mutually advantageous agreements?

Mr. Jopling: It is a great mistake for the right hon. Gentleman to talk in those terms. If we can settle the outstanding and difficult problem of North sea herring fishing, and if we can add to the agreement made by my predecessor earlier this year proper policing powers, which are already under way and which I believe will become effective during next year, we shall then have the opportunity to have a managed fishery in European waters which can be shared out and be a fruitful product for us all.

The right hon. Gentleman should remember what the hon. Member for Paisley, South said a few moments ago about the way in which fisheries were ruined by over-fishing, when there were no controls, by selfish people who take no notice of long-term conservation. As the

[Mr. Jopling]

common fisheries policy evolves, provided that we persevere and get over our immediate difficulties, we shall have a well-managed fishery which will bring prosperity to all of us.

Mr. Michael Brown (Brigg and Cleethorpes): Does my right hon. Friend accept that his statement will give considerable comfort to the fishermen in the constituency of the hon. Member for Great Grimsby (Mr. Mitchell), and to the fishermen in my constituency? Should not the hon. Member for Paisley, South (Mr. Buchan) recognise that hon. Members on both sides of the House must take into account, as does my right hon. Friend, the interests of the white fishing industry? As a result of his statement, at least the door is being kept open. Does my right hon. Friend accept that the attitude of the hon. Member for Paisley, South brings no comfort either to his hon. Friend the Member for Great Grimsby or to me?

Mr. Jopling: My hon. Friend has hit the nail on the head. The hon. Member for Great Grimsby (Mr. Mitchell) will not mind if I quote from a letter that he wrote to me on 6 July, speaking for Grimsby, in which he said:

"We have only one paramount aim at the moment and that is to allow the Norwegians to continue to fish for herring because if they are stopped as they now have been there is a real danger of retaliation against British fishing in Norwegian waters and that is now at its seasonal peak."

The hon. Gentleman continued:

"It is also reasonable that the Norwegians be given a second interim quota."

That is what happened. I agree with the hon. Gentleman, which is why I voted against its happening. However, we must realise that this is a balanced judgment. It is not one-sided, nor is all of it a minus to British fisheries, and we should recognise it as such.

Mr. Austin Mitchell (Great Grimsby): As I have been quoted, perhaps the Minister will permit me to second my own remarks in the sense that the real problem is not Norway. It would be unreasonable if the Norwegians suffered because of a dispute in which they were not involved. Indeed, we depend on reciprocal catches in Norwegian waters, which could be threatened by this disagreement. The real problem is, first, Danish over-fishing and, secondly, a complete inability of Common Market institutions to handle such delicate matters as fishing quotas and the national interests that are involved. As the Market is now deadlocked by the Danes, why does not the right hon. Gentleman take the opportunity to assert the national interest by imposing on Danish and Norwegian fishermen in British waters the same kind of reporting and control arrangements for any species as are imposed on our vessels in Norwegian waters?

Mr. Jopling: I am glad that the hon. Gentleman recognises the advantage to his constituents of the fact that the Norwegian fisheries will continue to be open to them. He condemned Danish over-fishing and so do I. It is for that reason that I take every opportunity to press the Commission to bring its policing arrangements, the use of the logbooks and so on into effect as soon as it can be arranged. This is hugely important, and we shall do everything we can to press it.

Mr. Albert McQuarrie (Banff and Buchan): I am sure that my right hon. Friend will take no cognisance of the

suggestion of the hon. Member for Greater Grimsby (Mr. Mitchell) that the Norwegians and Danes should be stopped from fishing in British waters, because the retaliation effect on our demersal fleet would be catastrophic.

Mr. Austin Mitchell: I said the reverse.

Mr. McQuarrie: There is considerable anger in my constituency, which has traditionally fished for herring, over the fact that the Norwegians have been given a further 8,500 tonnes. I understand that that is because the demersal fleet is to be allowed to continue to fish in Norwegian waters. I also understand that the demersal fleet was prepared to come back to shore if it meant that the Norwegians would be prevented from obtaining that 8,500 tonnes. When fishing opens on 1 October, will the British fleet be allowed to fish a minimum quota of 21,000 tonnes in the North sea?

Mr. Jopling: I can perfectly understand that my hon. Friend's herring fishing constituents are extremely cross over the fact that the Norwegians will be allowed to continue to fish for about 9,000 tonnes. It was for that reason that we voted against the proposal. As to the position after 1 October, I think that my hon. Friend is referring to the southern part of the North sea. As fishing took place there last year, that will continue on a roll-over basis from 1 October. I cannot confirm precisely that our own fishermen will be allowed 21,000 tonnes, but I can confirm that we shall have 31 per cent. of that fishery. The figure mentioned by my hon. Friend is, I think, based on the total allowable catch for last year of 68,000 tonnes. There is a possibility that the total allowable catch will be somewhat reduced, but I assure him that our 31 per cent. share will remain intact. The total catch may possibly be reduced for conservation reasons. That has yet to be made absolutely clear, and I am sure that my hon. Friend would not quarrel with that.

Mr. Russell Johnston (Inverness, Nairn and Lochaber): If the Minister is so properly in favour of maintaining good fishery relations with Norway, and is therefore in favour of the 31,000 tonnes allocation, why did he vote against a limit of two thirds? The only reason one can think of is that it is virtually impossible to monitor, and many people suspect that it will be much exceeded. Indeed, the Minister said during questions that it would be about a year or so before proper policing arrangements could be introduced.

Mr. Jopling: The hon. Gentleman possibly misunderstands the basis of the 31,000 tonne allocation for Norway, which has been proposed but not confirmed by the Council of Ministers. There are three parts—first, compensation for over-fishing by Community fishermen in the past; secondly, a repayment of a swap arrangement which has been carried on in previous years; and, thirdly, it is partly but only a small part, an allocation of herring to Norway. On over-fishing and the repayment of the swap, we shall have to repay that either this year, next year or some time. By allowing the Norwegians to continue to fish now we shall repay a debt that will not recur next year. In a sense that will be got out of the way and Norway will need a very much smaller allocation next year if we have repaid that one-off debt.

As to the veto—I say this in reply to the hon. Member for Great Grimsby (Mr. Mitchell), whom I did

not properly answer—we shall always hold ourselves in readiness to use it when important national interests arise. On this occasion we took a judgment that they did not, hence, we did not use it.

Mr. Robert Hicks (Cornwall, South-East): Was any further consideration given to the proposal to extend the south-west fishery mackerel box and the associated introduction of stricter conservation measures? Is my right hon. Friend aware that there is increasing anxiety in the south-west about the delay in introducing these sensible measures?

Mr. Jopling: We would very much have liked to have a continuing discussion on conservation measures, especially the mackerel box off the south-west of England. We pressed hard for the discussions to extend to those issues, to the remaining TACs and quotas and to other conservation measures. As it was not possible to reach agreement on the herring fishery in the North sea, I fear that we were prevented from moving to those other matters on which there was a basis for agreement and on which we could have reached agreement. I very much regret that the activities of one state stopped us moving to those matters.

Mr. Robert Hughes (Aberdeen, North): Does not the Minister accept that his statement displays the total inadequacy of the agreement reached in January? While some hon. Members might take comfort from the fact that the interests of the white fish fleet have been protected this time and that the penalty for the Government's failure has been paid by the herring fishermen, in three months or six months it will be the other way round and we shall then see whether the right hon. Gentleman quotes Grimsby letters with such grace and favour. Is he not aware that the deal cooked up in January was just as bad as the one cooked up before we joined? Its only purpose was to paper over the cracks until the election was passed. The fishermen are now paying for it and the Government have disgraced themselves, as we always said they would.

Mr. Jopling: I do not know where the hon. Gentleman has been. The deal reached in January was a gigantic step forward in getting ourselves a common fisheries policy that will be of great benefit to the Community in years to come.

Mr. Robert Hughes *indicated dissent.*

Mr. Jopling: Admittedly, the process of reaching a deal is long and difficult. If hon. Members are saying that we ought to accept solutions and arrangements that are basically unsatisfactory to this country, I am sorry, but I am not prepared to do so. Even if it takes a long time, the House will expect us to go battling on until we can get a satisfactory deal.

Mr. John Spence (Ryedale): I welcome what my right hon. Friend said about not accepting unsatisfactory deals. We have heard much about the major ports in the questions on my right hon. Friend's statement, and I wish to say something about the smaller ports, such as Filey in my constituency. The fishermen's jobs there are as important to them as individuals as the jobs of fishermen in major ports. Over-fishing and conservation are of major importance to the livelihoods of my constituents. I hope that my right hon. Friend will not be carried away by quotas, to the exclusion of the admirable work that he and his predecessor have done on conservation. Conservation

is the key to the livelihood of all our fishermen, whether they come from major or minor ports, and is essential to Filey's continued employment and prosperity.

Mr. Jopling: As one who has often fished off the cob at Filey, with great success, I know what my hon. Friend means, and I have every sympathy with it. We have the small ports in mind and are therefore pursuing conservation measures in all our waters round our coasts, to look after the smaller ports in particular. My hon. Friend is right to stress the importance of conservation.

As a result of the common fisheries policy hammered out last January, our fishermen in small ports have had a greater opportunity to fish in the waters close to our ports than for years and the access for our fishermen has been dramatically improved. This is just one of the ways in which the common fisheries policy is a great bonus and a great step forward.

Mr. Gordon Wilson (Dundee, East): Is the Minister aware of the utter outrage that Scottish fishermen feel at the prospect of seeing Norwegian boats fishing for herring in what should be Scottish waters, and of the anger that they feel at the weak way in which the Government have handled the negotiations? Will the Minister explain why, on balance, he found it necessary to vote against the Norwegians being able to fish, but then refused to apply the veto? If it was necessary to vote in other circumstances to prevent the Norwegians from fishing, why did the Minister not apply the national interest principle and use the veto? Was he trying to defend the English white fisheries in deep waters at the expense of Scottish fishermen?

Mr. Jopling: I can understand the outrage of which the hon. Gentleman speaks, but we did not apply the so-called veto because—

Mr. Robert Hughes: "So-called" veto now, is it?

Mr. Jopling:—we did not regard this matter as one of vital national interest. As a nation, we have used that vital national interest on very few occasions in the years since we joined.

Mr. Robert Hughes: Too few.

Mr. Jopling: On this occasion, to have used the veto for a matter that concerned the comparatively small amount of about 9,000 tonnes of herring, when there were strong arguments on both sides would have been wrong. As I said in my statement, it was a fine judgment. My judgment was that this was not a sufficiently important national interest for us to use that drastic measure which has been so seldom used in the past.

Mr. Teddy Taylor (Southend, East): As the Minister has shown that there are serious and urgent problems of widespread over-fishing, the absence of Community policing, a lack of agreement on quotas and foreign vessels fishing in United Kingdom waters from which British vessels are excluded when will the Council meet again?

Secondly, the fishermen from Southend are just as important as the others mentioned, so will my right hon. Friend tell them what our fall-back position is if his optimism proves unfounded and the whole thing collapses into a messy shambles? In other words, what do we do if everything goes wrong with the common fisheries policy?

Mr. Jopling: My hon. Friend should not talk about over-fishing. Since the common fisheries policy was

[Mr. Jopling]

agreed in January there has not been evidence of dramatic over-fishing, and my hon. Friend is wrong to talk in those terms.

Mr. Taylor: That was the information last week of the Dutch.

Mr. Jopling: We should be a little careful about making such allegations which in many cases are not possible to substantiate.

As I said in my statement, the Council will be meeting again on 3 October. I hope that it will then be possible to come to an agreement over herring fisheries in the north and middle parts of the North sea. We shall do our utmost to get a deal, but it will only be one that we think is satisfactory.

Mr. David Penhaligon (Truro): Can the Minister confirm that, for the south-west, this statement means that there will be no mackerel box and a continuation of over-fishing? If present trends continue, how long will it be before mackerel becomes an endangered species?

Mr. Jopling: It is true that there has been a delay in the creation of the institution of the mackerel box in the south-west of England, but there will not be unlimited over-fishing. The same quotas for last year will continue to be effective and we shall do everything that we can to get agreements on these matters when we meet again.

Mr. Buchan: It is an extraordinary statement that we should not talk about over-fishing. The whole reason for the ban on fishing for herring in the North sea which we are supposed to be implementing is that we are over-fishing.

The Minister tells us that no national interest was involved, but the Danes apparently felt that there was. They threatened to use the veto, and then used it. The right hon. Gentleman did not even threaten to use it. The hon. Member for Brigg and Cleethorpes (Mr. Brown) seemed surprised at the Minister's action, but the Minister said in reply that he voted against the proposal. The hon. Member for Brigg and Cleethorpes is right—either the Minister was for it or he was against it. The worst of all possible postures was to vote against and then to let the proposal through by not using the veto, or even the threat of the veto. The only reason why he opposed the proposal, as far as we can see, was so that he could come to the House and say, "Look, I opposed it. Look how strong the Government have been." However, this is further evidence of the Government's weakness and irresolution.

Four specific questions have to be asked about this statement. The Minister talked about the situation in the southern North sea when the herring season opens there in October. Has not the right hon. Gentleman got it wrong when he refers to us having a 31 per cent. quota of the roll-over 40,000 tonnes? Is it not the case that the roll-over would mean 68,000 tonnes with a 31 per cent. quota? There would be a hell of a lot more fish if it did.

Secondly, can we accept the Minister's guarantee, his pledge, that that quota will remain intact? When we have

seen the other quotas bust ever since January? Thirdly, are 60 Norwegian boats fishing off the north-west of Shetland, having been told by the Norwegian Government that they can move into the North sea to resume herring fishing?

Fourthly, did we initially press for a 30 per cent. quota, were the Commission's proposals initially 28 per cent., and was that then reduced to 23.5 per cent.? Did the Minister make it clear at Brussels this week that if the total allowable catch was increased, far from our quota being increased along with it, because this would give a bigger proportion that could be allowable for Britain our quota would be reduced to 15 per cent.

The House is faced with an intolerable position. In any other circumstances I should be pressing for the Adjournment of the House so that we could debate this issue. Instead of doing so, I can only reiterate the feeling of the fishing industry, and both sides of the House, that this is yet another sell-out, another capitulation along the lines which we warned the Minister about in January when the Government boasted of a superb 20 years' agreement.

Mr. Jopling: The hon. Gentleman would not be himself—whether he is going on holiday or not—if he did not use the familiar extravagant language that he has used over the years. Our quota last year for the area in the southern part of the North sea was 31 per cent. of last year's total catch of 68,000 tonnes. There is a possibility that, for various reasons, that will be reduced to 40,000 tonnes this year as a total allowable catch for everybody, but our quota of 31 per cent. will remain.

The hon. Gentleman talked about Norwegian trawlers fishing for herring in the North sea. They are allowed to do that, as I explained earlier. It is quite legal. Much of it is a one-off repayment for what has happened in the past. Next year the Norwegians will not need to claim a tonnage for that reason. It is true, as the hon. Gentleman said, that a report was produced before the Council of Ministers, following the meeting of the group of experts, suggesting that we should have a lower percentage of herring in the northern and middle parts of the North sea than was originally proposed by the Commission. We opposed that strongly. Indeed, the French and Belgians joined us in saying that that report was not a basis for discussion. As a consequence of the pressure that we brought to bear, the report was not pursued.

Mr. Buchan: Further to that—

Mr. Speaker: Time is getting on.

Mr. Buchan: Will our share of the total allowable catch be reduced to 15 per cent.? Will it be reduced to that—half of our original demand?

Mr. Jopling: There was speculation in the report about what might happen if the total allowable catch over the years increased because of the success of conservation. That was no surprise to us, and it has always been understood by us and by fishermen. It demonstrated that inbuilt adjustments would cause our percentage to decrease. The figure that was proposed was another reason why we were united in saying that the report was not a matter for discussion.

**EMBARGO: NOT FOR PUBLICATION OR BROADCAST
BEFORE 0001 HOURS, FRIDAY 17 JUNE '83**

SPEECH BY MR. CHRISTOPHER TUGENDHAT, VICE PRESIDENT
OF THE COMMISSION OF THE EUROPEAN COMMUNITIES
TO THE FOOD AND DRINK INDUSTRIES' COUNCIL,
IN LONDON ON FRIDAY 17TH JUNE, 1983 AT 10.00 H.

WHY THE EUROPEAN COUNCIL MUST TACKLE AGRICULTURAL EXPENDITURE

Mr 27/6

One of the most important tasks facing the Heads of State and Government at this weekend's European Council meeting at Stuttgart is to get a grip on agricultural expenditure. The British budget contribution is of course another, but on this occasion I should like to concentrate on agriculture.

1.4.

The European Community is currently spending some £5 million each working hour on agricultural support measures. Total expenditure so far this year amounts to around £5,000 million, which is over one third higher than for the comparable period last year. As a result an unusually large supplementary budget will shortly be required.

Much of this expenditure is used to subsidise the disposal of products for which there is insufficient commercial demand - in other words surpluses. The unit cost of these subsidies is often equivalent to a substantial part of the price received by the producer. Indeed in some instances the real cost of the subsidy exceeds the producer price.

Even for some non-surplus products costs are high. For example, for certain oil seeds which are widely grown in Britain the subsidy through a deficiency payment system can amount to the equivalent of some £350 per hectare per year. That is about £14,000 for a field the size of London's St. James' Park - a lot to pay for that beautiful, almost phosphorescent yellow which illuminates the countryside in late spring.

This is but one of many examples that I could give from all parts of the Community. The cost of agricultural market support has risen to the point where it is now the equivalent of 10% of the value of agricultural output, double the proportion it took a decade ago.

Unless something is done - and done quickly - to control this tidal wave of expenditure, the European Community will face a financial crisis. If that happens, the operations of the Common Agricultural Policy itself and of other Community policies will all suffer. It is therefore in the interest of those who benefit from those policies - and particularly the beneficiaries of the CAP - to respond positively to efforts to bring agricultural expenditure under tighter control. It is because I believe that the CAP has a vital role to play in the economic life of all Community countries including Britain and because I believe that a healthy and prosperous agricultural industry is also of great importance that I draw attention to the need for action by the Heads of State and Government.

Control of agricultural expenditure is an attainable objective. The recent rise in costs is not the result of mysterious, unidentifiable and uncontrollable forces. Certainly in the short run movements on world markets, currency fluctuations, the weather and other factors that no-one can hope to control affect agricultural costs. But the single most important reason why they have risen so fast and are now so high is because of the decisions taken annually by the Council of Agriculture Ministers.

Over the past four years, these Ministers, who are of course responsible to the Community's Heads of State and Government have taken decisions which have doubled the costs of the proposals for agricultural prices and related measures put forward by the Commission. In this way, some £1,500 million has consciously been added by national governments to the Community budget.

The present excessive burden of agricultural expenditure was not therefore imposed on the Community by some outside agency. It stems directly from the decisions taken by the Ministers from the Member States who have time and again decided upon higher prices than the Commission suggested, and have weakened the Commission's proposals for production controls. This year with a financial crisis staring them in the face, the agriculture Ministers for the first time for many years more or less accepted our original proposals instead of adding to them. But by then much harm had already been done.

Nor, I am afraid, can the European Parliament escape blame although some MEPs are anxious to control costs and expenditure. The agricultural lobby is invariably in the ascendant when Parliament is called upon to give its opinion on agricultural prices and on proposals to restrain surplus production. Indeed, in recent years, Parliament when giving its opinion on the Commission's proposals, has specifically advocated even higher prices than those finally decided upon by the Council as well as the rejection of production curbs and other cost restraining measures.

Finally, and in all objectivity, I must add that the Commission has not always defended its original and generally sensible proposals as robustly as perhaps it should. It has too often been prepared to respond to the pressures of the Council and Parliament by making changes in its initial propositions. This year, however, it stood firm and as a result was able to guide the Ministers to the most modest and realistic price settlement seen for many years.

Some weeks ago, the Commission put forward proposals for increasing the financial resources available to the European Community in order to ensure the maintenance of existing policies and the development of new ones.

A number of governments have insisted that before they can

/agree to such an idea

agree to such an idea or even consider it, agricultural expenditure must be brought under tighter control. This is quite understandable. Before new resources are made available to the Community, it is obviously essential that all those concerned in managing the Community's affairs should be able to show that existing resources are being sensibly used. It cannot be right in that context to spend vast sums of money on sustaining levels of agricultural output for which there is no prospect of any viable commercial outlet.

I hope therefore that the heads of state and government meeting this weekend at Stuttgart will recognise that the curbing of agricultural expenditure can not be a painless operation. A careful balance will have to be struck between on the one hand the potential savings to the Community budget, and on the other the potential increase in burdens both budgetary and otherwise which could be generated in the various Member States. There is no easy option. Difficult decisions for everyone lie ahead, particularly if quick results are required in order to make up for the relative inaction of recent years.

We have already heard calls from farm and other Ministers, which will no doubt be repeated, for cuts and freezes in prices and aids for products which are not of particular interest to their own countries. Calls will also be made for exemptions to take account of particular circumstances in each Minister's own country.

As Vice President of an institution responsible for the Community interest as distinct from the various national interests. I should like to make the following suggestion. Let us try to define justifiable expenditure as that which individual Member States would be prepared to incur if it were their treasuries rather than the Community which had to pick up the bill. We cannot afford to carry on like a group of diners in a restaurant each choosing expensive dishes in the knowledge that the bill will be shared. The CAP is an integral part of the European Community. In fact I do not believe the Community could exist without it. But from now on let us try to ensure that CAP expenditure is subjected to tests as least as rigorous as those which are applied in the Member States. Let us also try to ensure that agricultural decisions are taken on the basis of the general Community interest rather than as a result of negotiations in which Member States trade expensive concessions with each other without sufficient regard to the cost to the Community budget.

It is against this background that the Commission asks the European Council to use its authority to bring CAP expenditure under control. We believe that the strict application of two ideas which we have long advocated and which, to a limited extent, Ministers have already begun to accept have a big role to play.

One is that production thresholds should be imposed beyond which the normal price guarantees should not apply. It is because producers have in the past enjoyed unlimited price guarantees regardless of how much they produced that surpluses have been created. In future the reduction of guarantees beyond agreed production limits should be sufficiently severe to prevent surpluses from arising.

The other is that agricultural prices must be held within prudent limits. In order to do this proper account will have to be taken of the market situation, both internally and externally, of all the various commodities and of the requirements of the Community's overall economic and financial situation.

If these two mechanisms were to be rigorously applied, the rate of growth of agricultural expenditure could be held below that of the Community's financial own resources. This is what the Commission has long advocated without securing adequate support from Member States.

It is now up to the Heads of State and Government to give the Commission the support it needs to take effective action on the problems that have led to the creation of butter mountains, wine lakes and other expensive excesses that at present disfigure the CAP.

NOTE EMBARGO.

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AC 5.

The attached guidance notes on presentation of the Government's policies on agriculture, fisheries and food are for the personal use of all Ministers and should be associated with earlier notes in the series.

PRESENTATION OF POLICIES ON AGRICULTURE,
FISHERIES AND FOOD

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A. AGRICULTURE AND FOOD

I. INTRODUCTION

The home production of food is fundamental to the Nation's Security as we learnt only too well during the last war. In fact, it is second only to the defence of the Realm in any Government's responsibilities to its people. Today the guarantee of adequate food supplies that do not have to be shipped long distances is given, first, by increased self sufficiency - even successive Labour Government have supported this policy up until now, in particular during the 1970's with the publication of two papers, "Food from our own Resources" Cmnd 6020 (1975) and "Farming and the Nation", Cmnd 7458 (1979) - and second, membership of the European Community.

The Food and Drink Industry in the United Kingdom is the largest sector in terms of consumers' expenditure at approximately £39,000 million per annum. Over 2 million, some 10 per cent of the working population, are engaged in this vast enterprise. But all citizens are concerned in one way or another in its well being. They benefit from a variety and choice of foods available in the shops unknown some twenty years ago.

The agricultural and food industry is one of enormous diversity. From the 242,000 agricultural holdings and their supporting industries such as engineering and chemicals to the food manufacturers both large and small, wholesalers and finally the retailers, the food chain leads inexorably to the total population as consumers.

All Western nations support their food and agricultural industries in some form or other. This may be by direct aid, protection against the gyrations of the world market, or both. The Labour Party has traditionally supported agriculture. It was Tom Williams who introduced deficiency payments from the National Exchequer in the late 1940s. And others such as Fred Peart and Cledwyn Hughes were content to carry on in the same vein.

It can be truly said that the Agricultural industry has been one of our most notable success stories in the national economy since the war. The uptake of new technology, new plant varieties, improved livestock, control of disease, and introduction of new management techniques has been rapid and continuous. This has led to dramatic increases in yields, more varied products and better quality. And the productivity performance is the envy of all other industries.

The result has been increased self sufficiency, in particular in the last ten years since we joined the European Community. Indeed, the growth in labour productivity since 1978 - years of deep world recession - has been exceptionally rapid. This is unlike the recession in the 1930s when agriculture faced collapse and only recovered with the 1940s war demands. Today, of the food we can grow and produce in our climate, we are 76 per cent self sufficient (an increase of 9 percentage points since 1978) and in food of all types 62 per cent self sufficient (an increase of 7½ percentage points since 1978).

No industry in this country has as close a relationship with Government as has agriculture and food. The Government's advisory services (ADAS), the research stations and laboratories all work closely with the grass roots of the industry to improve its efficiency and productivity. This means that the fruits of research are quickly transmitted and adopted by the thousands of farm businesses on whom we depend for the bulk of our food supplies.

Finally, labour relations in agriculture are second to none. There are no strikes, no demarkation lines, no overmanning, and workers are ready to learn new techniques, operate new machinery and equipment, and use their varied skills as and when the need arises. The result is a success story, with output growing, imports being displaced and new markets being captured. Our food exports now total £2½ billion when in the early 1970s they amounted to only £250 million.

II. PRESENTATIONAL FRAMEWORK AND POLITICS

"We believe that radical changes in the operation of the Common Agricultural Policy (CAP) are necessary. We would, in particular, aim to devalue the Green Pound within the normal lifetime of a Parliament to a point which would enable our producers to compete on level terms with those in the rest of the Community. We will insist on a freeze in CAP prices for products in structural surplus. This should be maintained until the surpluses are eliminated. We could not entertain discriminatory proposals such as those which the Commission recently put forward for milk production.

The Uplands are an important part of our agriculture. Those who live and work there should enjoy a reasonable standard of life."
Manifesto, 1979.

There are a number of aspects of the public's perception of the Agricultural and Food industries that need stating before a detailed analysis can be done on the last four year of Conservative Government.

a) EUROPE

Opinion is divided on Britain's Membership of the European Community. Support is and has been declining since the Referendum in 1975, and today the figures show that more people are in favour of leaving than staying, in particular in the C2 and DE groups (ABC1 groups are still in favour of membership).

The main reason given for this hostility to and unhappiness about the EEC is the feeling that the increases in prices in recent years can be largely blamed on the Common Market, in particular the Common Agricultural Policy. However, opinion on the whole approves of the Conservative Government's handling of our relationships with the EEC.

Other adverse aspects of membership were Britain's contributions to the EEC Budget and the so called "food mountains".

b) LOBBIES AND POLITICS

Traditionally, there have been four lobby organisations in Agriculture, namely the Farmers Unions, the Country Landowners, the National Union of Agriculture and Allied Workers, and the Royal Society for the Prevention of Cruelty to Animals.

Today, organisations are being formed almost daily to lobby in the interests of animals - including pests - flora, hedgerows, etc. Media coverage of these groups is excellent and funding seems to be no problem, indeed one organisation gave £80,000 to the Labour Party during the last election. Support for these new bodies has in the main come from Urban dwellers whose knowledge of rural matters and agriculture is limited. Unfortunately, this could in time lead to a dangerous conflict between the Urban dweller and the Rural dweller.

The structure of rural society has changed considerably since the War. The agricultural workforce has more than halved, and the rural economy now relies much more on the commuter and the elderly, rather than the farm worker and farmer. The new commuting country dweller has taken over many of the leading positions in rural society, for example membership of parish councils and local authorities, often with no background or knowledge of agriculture. This at times has created conflicts of interest between the farmers and new country dweller. Second homes are also in this category.

Finally, access to the countryside is becoming easier now that most families own cars and have wider interests. Urban dwellers are often uninformed about farming and many regard the countryside as open territory for their leisure pursuits. Conflict will increase, particularly as agriculture moves forward to greater productivity and efficiency.

ASSUMPTIONS

- It is assumed that Britain will stay in the European Community.
- It is assumed that Government will continue to support Agriculture.
- It is assumed that greater self sufficiency in food that we can produce ourselves will continue to be Government policy.

III. THE VOTER'S PERCEPTIONS VERSUS THE FACTS

These notes single out the misconceptions in public opinion on the most important subjects to do with agriculture and food. Some are taken from opinion polls, others are more generally known misunderstandings of the true facts.

a) FOOD PRICES - EUROPE TO BLAME Price rises in general are blamed on membership of the EEC (47%). Food prices in particular come second in anti market opinion.

FACT Between 1973 and 1979, Food Prices rose by 110 per cent of which 10 per cent can be directly attributed to the Common Agricultural Policy and Membership of the EEC (statement by the then Minister, John Silkin). Also, food prices are not fixed by the Council of Agriculture Ministers, only the support price to farmers and growers - market forces largely dictate food prices in the shops.

b) FOOD PRICES - GOVERNMENT TO BLAME

The public blame the Government for what they consider unnecessarily high price rises.

FACT Under Labour, food prices rose by 120 per cent between 1974 and 1979.

Food prices under this Government have gone up by 34.7 per cent compared with 50.9 per cent for all items. January 1983 year on increase was only 1.9 per cent. During the period since 1979 Farm Gate Prices have only gone up by approximately 22 per cent.

c) CHEAPER FOOD IF WE LEFT THE EEC

There is no opinion poll indication of public feeling on this. However, the anti market view is that food prices would fall if we imported our needs from the World Market rather than the EEC.

FACT Britain's demand in most commodities is such that World Prices could rise if we entered the World Market. To contemplate relying more and more on uncertain world food markets - and one cannot ignore the implications of projections of another 50 per cent rise in world population by the turn of the century - is not an option. It is sufficient to recall that a shortfall in the world supply of cereals in 1973 doubled the world price in a matter of weeks, whilst over the past eight years, massive fluctuations in world sugar prices have arisen for climatic and other reasons.

Third countries who traditionally supplied us with food have, since we joined the Community, found other markets for their products. They are unlikely to give up those lucrative markets and return to supplying the United Kingdom again. And if they did, they would not supply us 'on the cheap'. It should also be said that if our agriculture were to be supported in the event of our leaving the EEC, the cost would be great. Taxpayers - and thus consumers - would therefore find the net gains to be ephemeral. What they might save on their food bills they would largely lose through the higher taxes the Labour Party would surely impose.

d) REFORM OF THE COMMON AGRICULTURAL POLICY

The Government are often accused of not keeping to their Manifesto pledge to reform the CAP.

FACTS It must first be pointed out that the Government cannot instantly improve the Common Agricultural Policy on its own. Agreement has to be reached by all Member States on any legislation or change to the existing policy.

The Government's achievements to be highlighted are as follows:

- A slowing down of the increase in the CAP budget from 210 per cent during the Labour Government to 20 per cent during this Government.
- The percentage of the European Budget going to the CAP has been reduced from just under 80 per cent to 65 per cent.
- United Kingdom receipts under the CAP have been doubled.

- Support prices for products in surplus have been reduced in real terms since 1978; Wheat by 19 per cent, Barley by 18 per cent, Sugar by 14 per cent.
- Annual support price increases have been reduced by the Government from an average under Labour of 7.56 per cent to 6.43 per cent. In this Government's first price fixing in 1979, the increase was only 1.3 per cent, the lowest figure ever in the European Community.

The Government's policy has not changed since the election.

"I am convinced that a policy of restraint on Community support prices and other measures to limit guarantees for products in surplus is the only appropriate one to follow in present circumstances but the effect of this in limiting production is difficult to measure given the range of other factors affecting production." Peter Walker. Hansard 17th February 1983 Col 251.

"We accordingly support the guidelines which the Commission has put forward for a prudent price policy, particularly for products in surplus, improvements in the balance between cereals and livestock prices, and the application of guarantee thresholds." Peter Walker London, 27th November 1982.

e) SURPLUSES

Voters' perception of Membership of the European Community and the agricultural industry often takes issue with the production of surpluses. These attacks vary considerably and frequently avoid the cause, ie. increased efficiency and expansion by the industry with static or in some cases, such as butter, reduced demand.

- Why sell subsidised butter to Russia; would it not be better to sell it cheaply within the EEC?

First, it is not within the powers of the Government to prevent sales of surplus butter to Russia. The decision is taken in the Management Committee and certain Member States support the sales wholeheartedly (France in particular). Second, to subsidise all butter in Europe would be much more expensive for the Community Budget. It would not increase butter consumption by much, hence the surplus would still exist.

- Why does the Community not sell the surpluses on the World Market?

The majority is sold on the World Market at a subsidised price. However, dumping at prices well below World Prices would cause immense problems for 3rd Countries and to existing World trade and prices. Therefore EEC exports have to be carefully controlled at all times. For butter, the real problem is the limited world market in that few nations outside Europe and North America either consume significant quantities or need to import their requirements.

- Why does Europe produce large surpluses of food and what are we in Britain doing about it?

First, better technology and management of food production over the last fifteen years has increased the production of food. However the population of Europe is static at about 260 million. Consumption is barely growing, hence the widening gap between supply and demand.

Second, it must be admitted that under the present funding of the CAP, money is directed mainly to those member states producing more than they consume thereby exacerbating the problem. Also it must be pointed out that these countries tend to contribute less to the Common Budget than their receipts. However, reform of the Budget is proceeding in that from 1980 onward, the United Kingdom - previously a massive net contributor to the Budget - is now contributing 2/3 less. This is important as she is not the main producer of surpluses.

Third, over production is not as serious at the moment as some people think. In days supply for the whole community, the largest surplus is in Skimmed Milk Powder at 139 days. Butter stocks are only 17½ days, wheat 45 days, Olive Oil 77 days and Barley only 14 days supply. Would consumers prefer to have stocks of food at stable prices in storage, as do all housewives, or would they rather have to queue for food as they do in Eastern Europe?

Last, much has already been achieved in controlling surplus production but more must be done. Britain has been in the forefront in arguing for price policies (low increases in support prices) and other changes in the CAP that will bring surpluses under better control (see those listed under Reform of the CAP). Our aim has always been to achieve better market balance and cuts in CAP expenditure.

f) AGRICULTURAL WORKERS WAGES

The Government have been accused of preventing Agricultural workers achieving what are described as reasonable wage increases.

FACTS The Agricultural Wages Board is the sole arbitrator in the annual demands for agricultural wage increases. There are an equal number of representatives from the farmers and from the agricultural workers union, with the independent members holding the balance.

- Agricultural wages have gone up in real terms every year under this Government.
- Agricultural wages actually fell in real terms under the last Labour Government
- Farming Income in real terms fell during the first two years of this Government.
- Average earnings under this Government have increased from £71.75 (1979) to £105.75 (1982 forecast).

IV. THE GOVERNMENT'S RECORD OF MEASURES TO HELP THE INDUSTRY

The Government's policy for Agriculture has been based on the principles of helping it maintain its position in the home market during the recession, and making it more competitive, particularly in Europe. At the same time, the Government has made sure that consumers' interests have been safeguarded, in particular as far as prices are concerned.

Below are listed the major measures and decisions taken by the Government since the election.

Three Green Pound devaluations, which fulfilled a Conservative Manifesto pledge, have eliminated the negative monetary compensatory amounts (MCAs) which had grown to over 45 per cent under the Labour Government in the late 1970s. These acted against the interests of British farmers and growers, by subsidising imports from, and taxing exports to Europe.

Massive increases in Hill Livestock Compensatory Allowances and in Suckler Cow premium have been given in the last three years to help the hill farming sector, and amounted to over £101 million in 1982. Hill cow allowances alone are now worth £44.50 per cow, which is 96 per cent higher than in May 1979.

Milk price increases have maintained the level of production throughout the United Kingdom even though the dairy herd declined steadily with those who have wished to move out of milk production being aided by considerable EEC grants. Total payments now total over £20 million a year. Milk prices have NOT gone up in Real Terms since 1951; in fact, the price of milk today (21p per pint) is slightly lower than it was in 1961 which is of enormous benefit to all consumers.

A sheepmeat regime for the European Community was successfully negotiated and introduced in 1980. This resulted from Government efforts to safeguard both the interests of United Kingdom sheep farmers, particularly in exports, and the traditional New Zealand trade that has filled a gap in our market for many years. Under the regime, Britain has retained her traditional system of guaranteed prices and premiums, the former now 40 per cent higher than when the last Labour Government left office. Because of the operation of the premium system, consumers have been protected from rises in retail prices.

Aid to the horticultural industry worth £6.5 million has been given in the last two years to offset the fuel cost advantage received by the Dutch industry. Agreement was reached in April 1982 in the Council of Ministers, for Dutch fuel prices to be brought up to the EEC average by April 1983.

Changes were made in the 1982 Budget for conversion grants to coal firing to the benefit of the glasshouse industry.

Aid worth £400,000 was also given to the British apple industry to launch the new 'Kingdom Cox' campaign in 1980. This prevented the French from increasing their growing share of the United Kingdom apple market.

Grant aid has been introduced for the replanting of apple and pear orchards for a 5 year period.

The Special United Kingdom Butter Subsidy from the EEC was doubled in 1979 and is now about 13p per lb. This has assisted in preventing extra falls in consumption and is of immense benefit to United Kingdom consumers.

The Special United Kingdom Variable Beef Premium negotiated a few years ago has been retained each year, despite resistance from other EEC Member States, and in 1982 the maximum payable to farmers has been increased by 46 per cent.

Improvements in Marketing. The Government campaign to persuade the industry to improve its marketing started with the appointment of five 'marketeers' in 1979, who produced reports on many of the sectors that were experiencing a declining market share and low returns. These reports included the apple and pear sector, the potato industry and others; and many of their recommendations have since been implemented.

On 7th June 1982, a new body 'Food from Britain' was set up to oversee and help all sectors of the industry. The total support will be more than £20 million over a 5 year period.

Capital Transfer Tax Relief of 20 per cent was introduced for the first time in the transfer of let land.

V. THE SUCCESS OF THE AGRICULTURAL INDUSTRY UNDER THIS GOVERNMENT'S POLICIES

Listed below are the main achievements of British agriculture, with particular reference to the Government's policies.

<u>Self Sufficiency</u>	<u>Now</u>	<u>Increase since 1978</u>
In all food consumed	62%	16.8%
In indigenous-type food	76%	13.4%

Food Prices

Increase since May 1979	35.6%
RPI over same period	55.5%
Increase March 1982 to March 1983	0.9%*

*lowest year on year increase since 1964 and equivalent to the monthly rate of increase under the previous Government.

Net Product

Increase since 1978 (last full year of Labour)	21.4%
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Labour Productivity

Increase since 1978 (last full year of Labour)	25.9%
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Farming Income

Increase in actual terms since 1978 (last full year of Labour)	47.7%
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(In real terms Farming Income is still below the levels reached during the mid-1970's and is still below that described as adequate at the last election.)

Balance of payments

Our increased self sufficiency means that in 1982, our balance of payments will be enhanced by over £1 billion, as against the position in 1978.

Food Exports

Food exports have grown from £250 million in the early 1970's to some £2,500 million in 1982.

B. FISHERIES

I. INTRODUCTION

During the negotiations that preceded the entry of Denmark, Ireland, and the United Kingdom to the European Economic Community, the then Member States hurriedly formed a Common Fisheries Policy (CFP) based in principle on free access to each others' waters. It did not, for example, provide for reserved coastal belts. The Treaty of Accession left open the possibility of allowing fishing 'up to the beaches' at the end of 1982.

The move to exclusive 200-mile limits by all nations around the world overtook events and the existing CFP became totally unworkable. A chance to change the CFP was missed by the Labour Government during the renegotiations culminating in the Dublin agreement in 1975. All Member States extended national fisheries limits to 200 miles on 1 January 1977 to create an EEC exclusive zone.

At Luxembourg on 26 October 1982 the Government succeeded in obtaining the agreement of eight other Member States to a fishing policy covering all the main issues of quotas, access, conservation and enforcement. Only Denmark did not give her Agreement. The nine countries that were in agreement made it clear that in the event of the failure of the Danish Government to agree, they would take Commission approved national measures. This they did from 1 January with the agreement of the European Commission and within the legal parameters of the Treaty of Rome.

On 25 January 1983, the Government succeeded in obtaining a Community-wide agreement which will run for 20 years, into the next century. After 3½ years of difficult and tough negotiations the Government has achieved an agreement that is acceptable to all the principal fishing organisations - the British Fishing Federation, the National Federation of Fishermen's Organisations and the Scottish Fishermen's Federation.

II. THE INHERITANCE

When the Government came into office they inherited a situation from John Silkin in which the eight other members of the Community (Greece at that time was not part of the Community) had come to a fishing agreement at Berlin, a meeting that Mr Silkin had decided not to attend. The agreement of the eight had been totally unsatisfactory to the United Kingdom on quotas, on access, on conservation and on enforcement. The Government had to negotiate in order to persuade the Commission and other Member States to support an agreement acceptable to the United Kingdom.

It has been argued that if Britain had a 200 mile limit a substantial quantity of Europe's fish would be in British waters. The opportunity to use this argument to obtain improvements necessary for the United Kingdom was in fact thrown away by the previous Government when in 1976 all Community countries were asked to go for a 200 mile limit on the basis that all the waters contained within that 200 mile limit would be Community waters. The agreement to do so - known as the Hague agreement - was negotiated by Dr David Owen, who was then a Labour Foreign Minister and is now a leader of the Social Democrats. In these negotiations Ireland insisted that if they were going to agree to the 200 mile limit as European waters they should gain arrangements permitting in effect the doubling of their catch in absolute terms; this was agreed by all other Member States including Dr Owen. The Labour Government however sought no such agreement for the United Kingdom and accepted the Hague agreement which created a 200 mile limit for the Community without any specific undertaking to the United Kingdom on quotas.

The final part of our inheritance was a fishing industry which had lost its rights in Icelandic waters, while stocks of important fish were declining, and an industry which had been given precious little special financial aid in the last years of that Labour Government.

III. THE VOTER'S PERCEPTION OF THE GOVERNMENT'S ACHIEVEMENTS

The previous paragraphs describe the position we inherited in May 1979 which resulted in the following commitments being made in the 1979 Manifesto -

"We would work for an agreement which recognised first, that United Kingdom waters contained more fish than those of the rest of the Community countries put together; secondly, the loss of fishing opportunities experienced by our fishermen; thirdly, the rights of inshore fishermen; last, and perhaps most important of all, the need for effective measures to conserve fish stocks which would be policed by individual coastal states. In the absence of agreement, we would not hesitate to take necessary measures on our own, but of course on a non-discriminatory basis."

The outline agreement reached in October 1982 has been well received by the industry and in the country generally. Such criticisms as have arisen have come largely from outside the industry and are dealt with in the following paragraphs. The Government's achievement must constitute the very best that could have been obtained in the short time available, starting from an eight to one against situation in May 1979.

(i) Quotas

We should have stuck out for larger quotas than we achieved, considering the amount of fish that we are contributing to EEC stocks, and knowing that we lost considerable fishing opportunities in third country waters.

Fact

Of the seven main species of fish (Cod, Haddock, Saithe, Whiting, Plaice, Mackerel and Redfish), six provide more than 80 per cent of United Kingdom landings. Another species of great importance in the future, if stocks recover, is herring.

The quotas obtained for the seven main species are in excess of our fishing in the years from 1973-78 and indeed for most stocks are as great as, or greater than, the exceptionally high level of fishing of these species in 1982.

To illustrate this, the average catch of North Sea cod in the years 1973-78 was 85,000 tonnes, while the quota provided in this agreement for 1982 is 114,700 tonnes. The new quotas provide the United Kingdom with 47 per cent of the EC availability of North Sea Cod, 60.5 per cent of the EC availability of West Coast herring and 58.7 per cent of the EC availability of West Coast mackerel.

The proportion of quotas allocated to each Member State for the seven main edible species is -

United Kingdom	37.3%
Denmark (including Greenland)	25.5%
France	11.6%
Germany	11.4%
Netherlands	7.7%
Ireland	4.6%
Belgium	1.9%
Italy	NIL
Greece	NIL
Luxembourg	NIL

Some measure of the success of the negotiations undertaken by this Government can be seen from the fact that, when they took up the negotiations, the Commission's first proposals offered only 31 per cent of the stocks of the seven main species. Every percentage point gained since has been at the expense of other Member States.

To have tried to go even further than this would have been pointless. No nation would wilfully prevent her friends and neighbours from fishing in her waters when it is known that first, fish do not abide by territorial limits and second, nations have traditionally fished in her waters, some for centuries.

The loss of fishing opportunities in third country waters is adequately reflected in the quotas listed above.

(ii) Access and protection of the rights of inshore fishermen

The Government has reneged on its commitment for a 12 - and indeed at times 50 - mile exclusive limit for our fishermen.

Fact

In the mid to late 1970s, the then Government demanded exclusive limits that were not within our reach either on a historical basis or compatible with our commitment to Europe.

"All practical considerations lead us to require that belt of up to 50 miles that we have demanded." (Silkin, Hansard, 28 November 1977, Col 115.)

This was never a starter and Mr Silkin never came anywhere near achieving it. But the present agreement does provide British fishermen with a better domination of our coastal waters than has been available at any time in the history of the fishing industry.

Up to 1964 Britain enjoyed a three mile exclusive zone. When the London Convention was adopted in 1964 and limits were extended first to six and then to twelve miles, agreement was reached with all the other fishing countries as to what historic fishing rights should be allowed in the 6-12 mile belt. These rights were agreed to by all the countries involved in the London Convention and were the historic rights by which we had to abide in the 6-12 mile zone until the United Kingdom joined the Community. In 1973 under the Treaty of Accession other Community countries demanded and obtained a further extensions of historic rights.

This new agreement has eliminated most of the Treaty of Accession rights, and has even improved on the rights that existed prior to accession. Under the terms of the Treaty of Accession, other Member States held rights in 1,999 miles of our 2,667 miles of coastline. In the agreement now reached, these rights are eliminated or reduced in 1,441 miles of those 1,999 miles. A major improvement has therefore been achieved in 72 per cent of the coastline where historic rights previously existed.

United Kingdom fishermen will also obtain important rights in 6-12 mile areas of other Member States. This includes rights to fish all species in the French waters from the frontier with Belgium to Cap d'Alprech for demersal species, and from Texal Island in the Netherlands to the border with Germany, and to fish for cod and plaice around Heligoland in Germany and most species round the Irish Republic from Minehead east along the southern coast and north up the eastern coast to the Ulster border. The arrangements under which Northern Ireland fishermen can fish in any part of the Irish Republic's 12 mile area, and vice versa, are also continued - arrangements that work very much to the advantage of Northern Ireland's fishermen.

Added to this, a "box" has been obtained around the Shetland Islands where fishing by larger vessels will be licensed so that the important stocks in that area can be carefully conserved, and, over the years, enhanced. There is no restriction on vessels under 80 feet in length, which is to the advantage of United Kingdom, particularly Scottish, vessels. These arrangements provide a 20 year guarantee against a really major increase in the intensity of fishing in an area of vital importance to us.

(iii) Enforcement and Conservation

The perception is that the January 25th agreement will not enforce the conservation measures agreed by all Member States.

Fact

Enforcement

One of the most important demands of our fishermen was to have a sensible system of enforcement in which Member States could not over-fish their quotas or infringe the access provisions. The agreement provides a system which will ensure the effective control of fishing by all fishermen in the Community. The United Kingdom Government provided the first proposals for such a Regulation. It sets out clearly Member States' obligations to ensure that Community fisheries rules are obeyed. The United Kingdom will be responsible for enforcement within our own fishing limits and at the ports. In addition, at the United Kingdom's insistence, the Commission are establishing a special unit whose specific task will be to check up on Member

States' fulfilment of their enforcement responsibilities. Inspectors from this unit will make regular visits to all the Member States concerned, will have the power of "on the spot" inspection, and will be able to accompany the national inspector to check that agreed control measures are being properly enforced. The Commission will have the power to ask for information and call for and attend an administrative inquiry if it is not satisfied with that information. Of most importance, the Commission will be able to stop a Member State fishing when there is reason to believe that its quota has been exhausted.

Substantial penalties will be available. A fine of up to £50,000 plus the confiscation of the very costly gear will add up to a major disincentive to over-fish.

Conservation

There will be a new regime to meet some important United Kingdom needs and establish on a permanent basis the vital Norway pout box in the North Sea. The proposals will also include a more rigorous control on beam trawling. Our previous national measures will now be put on a Community basis. It is this measure that will give the fishing industry increasing instead of declining stocks.

IV. THE GOVERNMENT'S RECORD

An agreement has been achieved which will last into the next century, will allow stocks to recover and so give our fishermen increasing fishing opportunity and, most important, will give them confidence in their future viability.

Throughout the negotiations, the Government has supported the industry during the recession with massive aid, and the agreement that has been reached will help the rebuilding and restructuring of the industry that all agree is necessary. It has always committed itself to not accepting an agreement that did not meet the industry's approval. Peter Walker complied totally with that promise and when the final offer was made by the Commission he called in the leaders of the fishing industry and asked them whether they wished him to approve or reject. He made it clear to them that if they wanted him to reject he would do so and that they were entirely free to come to a decision. All three organisations asked him to accept the package. "The House will know that I have always undertaken that I would only approve an agreement that has the approval of the British Fishing Industry. When the Commission's final proposals were made I met the leaders of the three fishing organisations and all three asked me to accept these final proposals." (Hansard, 27 October 1982, Col 1051).

V. AID TO THE FISHING INDUSTRY

It will be seen from the following table that there is a remarkable contrast between the Conservative Government's record in giving special financial aid to the industry and that of the Labour Government. Indeed, the aid announced in October 1982 was more than the total of special aid given by the Labour Government in its entire period of office. Already, this Government has given almost four times the aid that Labour gave when it was responsible.

<u>Previous Government</u>	<u>£ million expenditure</u>
1974/5	0.6
1975/6	11.1
1976/7	2.3
1977/8	0.1
1978/9	0.8
<u>Total</u>	14.9

This Government

1979/80	0.4
1980/81	17.1
1981/82	24.7
1982/83	15.0
<u>Total</u>	57.2

(Source: MAFF January 1983)

Structures

The structure package is made up as follows -

	<u>EC budget</u> (million units of account)	<u>EC budget</u> £m approx	EC share of total cost to Member State	Duration (Years)
Decommissioning	32	18	50% (of up to approx £360 per tonne)	3
Vessel building and modernisation	118	66	25%*	3
Laying up Grants	44	25	50%	3
Joint Ventures	7	4	50%	3
Development of aquaculture	34	19	25%*	3
Artificial Reefs	4	2	50%	3
Exploratory Voyages	11	6	50%	3
<u>Total</u>	250			

*50% in Ireland (including Northern Ireland), Greenland, Greece, the Mezzogiorno and the Departments D'Outre Mer.

(Source: MAFF October 1982).

Substantial scrapping, modernisation and construction grants will be made to our fleet and the Community will finance 50% of all scrapping grants of up to £360 tonne and 25% of modernisation grants.

Brussels, April 28, 1983

Office of the President

Chef de Cabinet

*The Prime Minister saw
the teletyped version.*

A.J.C. 4/5.

*Mr. Gordon
Received today
Lynch*

115.

Tel sent.

Original to No 10

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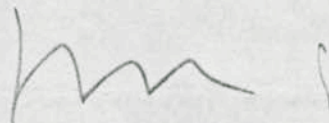
3/5

Dear Mr. Gordon,

Please find enclosed President Thorn's
reply to the Prime Minister's message
of April 15.

I should be grateful if you would
transmit the letter to London at your
earliest convenience.

Yours sincerely,



Jean DURIEUX

Mr. J. Gordon
Acting Head of Chancery
Office of the United Kingdom
Permanent Representative to
the European Communities
Rond-Point Robert Schuman 6
1040 Brussels

The President

April 28, 1983

Dear Prime Minister,

Thank you for your letter of April 15 dealing with the rate of growth of agricultural expenditure.

The Commission shares your concern that agricultural expenditure is again growing more quickly than the Community's own resources - an important guideline for the Commission but one which Heads of Government could not agree to endorse at Lancaster House.

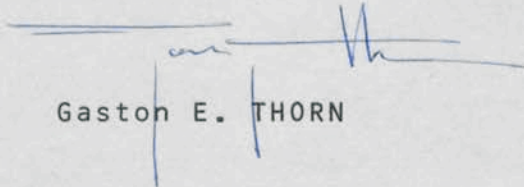
The current level of agricultural production - of milk and cereals especially - is at the root of the problem. It is considerably in excess of what is justified by market conditions and farmers must come to realise this.

The Commission considers it essential, therefore, that the Council accepts the Commission's present proposal for only modest price increases, coupled with guarantee thresholds and associated mechanisms. We made this clear to Agriculture Ministers last week.

The ensemble of measures we have proposed is capable of sending a very severe warning to producers. If it proves necessary to build further measures on this foundation, the Commission will not hesitate to make the necessary proposals.

I must point out, however, that the Commission's position that agricultural price increases should be kept to a minimum in both ECU and national currencies does not receive the unconditional support of all Member States. Even those Member States which urge the closest control of agricultural expenditure appear ready to approve extra price increases in national currencies despite the fact that these lead to higher production and expenditure in the future.

Yours sincerely,


Gaston E. THORN

The Right Honourable
Mrs. Margaret THATCHER,
Prime Minister,
10 Downing Street,
LONDON S.W. 1

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10 DOWNING STREET

From the Private Secretary

27 April, 1983

Sterling: the ECU and Agricultural Monetary Issue

The Prime Minister has now considered the issues raised in your letter of 26 April, and the Minister of Agriculture's letter and the Foreign and Commonwealth Secretary's minute of the same date.

The Prime Minister agrees that we should accept that the central rate for Sterling in the ECU should be realigned on the three conditions set out in paragraph 9 of the enclosure to your letter under reference. As regards tactics, she believes that it would be unwise to hint to our partners before today's Agriculture Council that we could accept this arrangement. She hopes that this will enable the Minister of Agriculture to negotiate further benefits for the United Kingdom in the course of the meeting.

As regards the proposed reply to the Monetary Committee, Mrs. Thatcher hopes that Departments will be able to agree a draft in the light of the foregoing. Your letter of 26 April to Robert Lawson is relevant in this connection.

I am copying this letter to Robert Lawson (Ministry of Agriculture), Roger Bone (Foreign and Commonwealth Office) and Richard Hatfield (Cabinet Office).

A. J. COLES

John Kerr, Esq.,
H.M. Treasury

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PRIME MINISTER

CAP price fixing

*Must - leave to this
Peter Walker. He is
a very good negotiator. (i)*

A decision on this is needed tonight because Peter Walker continues his negotiations in the Agriculture Council tomorrow.

The attached Treasury letter sets out the problem. The proposal is that we should agree that the central rate for sterling in the ECU should be realigned, on three conditions:

(a) The Commission's present proposals for the CAP price settlement would be adopted;

(b) New negative MCAs created by the monetary adjustment will not be removed until the end of the 1983/84 marketing year - the point of this is to prevent Member States who obtain higher negative MCAs from devaluing their green rates;

(c) Some further improvement of the present CAP price package for UK farmers.

The Minister for Agriculture, the Chancellor and the Foreign and Commonwealth Secretary support this proposal - largely because the only alternative way of reaching agreement is through higher price proposals.

There is, however, a disagreement about tactics. The Treasury and the FCO are inclined to give a hint now to our partners that we could accept this arrangement. Mr. Walker would prefer us to express opposition to the proposal now, thereby creating a situation where he can negotiate benefits during the course of tomorrow (see his letter attached). The risk in his course of action is that we may upset the Germans whose goodwill we need for the budget problem. But if the price package is successfully concluded by the end of tomorrow, any loss of goodwill will probably be temporary. You may think it best to give Mr. Walker a free hand on tactics.

/ Agree

Agree that the central rate for sterling in the ECU should be realigned, subject to the conditions above - but that we should not hint that we are ready to do this in advance of tomorrow's Agriculture Council?

This will still leave a further disagreement between Departments as to the precise message which the Treasury should send to the Chairman of the Monetary Committee (the Foreign Secretary has just commented on this point - see attached minute). I do not think you need get involved in this. If you are content with the policy set out above, I will tell Departments that they must agree on the drafting of the message.

A.S.C.

26 April 1983



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

A J Coles, Esq
Private Secretary
No 10 Downing Street
LONDON SW1

26 April 1983

Dear John,

STERLING: THE ECU AND AGRICULTURAL MONETARY ISSUE

A problem concerning sterling's central rate in the ecu has arisen in relation to current proposals by the Commission to the Agriculture Council for the removal of MCAs as part of their package of proposals for the present price fixing. Although others are affected, the main issue affects France and Germany.

In essence the problem is that the Germans are currently resisting Commission proposals for a differential revaluation of the green DM by 2%-3%, to reduce their MCAs, since this would wholly or partly vitiate, for German farmers, the effect in DM of new price increases suggested by the Commission. If the Germans refuse to revalue the green DM as proposed the French are likely to reject the Commission's price increases in view of the resultant disparity in prices (in national currencies) that would result as between French and German farmers, and the competitive advantage the latter would have both in France and in third markets. The French would therefore be likely to press for higher price proposals. Equally, Germany would only be likely to accept the Commission's proposals for removing MCAs if they were also accompanied by an increase in the present price proposals.

The German Finance Minister has therefore proposed, through the Monetary Committee, that this deadlock should be broken by our agreeing to a realignment of the central rate for sterling in the ecu. The arrangements are complex, but in essence the arrangement is as follows. In accordance with the normal rules sterling was taken into the ecu at its 21 March level after last month's EMS realignment. Since this level was very low, the effect was to weaken the ecu overall, thus increasing positive MCAs for Germany. The

/present proposal



present proposal is that sterling should in effect be realigned again within the EMS by being included at its market rate of 22 April (ie 7.3 per cent higher than the rate on 21 March). Other countries would remain at their same bilateral parities with each other, although their central rates with the ecu would change. The effect of this proposal would be to increase the value of the ecu by just over 1 per cent; reduce German MCAs by 1 per cent; and increase French negative MCAs by 1 per cent.

Our soundings indicate that if we agree to this device there is a very good chance that agreement will be reached at the Agriculture Council on the basis of the Commission's present price proposals. Her Tietmeyer, the State Secretary of the German Finance Ministry, has assured us that this will be their intention and that they would propose to follow this up by making firm proposals for bringing the agricultural spending regimes under control, building on the discussion between the Chancellor and Herr Stoltenberg on this subject on 22 April.

... The pros and cons of the proposal are discussed in the attached note by the Treasury, MAFF and FCO, which was agreed following a meeting at the Treasury yesterday afternoon. The conclusion of this note, which the Chancellor endorses, is that, subject to certain conditions, we should accept the German Government's proposal.

As far as the sterling exchange rate is concerned, the proposal has no practical consequences. The disadvantage on the EMS side is that it is an arbitrary variation of the agreed procedures. More important, on the agriculture side, the increase in the value of the ecu would mean that the agricultural common price level expressed in ecus will be higher, and which would have practical effect if member States with higher negative MCAs were allowed to devalue their green rates correspondingly.

As against these disadvantages, we believe that there is a serious risk that the problem could otherwise only be resolved by higher price proposals. These would be likely to cost at least 150 million ecu in a full year and we could find ourselves isolated (and in particular at odds with Germany), in a manner inconsistent with our general posture on agricultural spending and the budget in refusing to accept what others would represent as a technical change.

... In the circumstances, the Chancellor considers that, subject to the conditions set out in paragraph 9 of the attached note, we should be prepared to agree to the German Government's proposal. We should not, however, do so immediately; there should be further discussion in the Agriculture Council tomorrow so that we can be satisfied that our objectives can be attained before we assent to the proposal.

/I understand that

This would be prevented by condition (b) in para. 9 of the enclosed note.

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I understand that both Mr Walker and Mr Pym support this proposal. I should be grateful if you would put it to the Prime Minister.

I am copying this letter to Roger Bone at the FCO, Robert Lowson at MAFF and to Sir Robert Armstrong.

Yours,

Auditt Limpton

pp. J O KERR
Principal Private Secretary

CONFIDENTIAL

STERLING: THE ECU AND AGRI MONETARY ISSUES

The Proposal

As foreshadowed at the end of last week, the German Presidency have now proposed a realignment of the central rate for sterling in the ecu with the intention of making it easier for the Agriculture Council on Wednesday this week to settle outstanding differences about Germany's green D Mark rate and positive MCAs.

2. The proposal, which is set out in the attached telex to members of the Monetary Committee, is that there should be a realignment within the EMS in which sterling would be included in the ECU at its market rate of 22 April (ie. 7.3% higher than the central rate agreed at the last realignment). Other currencies would remain at their same bilateral parities with each other, although their central rates with the ECU would change. The effect of this proposal is to:

- increase the value of the ECU by just over 1%;
- reduce the Germans' MCA by 1%;
- increase the negative MCAs of France
by 1%

3. The purpose of this manoeuvre is to make it easier for France to accept the Commission's present price proposals by the (wholly cosmetic) reduction in the German MCA, which would, presumably, substitute for part of the 3% German green Mark revaluation proposed by the Commission. We understand that the Monetary Committee telex is the outcome of consultation between France, Germany and the Commission and is likely to have the support of other Member States.

4. The pros and cons of this proposal, which were discussed at a meeting of Departments under Treasury Chairmanship this afternoon, are set out below. The telex to members of the Monetary Committee asks for the UK's agreement to the proposal by 7 pm this evening. With the agreement of the other Departments the Treasury has informed the Monetary Committee Secretariat that it cannot give a response until UK Ministers have been consulted and that the deadline therefore cannot be met.

Pros and Cons

5. Departments see four disadvantages in the new proposal:

(a) the proposed "phantom realignment" is a wholly opportunistic device, which is not consistent with the agreed system for adjusting the £ sterling rate in the ECU. The only reason for choosing the sterling ECU rate of 22 April is that this suits the German and French Agriculture Ministers. Ad hoc adjustments of this nature are not consistent with an orderly system which aims to promote a wider role of the ECU;

(b) the increase in the value of the ECU means that the agricultural common price level expressed in ECUs will be higher. This increase can be realised if the Member States with higher negative MCAs (see paragraph ² above) choose or are allowed to devalue their green rates correspondingly;

(c) because of the operation of the MCA "franchise system", the proposed adjustment will lead to competitive distortions to the UK's disadvantage. Specifically, Danish and Irish exporters of meat products, including pigmeat and poultry, will have an uncovenanted advantage in competing in the UK market. This will be particularly unwelcome to our hard-pressed intensive livestock sector;

(d) the proposal would set an unwelcome precedent, which could be exploited on subsequent occasions whenever the Agriculture Council sees advantage in doing so. Over a period this would have an upwards ratchet effect on common prices.

6. On the other hand, Departments also agree that if the UK resists this proposal, there could be the following unwelcome consequences:

(i) the UK could be wholly isolated in the CAP price negotiations. If the Germans persisted in their refusal to revalue the green D-Mark by the amounts proposed, other Member States could seek to resolve the problem by agreeing on higher price proposals; and the Commission, notwithstanding

its earlier refusal, might go along with this, blaming the UK. The cost of an extra 1% price increase would be of the order of 150-200m ECU in a full year. Higher price increases would be both unwelcome politically (after the favourable outcome of last week's Agriculture Council) and would be inconsistent with our aim of keeping down the costs of agriculture in the 1984 budget;

(ii) the Commission could also react by putting forward proposals to the disadvantage of UK farmers in the price fixing, eg. an attack on our variable beef premium or a revaluation of the green pound;

(iii) our relations with France and, more important, Germany would be worsened at a time when we will be relying on their support for a satisfactory solution of our budget problem.

Recommendations

7. Departments are agreed that the proposed device is an unwelcome one, which has specific disadvantages for the UK. But on balance it is nevertheless clearly preferable to the possible alternative of the Commission deciding to propose further increases in common prices (although it is not clear how likely it is that they would do that or at what stage). The Treasury and FCO also draw particular attention to the risk that a refusal to help the Germans in the way proposed could be harmful to the prospects of our success in the negotiations on our budget refunds, in which we will need to rely heavily on their help.

8. Departments accordingly recommend that the UK should not stand out against the German proposal if all other Member States see this as the only way out of the impasse on the price fixing. They also agree, however, that it would be premature to give our agreement in response to the present Monetary Committee telex. If we do so, we would have conceded what the French and Germans want without any firm assurance that the CAP price negotiations will be concluded on terms which we can regard as satisfactory.

9. Departments accordingly recommend that we should send a holding reply to the Monetary Committee, which makes it clear that we would not be prepared to consider the present proposal until after Wednesday's Agriculture Council. At the Council we would then seek to obtain the following objectives;

(a) an understanding that the Commission's present price proposals would be adopted, if the proposed change in the sterling ecu rate is then made;

(b) a similar understanding that the new negative MCAs created by the monetary adjustment would not be removed until the end of the 1983-84 marketing year;

(c) some further improvement of the present CAP price package for UK farmers, MAFF are considering various possibilities for removing disadvantageous proposals in the sheepmeat and livestock sectors.

In addition, the draft reply makes it clear that the Monetary Committee must urgently agree on an orderly system for adjusting the rate of sterling in the ecu for the future.

10. A draft reply to the Monetary Committee telex is attached at Annex B. Ministers are invited to agree to a reply being sent in these terms and to the strategy outlined in paragraph 9 above.

DRAFT MESSAGE FROM THE UK MEMBERS TO THE CHAIRMAN OF THE
MONETARY COMMITTEE

With reference to your telex of 25 April, the United Kingdom members are somewhat surprised at the procedure proposed. They can find nothing in the Monetary Committee's Opinion of 2 April 1980 which prescribes any method for the proposal and adoption of a new imputed central rate for sterling except in the context of a realignment of currencies participating in the exchange rate mechanism.

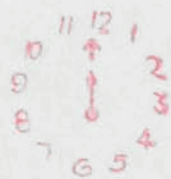
2. They are, further, concerned that the suggested procedure, being an expedient, and related to no agreed principles, will be publicly judged as such; and will not reflect well on the standing of the exchange rate mechanism of the European Monetary System. It does not conform with the view, which the UK members thought was implicit in the Interim Opinion of 1 February 1982, that there should be systematic rules governing the imputed central rate for sterling. As that Opinion noted, the approved method had on the occasion of the realignment of 22 March 1981 "facilitated decisions in the agricultural field". But it went on to say that "the opposite/^{case}is however possible". We had assumed it to be agreed that procedures should be orderly and symmetrical.

3. The United Kingdom members note that the present proposal has been made because of "severe problems" in the agricultural

area, and that it is suggested that what is proposed would "alleviate" the problems on the agricultural side. In view of the monetary issues referred to above the UK consider it essential to establish in the Agriculture Council that, with this ingredient, the Agriculture Ministers could in fact reach agreement on all the outstanding issues being discussed in this round of price fixing negotiations. In this event the UK would be ready to join in a further consultation of the proposal by telephone among the members of the Monetary Committee. They would however consider it preferable that any change in sterling's imputed central rate should be initiated by the UK and that, preferably, it would relate to the nearest appropriate date.

4. In case this untidy situation should recur, the United Kingdom members stress that, in their view, an examination should be undertaken not later than the Monetary Committee meeting on 4 May 1983 of methods to be used in future for imputing a central rate for sterling, whether at the time of, or in between, realignments of other currencies.

26 APR 1983



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



From the Minister

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury
Parliament Street
London SW1

2 April 1983

I understand that you have, on balance, decided that it would be better to obtain a settlement along the lines of the German suggestion to the Monetary Committee and that at the Agriculture Council meeting I should negotiate an arrangement on the basis of which you would immediately agree to the German proposal.

If I am to do this it is absolutely vital that no indication is given in Brussels, Bonn or elsewhere that this is our intention. Indeed it is important that at this stage our communications to Brussels and Bonn should clearly indicate that we are against such a procedure in order that I can negotiate the maximum benefit out of this request to us. I do not therefore accept the draft message originally suggested by officials which may since have been amended in discussions with the Treasury, but want a message which clearly implies our hostility to the suggestion and therefore creates a situation where I can negotiate benefits during the course of Wednesday. I therefore enclose my suggestion of the draft which of course contains within it the strong condemnation of the possibility of price increases resulting from this device and leaves me in a strong negotiating position.

I am copying this letter to the Prime Minister, Francis Pym and Sir Robert Armstrong.

CONFIDENTIAL

PETER WALKER

CONFIDENTIAL

DRAFT MESSAGE FROM THE UK MEMBERS TO THE CHAIRMAN OF THE MONETARY COMMITTEE

With reference to your telex of 25 April, the United Kingdom members are somewhat surprised at the procedure proposed. They can find nothing in the Monetary Committee's Opinion of 2 April 1980 which prescribes any method for the proposal and adoption of a new imputed central rate for sterling except in the context of a realignment of currencies participating in the exchange rate mechanism.

2. The suggested procedure is an expedient, related to no agreed principles, and will be publicly judged as such. It will not reflect well on the standing of the exchange rate mechanism of the European Monetary System. It does not conform with the view, which the UK members thought was implicit in the Interim Opinion of 1 February 1982, that there should be systematic rules governing the imputed central rate for sterling. As that Opinion noted, the approved method had on the occasion of the realignment of 22 March 1981 "facilitated decisions in the agricultural field". But it went on to say that "the opposite case is however possible". We had assumed it to be agreed that procedures should be orderly and symmetrical.

3. The suggestion being made would amount to an increase in the common price level. We believe that this is totally contrary to the firm declaration by the Commission that under no circumstances would they make any proposals for further price increases during this price fixing. The changes that would be achieved by the

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/device

device being suggested would add 1% to the negative MCAs of a number of countries and therefore give them the opportunity of a further 1% increase in prices. This we totally reject in the circumstances of the horrific figures presented by the Commission as to the budgetary cost of the agricultural policy.

4. It would also cause a deterioration in the British position with regard to United Kingdom trade with Ireland and Denmark. The United Kingdom is therefore being asked to make considerable sacrifices in order that other member countries can obtain their desire for a lower German positive MCA; a desire that we never pressed.

5. We therefore suggest that other methods, that neither increase the prices enjoyed by a number of member countries, nor put the United Kingdom at a trading disadvantage are considered at the meeting later this week.



FCS/83/84

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

Your letter of 26^{list AR} April to Geoffrey Howe enclosed a draft message to the Chairman of the Monetary Committee.

2. I am sure we should be prepared to go along with the German proposal if it will secure a CAP price settlement. To stand out against it would not only put at risk what promises to be a very good price settlement from our point of view, but would also put us in real difficulty with the German Presidency at a time when their help is absolutely vital to our chances of securing a successful outcome on the budget.

3. At the same time I fully agree with you that we must get the maximum benefit out of going along this road and that the arguments in your draft message should be fully deployed in the Agriculture Council. I must say though that I think that a message in the terms you propose would risk being seen as an outright rejection of the German proposal. The draft enclosed with the letter of 26 April from the Chancellor's office to No 10 would avoid this danger, while leaving you free to deploy all your arguments in the Agriculture Council; and it

/may



may be that the same purpose could be served by some other formula to the effect that our position on the German proposal will be made known in the Agriculture Council. I would very much prefer such an approach and hope you can agree.

4. I am sending copies of this minute to the Prime Minister, the Chancellor of the Exchequer, and Sir Robert Armstrong.

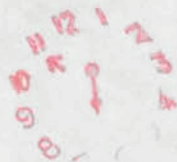
A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office

26 April 1983

26 APR 1983





Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

26 April 1983

R C Lowson Esq.
Principal Private Secretary to the
Minister of Agriculture, Fisheries and Food

A. J. C. $\frac{23}{4}$
h.c.

Dear Robert,

STERLING: THE ECU AND AGRICULTURAL MONETARY ISSUE

The Chancellor has seen Mr Walker's letter of this afternoon and his suggested revision of the proposed reply to the Monetary Committee.

The Chancellor fully agrees with Mr Walker that we should not give any indication at this stage that we are likely to agree to the German proposal. Such agreement must be contingent on securing our other objectives as set out in paragraph 9 of the memorandum enclosed with my letter to you of this morning.

The Chancellor does not think, however, that it would be appropriate for the Treasury Members of the Monetary Committee to set out in their reply the agricultural arguments as suggested in Mr Walker's revised draft. He believes that it would be much more effective if these points were made by Mr Walker himself in his opening statement at tomorrow's resumed Agricultural Council, and if the message to the Monetary Committee were simply to make it clear that the United Kingdom does not accept that decisions on this issue should be taken before further discussion in the Agricultural Council.

The Chancellor therefore intends to substitute for paragraphs 3 to 5 of Mr Walker's revised draft the attached paragraph, which will leave Mr Walker free to deploy the agricultural arguments as he thinks best at the Agriculture Council.

I am copying this letter to John Coles at No.10, Roger Bone at the FCO and Richard Hatfield in the Cabinet Office

Yours ever,

J O Kerr

J O KERR
Principal Private Secretary

3. The United Kingdom members note that the present proposal has been made because of "severe problems" in the agricultural area, and that it is suggested that the procedure proposed would "alleviate" these problems. The proposals in themselves, however, raise very considerable general difficulties in the agricultural area in addition to particular problems for the United Kingdom. They therefore propose that no decision should be taken by the Monetary Committee before the agricultural problems have been discussed further in the Agricultural Council on 27 April. The United Kingdom Minister for Agriculture will be ready to explain the United Kingdom's position in full at that Council.

Envo Sol



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

26 April 1983

The Rt. Hon. Peter Walker MBE MP
Minister of Agriculture, Fisheries and Food

A.S.C. 27/4

h.a.

Dear Peter

**CAP PRICE FIXING 1983/4:
UK DECLARATION ON AGRICULTURAL EXPENDITURE**

Thank you for your letter of 25 April. I am grateful to you for your willingness to make a statement at the end of the price fixing so as to protect our position in relation to the Budget. I think that the text attached to your letter serves this purpose admirably.

I am sending copies of this letter to the Prime Minister, the Secretary of State for Foreign and Commonwealth Affairs and Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

Evans Polk
COR, PA-1

27 APR 1983



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From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

Handwritten initials

Prime Minister

The CAP price-fixing negotiations resume on Wednesday.

A.S.C. 25/4

CONFIDENTIAL

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

25 April 1983

Handwritten signature

PRICE FIXING 1983/84

At last Thursday's Cabinet, there was discussion of the Statement that I intend to make at the conclusion of the price-fixing negotiations to protect our flank in relation to the Budget.

I attach the text which I propose to use for this purpose.

I am copying this letter to the Prime Minister, the Secretary of State for Foreign and Commonwealth Affairs and Sir Robert Armstrong.

Large handwritten signature

PETER WALKER

CONFIDENTIAL

PRICE FIXING 1983

STATEMENT FOR RECORD ON FINANCIAL IMPLICATIONS

The Commission has advised the Council that FEOGA Guarantee expenditure is now increasing more quickly than the Community's potential own resources whatever basis of comparison is used. This is a reflection of the excessive price fixing decisions in 1982, which the UK opposed, and of the Council's failure to adopt sufficiently effective measures to restrain the growth of surpluses and the cost of these. The Commission has also indicated that it can offer no assurance that expenditure in 1984 could be met within the existing limit of own resources.

The UK's attitude to the growth of agricultural spending remains as entered in the Council Minutes of 30 March/1 April 1981. Accordingly the UK Government's view is that more effective action must urgently be taken to restrain surplus production and its associated cost increases in certain sectors and that to this end the Commission should bring forward proposals to allow the decisions needed to bring guarantee expenditure back within the rate of growth of own resources. The UK's approach to budgetary provision for 1983 and 1984 will be based on this objective. In particular, the UK Government's agreement to the price fixing does not commit it to any specific amounts for agricultural expenditure in 1983 and 1984; nor to the need for any increase in the Community's own resources.



Encl. Pol. HU
CC HMT
MATT
CO

10 DOWNING STREET

From the Private Secretary

25 April 1983

EC Agricultural Expenditure

I enclose a copy of a letter which the Prime Minister has received from Commissioner Tugendhat in reply to her message of 14 April.

In showing this to the Prime Minister, I shall also draw her attention to the message of 22 April to Commissioner Tugendhat from the Chancellor of the Exchequer which is contained in FCO telegram No. 218 to UKREP, Brussels.

I am copying this letter and enclosure to John Kerr (H.M. Treasury), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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OO UKREP BRUSSELS

GR590

CONFIDENTIAL

FM FCO 222030Z APR 83

TO IMMEDIATE UKREP BRUSSELS

TELEGRAM NUMBER 218 OF 22 APRIL

PLEASE PASS FOLLOWING PERSONAL MESSAGE (DATED 22 APRIL) URGENTLY
TO TUGENDHAT FROM CHANCELLOR OF EXCHEQUER: -

QUOTE

I TOLD YOU LAST MONDAY OF MY WORRIES ABOUT AGRICULTURAL SPENDING
AND THE PROVISION IN THE 1984 BUDGET OF OUR REFUNDS FOR 1983.

2. I AM NOW EVEN MORE ALARMED BY THE COMMISSION'S STATEMENT ON
WEDNESDAY TO THE AGRICULTURE COUNCIL ABOUT THE FINANCIAL CON-
SEQUENCES OF THE PRICE FIXING. I RECOGNISE AND AM GRATEFUL FOR THE
DETERMINATION AND FIRMNESS WHICH YOU AND OTHER MEMBERS OF THE
COMMISSION HAVE SHOWN IN REFUSING TO INCREASE THE AGRICULTURE
PRICE PROPOSALS FOR THE MAIN SURPLUS PRODUCTS. I WAS PLEASED THAT
POUL DALSAGER CONFIRMED AT THE AGRICULTURE COUNCIL THAT IT WAS
THE COMMISSION'S UNANIMOUS VIEW THAT UNDER NO CIRCUMSTANCES WOULD
THEY PROPOSE FURTHER PRICE INCREASES. IT WOULD BE DISASTROUS TO
RETREAT FROM THIS.

3. BUT ANY PRICE RISES THIS YEAR MEAN YET FURTHER INCREASES IN
AGRICULTURAL SPENDING, WHICH IS CLEARLY OUT OF CONTROL. IF PROV-
ISION FOR FEOGA GUARANTEE EXPENDITURE IN 1984 IS AS LARGE AS THE
16 BILLION - 17 BILLION ECU PREDICTED IN THE COMMISSION'S STATE-
MENT, THEN I CANNOT SEE HOW ANY HEADROOM COULD BE LEFT FOR THE
FINANCING OF UK REFUNDS, LET ALONE NEW EXPENDITURE POLICIES FROM
WHICH THE UK MIGHT HOPE TO BENEFIT AND WHICH THE COMMISSION ITSELF
PRESUMABLY WANTS TO PROMOTE. DESPITE THIS PROSPECT THERE WAS NO
SIGN IN THE COMMISSION'S STATEMENT TO THE AGRICULTURE COUNCIL ON
WEDNESDAY OF ANY INTENTION TO BRING FORWARD THE FURTHER MEASURES
WHICH ARE NEEDED IF AGRICULTURAL SPENDING IS TO BE BROUGHT UNDER
CONTROL. ON THE CONTRARY THE COMMISSION APPEARED TO INVITE THE
COUNCIL TO ACQUIESCE IN PROVISION FOR REOGA IN THE 1984 BUDGET OF UP
TO 17 BILLION ECU.

1

CONFIDENTIAL

4. THIS IS NOT AN ACCEPTABLE POSITION TO US. IN VIEW OF THE RISK TO OUR REFUNDS IT IS IMPERATIVE THAT YOU SHOULD NOW REDUCE THE PROVISION FOR AGRICULTURAL EXPENDITURE IN THE 1984 PRELIMINARY DRAFT BUDGET TO THE EXTENT REQUIRED TO PRESERVE THE NECESSARY HEADROOM. I RECOGNISE THAT, IN ORDER TO DO SO, THE COMMISSION WILL ALSO HAVE TO COMMIT ITSELF TO BRINGING FORWARD NEW MEASURES TO REDUCE AGRICULTURAL SURPLUSES AND THE COSTS THEY ENTAIL, SO THAT FEOGA EXPENDITURE IS MADE TO CONFORM WITH THE GUIDELINE. BUT, AS I HAVE ALREADY SAID, I REGARD SUCH MEASURES AS ESSENTIAL: I HAVE NO DOUBT THAT THE COMMISSION MUST TACKLE THE PROBLEM OF CAP SURPLUSES AND THEIR COSTS AT ROOT - RATHER THAN BE CONSIDERING AT THIS STAGE WAYS AND MEANS OF GETTING ROUND CASH FLOW PROBLEMS AND THE CONSTRAINTS OF THE OWN RESOURCES CEILING. FRANKLY, ALTHOUGH THERE ARE A NUMBER OF VARIANTS WHICH MUST BE CONSIDERED, MY OWN EXPERIENCE ON PUBLIC SPENDING IS THAT THE ONLY WAY TO ASSERT CONTROL IS TO IMPOSE AN EFFECTIVE AND BINDING CASH LIMIT AND TO HAVE THE POLITICAL WILL TO MAKE IT STICK.

5. ON THE QUESTION OF PROVISION IN NEXT YEAR'S BUDGET FOR THE FINANCING OF UK REFUNDS THERE IS, HOWEVER, ONE DEVICE WHICH I BELIEVE YOUR PEOPLE ARE LOOKING AT AND WHICH SEEMS TO ME TO HAVE SOME ATTRACTION. THAT IS TO INCLUDE IN THE PROVISIONAL DRAFT BUDGET A SUBSTANTIAL RESERVE - I THINK GROSS PROVISION OF SOME 2 BILLION ECU WOULD BE LIKELY TO BE NEEDED - WHICH MIGHT, FOR EXAMPLE, BE LINKED TO THE NEW PROGRAMMES THAT COMMISSIONER DAVIGNON SEEMED TO HAVE IN MIND. THIS WOULD NOT BE IDENTIFIED DIRECTLY WITH THE UK'S NEEDS AT THE OUTSET, BUT IT WOULD NEED TO BE LARGE ENOUGH TO ACCOMMODATE THEM. I SHOULD BE GLAD TO KNOW THAT YOU ARE GIVING THIS PROPOSAL URGENT CONSIDERATION. WE ARE LOOKING TO YOU FOR EARLY AND PRACTICAL HELP.

UNQUOTE

PYM

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MRS HEDLEY-MILLER-DO--

MR FITCHEW --DO--

PS/MIN OF AG MAFF

MR HANCOCK, CABINET OFFICE

MR COLES, NO 10 DOWNING ST

CONFIDENTIAL

B.P.
PRIME MINISTER

ms -2
Agriculture Council:Mr. Walker's Statement

Mr. Walker's statement went off very quietly and occasionally seemed more like an extension of Agriculture Questions. He received general support for his defences of the British consumer from Government backbenchers and the general view on the Government side was that our approach was correctly balanced between the interests of the producer and the consumer. Norman Buchan for the Opposition referred to the crisis in the Community over agricultural expenditure but concentrated on a number of detailed points arising out of Mr. Walker's statement. Opposition backbenchers made few contributions but concentrated their attacks upon the CAP. The principal worry on the Government side was the position of pig producers but backbenchers were generally pleased by the announcements of help for the pig industry which Mr. Walker had been able to make during Questions which took most of the sting out of their comments. wd

The statement concluded with vigorous exchanges between Eric Deakin and Mr. Walker in which Mr. Walker was able to make effective use of the difference between the Labour and Conservative records on food prices.

T.F.

TIM FLESHER

21 April, 1983

CHRISTOPHER TUGENDHAT
VICE PRESIDENT OF THE COMMISSION
OF THE EUROPEAN COMMUNITIES

Prime Minister
Not very satisfactory - but the Chancellor
has now written to Mr. Tugendhat again
(see attached).

RUE DE LA LOI, 200
1049 BRUSSELS - TEL. 235 25 14
235 26 10

A.2.C. 15/4

(2)

21st April, 1983

Dear Prime Minister

I am replying to your message, conveyed to my office on April 15th, about the farm price negotiations. As you can imagine, I agree very much with what you say and was already striving to achieve the objectives you set out before it arrived.

At my suggestion the Commission decided, when the Agriculture Council met, to draw its attention at the outset to the budgetary implications of the current growth in agricultural expenditure by means of a formal communication. I believe that this communication played a useful role and helped to ensure that the need for financial restraint was kept in Ministers' minds. Thereafter I urged my colleagues to maintain the essential points of our proposal and not to weaken the measures designed to deal with surpluses. Although there are of course some aspects of the Commission's compromise proposal that I would have preferred not to see, I think I can claim this objective was secured. I am glad that Peter Walker felt able to say in public that as a result of the Commission's stance it has so far proved possible to withstand those who favoured a more costly and irresponsible decision.

I understand from Peter that you also wrote to Chancellor Kohl at the same time as to Gaston Thorn and myself. At the time of writing, Bonn seems to be the principal remaining obstacle to a reasonably satisfactory settlement. I do hope the German Government can now be convinced of the need to accept our proposal.

No. AR 4/5

With best wishes

Yours ever

Rt. Hon. Margaret Thatcher, M.P.,
The Prime Minister,
10 Downing Street,
LONDON SW1.

Euro Pol
CDP, PT 11

CHRISTOPHER YOUNG
THE FACILITY OF THE
OF THE EUROPEAN COMMISSION

25 APR 1983



YOUNG BOONDO

[Mr. Biffen]

immediately thereafter. I should like to apologise to the hon. Gentleman for the fact that he was not informed and, more generally to the House, for the fact that the normal conventions have not been followed.

Mr. Doug Hoyle (Warrington): Will the Leader of the House ensure that a copy of the report on design cost in the PSA is placed in the Library as it has been on the desk of the Secretary of State for the Environment for three months and for a month before that on the desk of his predecessor? Is the reason for the delay the fact that the report shows that it is cheaper to do the work within the PSA than to go outside to the private sector?

Mr. Biffen: I shall look into that matter and be in touch with the hon. Gentleman.

Mr. David Winnick (Walsall, North): In view of the unsatisfactory way in which the case of the Romanian was treated before he was sent back to Romania a few weeks ago, may we be promised a statement so that if that person, having been thrown out of Romania and now having left Austria, applies to come to this country and is refused entry by the Home Office we can hear from the Home Secretary the reasons for the refusal?

Mr. Biffen: The hon. Gentleman raises a hypothetical case but, none the less, one that I know commands the interest of the House. I shall certainly refer his point to my right hon. Friend the Home Secretary.

Mr. George Foulkes (South Ayrshire): Will the Leader of the House consider making time available for a debate on the report of the Select Committee on Foreign Affairs on the Caribbean and Central America?

Mr. Biffen: I know that it is an important subject, but I fear that I cannot promise an early debate upon it in Government time.

Mr. Bob Cryer (Keighley): As the Secretary of State for Defence and the Prime Minister seem incapable of being able to present the case outside the House for massive expenditure on nuclear weapons of mass extermination, is it possible that a debate on disarmament will be held in the near future and that it will be spread over two days so that all those who want to participate may have an opportunity to do so?

Mr. Biffen: As I said to the hon. Member for Farnworth (Mr. Roper), I hope that the debate will take place in the reasonably near future.

Council of Agriculture Ministers

3.47 pm

The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker): With permission, Mr. Speaker, I should like to make a statement on the Council of Agriculture Ministers held in Luxembourg on 18-20 April. I represented the United Kingdom, accompanied by my right hon. Friend the Minister of State.

The meeting continued the negotiations for the 1983-84 price fixing. It started with a statement by the Commission on current trends in the 1983-84 expenditure.

The Commission informed the Council that an increase on the budgeted figure would be required in 1983. This contrasted with the position in 1982 when the outturn was less than budgeted, and resulted from a combination of factors including the monetary changes of 21 March, substantial increases in the production of major products, and trends in world prices.

The Commission also informed the Council that its previous estimate of the budget provision likely to be required for 1984 had to be revised upwards by 6 per cent. The Commission stated that its price proposals for 1983-84, which had been criticised by the majority of member states as being inadequate and substantially below current rates of inflation in Europe, would need to be adhered to. In discussion, seven of the 10 member states argued strongly that there was a need to improve upon the Commission's price proposals. Only one other member state argued with us that there should be no increases in the Commission's price proposals. The majority of member states strongly opposed the Commission proposal to reduce its original price increase for milk to an increase of only 2.3 per cent.

The meeting was adjourned to enable the Commission to consider its position. Following a meeting of the Commission held on Wednesday, it came forward with a revised package of measures upon which it hoped to complete the price fixing. The Commission reported that it had decided that it would not put forward any proposals for any further price increases on any of the major commodities. It further declared that it had unanimously decided that, irrespective of what the Council of Ministers itself should suggest, the Commission would not be making any proposals for further increases on the major commodities during this price fixing. I welcomed this statement.

In discussion of the package proposed by the Commission, while many member states still expressed a desire for further price increases, it was clear that the majority would, albeit reluctantly, come to a conclusion on the basis of the Commission's paper.

A major difficulty remained for Germany. The proposals made by the Commission for the revaluation of the German green currency would mean an increase in prices for Germany of the order of only 1 per cent. overall and no increase on the major commodities, milk and cereals. The German Minister could not accept this.

Primarily to allow further consideration to be given to this issue, the meeting of the Council was adjourned until next Wednesday, when an attempt will be made to conclude the price fixing on the basis of the Commission's current proposals.

The proposals, if accepted, would result in an increase of prices for the agricultural marketing year 1983-84 for

Mr. Robert C. Brown (Newcastle upon Tyne, West): Has the Leader of the House seen the list of Queen's awards for export achievement, which includes an award to A. and P. Appledore International, a Newcastle firm? Its achievement involves the export of British management skills and expertise to start up two South Korean shipyards. That amounts to exporting British workers' jobs and will result in the dumping of Korean-made ships in Great Britain. Does this not debase the Queen's award, and will the right hon. Gentleman arrange for the Secretary of State for Industry to make a statement next week?

Mr. Biffen: It does not debase the Queen's award on exports because once this country began to disparage the export of services and goods which were related to development overseas—and which had a consequence for British manufacturing in this country—rather than merely the export of goods from this country, we should be showing a very narrow concept of our historic trading role. I cannot guarantee that there will be a statement on the subject next week.

Mr. John Roper (Farnworth): Can the Leader of the House explain why, once again, there is no reference to the debate on arms control and disarmament which we have been promised? Are we likely to have the debate during the first four years of the present Administration's life?

Mr. Biffen: I very much hope so.

Mr. John Stokes (Halesowen and Stourbridge): Is my right hon. Friend aware of the controversy that has broken out throughout the country and elsewhere about the film "Ghandi"? Will he therefore arrange for the Minister for Trade to come to the House next week to make a statement about how much British taxpayers' money was involved in the film and what the Indian Government's financial contribution was?

Mr. Biffen: My hon. Friend should use his ingenuity during trade questions on Monday.

Mr. John Home Robertson (Berwick and East Lothian): Is the Leader of the House aware of early-day motion 451, signed by 91 hon. Members, about the report in *The Guardian* today alleging that there has been a Rayner proposal calling for savage cuts in the coastguard rescue service?

[That this House rejects any further cuts in H.M. Coastguard's rescue stations, equipment, telecommunications, manpower and responsibilities as recommended in the recent Rayner report commissioned by the Department Trade; and calls on Her Majesty's Government to abandon any intention to force a change upon those rescued or assisted by the Coastguard Service and to wind up the departmental committee now investigating its practicality.]

In view of the urgent need for vigilance to protect seafarers off our coasts, and in view of some of the alarming evidence coming to light in the Penlee inquiry, will he arrange for an urgent ministerial statement to be made on the subject?

Mr. Biffen: I understand that no decision has been taken by the Department of Trade on the Rayner proposals. In view of what the hon. Gentleman says, I shall refer the matter to the Secretary of State for Trade. Meanwhile, I

suspect that the hon. Gentleman will use his imagination to raise the matter when trade questions are before the House on Monday.

Mr. Patrick Cormack (Staffordshire, South-West): Will my right hon. Friend make arrangements for a debate on the third report of the Select Committee on House of Commons (Services) on the new Parliament building?

Mr. Biffen: Yes. I hope that it can be debated reasonably soon. I realise that there is general interest in the matter.

Mr. Robert Kilroy-Silk (Ormskirk): Is the Leader of the House aware that we have now had two major annual reports from Her Majesty's chief inspector of prisons both of which are highly critical of the appalling conditions in many of our prisons? We have had several other reports on individual establishments which point to the appalling conditions in which prisoners and staff have to live. May we have a debate on the report which was presented to Parliament and, if so, when?

Mr. Biffen: I recognise the importance of the topic. I cannot offer the prospect of an early debate in Government time, but I shall draw to the attention of my right hon. Friend the Home Secretary the point that the hon. Gentleman makes.

Mr. Ian Lloyd (Havant and Waterloo): The Leader of the House will recall that in recent weeks I have sought an assurance from him that we would have an early opportunity to debate, first, the House of Lords' report on engineering research and development and, secondly, the ALVI report on the fifth generation computer project. These subjects are important and, in the second case, urgent. Will it be possible in the near future to debate both under a common heading?

Mr. Biffen: While I have sympathy with my hon. Friend, harsh realism tells me that it is unlikely that Government time will be available for such topics. However, I am certain that the problems that give rise to the reports have a fiscal consequence and, therefore, I should have thought that, with just a little imagination, possibly they could be raised on one of the days on which we shall be discussing the Finance Bill in Committee.

Mr. Christopher Price (Lewisham, West): Will the Leader of the House comment upon the propriety of bringing forward on Wednesday next the Education (Fees and Awards) Bill when it has not even had its First Reading? Such a date flouts all the conventions of the House about the proper time lag between First and Second Reading. Although he may have consulted through his usual channels, does not he think that it would have been courteous for the Secretary of State for Education and Science, if he wanted to rush the Bill through, to consult the Select Committee on Education, Science and Arts which has already made recommendations on this issue to him? Rushing the Bill forward in this way without such consultation might be dangerously counter-productive.

Mr. Biffen: It is a matter of regret to me that the normal courtesies of allowing two weekends to elapse between the introduction of a Bill and Second Reading have not been observed in this instance. There was a desire to remove the uncertainty about the problem dealt with by the Bill by proceeding with it as speedily as possible. The Bill will be presented today after the statement and will be available

the United Kingdom of 2.3 per cent. on milk, 3 per cent. on cereals and 3.8 per cent. over all products. For the Community the overall increase would be 4 per cent., substantially below the anticipated inflation rate for the Community of 9 per cent.

In the United Kingdom, the effect on food prices would, over a full year, add 0.5 per cent. to the food price index and 0.1 per cent. to the retail price index.

We would retain the beef premium scheme and the sheep premium scheme. There would be a small improvement in the butter subsidy. These consumer subsidies would be worth between £200 and £300 million.

The school milk subsidy would be improved from 10.9p per pint to 12.4p per pint. The scheme would last for five years and the total benefit next year is likely to be of the order of £16 million. For Northern Ireland the various schemes assisting the beef producers would be extended and are anticipated to be of £11 to £12 million benefit to the Northern Ireland producers. The Commission has also proposed to move around 75,000 tonnes of cereals from intervention into Northern Ireland.

The proposals include a number of measures of benefit to our pig and poultry producers. First, these sectors would benefit from low cereals price increases. Secondly, the Commission would undertake to take account of regional difficulties in its management of the pigmeat market; this would mean, for example, that if market conditions warranted it the advantages of private storage facilities financed by the Community could be continued in the United Kingdom even if there were no need for such facilities in other parts of the Community. Thirdly, following the strong representations we have made, the Commission proposes to press ahead with a scheme to make available from intervention stocks cereals for use in animal feed. This would involve 2 to 3 million tonnes.

I hope that negotiations can be brought to a satisfactory conclusion as quickly as possible.

Mr. Norman Buchan (Refrewshire, West): I must congratulate the Minister on, as always, producing the kind of bland statement that conceals the crisis that at present faces us and the Common Market in relation to the continuing escalating agricultural cost on the budget of the EC. That is best exemplified by two sentences on the last page of his statement, in which he says:

"The proposals include a number of measures of benefit to our pig and poultry producers. First, these sectors would benefit from low cereals price increases."

They would have benefited a great deal more if there had been no price increases.

This has been referred to as an interim statement. Is it an interim statement, or is it merely awaiting the German-French situation for clarification? May we take it that the prices referred to here are the final and complete prices?

Secondly, on the much-heralded argument on the incorporation scheme in order to help, at long last, our pig producers, can the right hon. Gentleman tell us when this scheme will start? Is it, as *Agra Europe* has described it, a scheme mainly to benefit cereal producers or is it intended immediately, or at any rate quickly, to benefit our pig producers? Perhaps the right hon. Gentleman will tell us at what rate the grain will be released from store for our pig producers? That is a glaring omission from the statement.

On the question of Northern Ireland, we welcome what the right hon. Gentleman said about beef, but what is meant by the statement:

"The Commission has also proposed to move around 75,000 tonnes of cereals from intervention into Northern Ireland"? Is this an incorporation scheme? Is it to help the livestock producers and, again, at what rate will it be released?

The Minister will agree that expenditure is now running at 330 million ecus per month over last year's costs. That means that there is an increased annual rate of cost of about £2 billion. [*Interruption.*] If the hon. Gentleman cannot multiply 330 million ecus by 12, someone will do it for him. This is what the Commissioner meant, is it not, when he said that the budget was getting out of control and that EC expenditure was endangering the EC itself.

It is not just a question of the price increase; the massive increase in production and at the same time the drop in world prices have meant that the cost will escalate even further. So we need some clarification on how it is proposed to deal with that.

The Minister has accepted that the budget will go bust, that the forecast of the amount of money needed to be paid by British and other Common Market consumers and by British and other Common Market taxpayers will be exceeded, and that an additional budgetary amount of 6 per cent. will be put in. How does the 6 per cent. tie up with the escalation figure of £2 billion that I have mentioned? The 6 per cent. cannot meet that. Therefore, we are likely to have a deficit on the budget of about £1 to £1.2 billion by the end of the year. That in itself, in the cost to Britain, would make the much vaunted rebate pretty small beer.

The important point—and this should have been dealt with in the statement—is that, if we have this kind of deficit, or any major deficit, and if it is accepted, how will we pay for it?

The two methods of paying for it—and there are only two at the moment—are the 1 per cent. of VAT and the cost of import levies. Does the right hon. Gentleman intend to increase VAT for the British taxpayer? Does he intend to increase import levies and therefore put up food prices for the British consumer? Is that perhaps why the Government are flirting with the idea of a June election—because of the double imposition on the already hard-pressed average British consumer, with a family of four, paying about £5 a week in additional food costs because of our presence in the EC?

Mr. Walker: How?

Mr. Buchan: If the right hon. Gentleman wants the references, I can easily give them to him, but I am supposed to be asking questions. Three years ago the permanent secretary in his own Ministry gave the extra cost as £2.25 billion in relation to world prices because we were in the EC; and Lloyds bank—one can refer to no purer Tory bible than that bank—said that it was £3 billion extra to the British consumer because of Common Market prices.

May I ask the right hon. Gentleman how the figures that we have here stand in regard to the promises that he gave not only at the time of the election but only a month ago? He claims a victory for having stuck to the Commission's proposals and not allowed any increase, but in March of this year he told us:

"I still believe that a freeze on cereal prices this year would be far more sensible. We shall certainly press for that in the negotiations."—[*Official Report*, 3 March 1983; Vol. 38, c. 388.]

Did he press for a freeze on cereal prices, because in this statement he has claimed that only one other member

[Mr. Buchan]

argued with us that there should be no increase on the Commission's price proposals. The Commission's price proposals, however, were 4 per cent. above his "no increase". He had better come clean with the House in relation to that.

It is some victory that the right hon. Gentleman has had — like a boxer getting hammered all over the ring, getting beaten on points and claiming a victory because he was not knocked out. The right hon. Gentleman must do better by us.

The Government have had the benefit of an Opposition who did not continually sell the pass as the Conservative party did throughout our long fight to protect the British consumer and taxpayer from the worst excesses of the Common Market.

Mr. Walker: May I say how flattered I am that I have the one Shadow Minister who always asks questions that are longer than my statements.

In reply to the hon. Gentleman's general remarks about the effect on food prices, just as an interesting throw-away comment, may I point out that the total food price increase of these proposals over a year is almost identical to the average increase in food prices per week during the period of office of the last Labour Government. As the right hon. Member for Deptford (Mr. Silkin) made clear about two weeks before the last general election, nearly all those price increases were due to the Labour Government and not to the Common Market.

I dispute quite a few of the budget figures that the hon. Gentleman quoted. He knows full well that the upturn this year follows the reduction by 1.3 billion ecus from what was estimated under the budget in 1982. As a result last year there was a substantial reduction in the budgetary expenditure. This year there has been a change in world prices and also a considerable range of devaluations of green currencies, which are costly to the budget. They were in a number of countries that hold political views similar to those of the hon. Gentleman.

Of course, one is concerned about the present estimates, but they are being affected by a number of events — partly by revaluations of currencies and substantially by the outstanding production throughout the whole of western Europe last year.

Mr. J. Grimond (Orkney and Shetland): Is the Minister aware that the division between the pig farmers on good land and the smaller farmers in less favourable circumstances is growing more apparent? The difficulty for my farmers and many others is that they are heavily in debt. The only hope for them is to increase their net income either by reducing costs or by increasing their gross income. Can the right hon. Gentleman give us any idea—I suppose that it can be only a general idea—of the effect on farm incomes if the proposals, which are still to be negotiated, are put into effect?

Mr. Walker: I think that the right hon. Gentleman will agree that one of the major improvements that has taken place during the lifetime of the Government in farming in the part of the country in which the right hon. Gentleman is interested is the considerable success of the sheep scheme. The price increases on the sheep scheme this year are substantially above those for cereals and milk.

Likewise, during the lifetime of the Government, we have increased the hill farm subsidies more than ever in the past, and we have also assisted that form of farming.

Mr. Robin Maxwell-Hyslop (Tiverton): Can my right hon. Friend give us any idea of the likely net financial effect on the hard-pressed pig producers of the measures that he announced today? Does he envisage that there will be a release of dyed grain or grain in some way made unsuitable for human consumption? Would not that help to solve both the problem of excess grain in store and the high cost of food for our pig producers?

Mr. Walker: As my hon. Friend will recognise, there are considerable difficulties in releasing grain on to a market at a lower price than the general price. The details of the scheme are now being worked out by the management committee of the Commission. It has assured me that it will complete the work as quickly as possible. I guess that the 2 million to 3 million tonnes of cereals available to the Community through intervention will be available during the summer. I cannot say what the financial impact will be until I know the details of the scheme. The combination in the past few months of providing subsidised private storage, substantial export restitutions, eradicating the veterinary costs on exports and the schemes that I have announced has had a considerable impact.

Mr. Robert MacIennan (Caithness and Sutherland): How can the Minister claim today that he was making strong representations to the Commission for the incorporation scheme when only a few weeks ago he told the House that it would be too costly to pursue it? Does not that mean either that the scheme that has been agreed will not make the difference to the pig producers that they need or that his earlier statement was wrong? The right hon. Gentleman has mentioned the sheep premium scheme, but has not mentioned whether he has attempted to negotiate the most disadvantageous aspects of it—the clawback arrangements. Does he believe that the measures that he has outlined will do anything to arrest the decline in the beef breeding herd?

Mr. Walker: In the comments that we made on the incorporation scheme, we made it clear that there was immense difficulty in providing feed for a specific type of livestock producer at subsidised costs without affecting the costs in the whole market. We have always made it clear that we were endeavouring to negotiate with the Commission a method by which that could be done.

The hon. Gentleman's comments on the effect on the farmers and the provision of feed come ill from someone who taunted me only a few weeks ago, saying that what I was seeking in the price fixing was way below what the farmers required—the 7 per cent. proposed by the farmers in the Community, which included substantial increases in cereal prices.

Sir Peter Mills (Devon, West): I congratulate my right hon. Friend on the firm stand that he has taken. If he had not taken it, the prices would be considerably higher. Does he agree that surpluses will still continue and that it is the disposal of those surpluses that is so worrying? Is it not sad that a trade war could develop between the Community and America to the disadvantage of all? Will he turn his attention to that, because it would be sad and unprofitable?

Mr. Walker: Yes, Sir; that is an important aspect. As my hon. Friend knows, recently I went to Washington to speak to the American Administration about it. I am glad to say that the talks that have taken place more recently between the Commission and the American Government have not only been welcomed by both sides but both sides consider that important progress has been made. I hope that there will be a final agreement.

Mr. James Molyneux (Antrim, South): Is the Minister aware that there will be a warm welcome in Northern Ireland for the movement of 75,000 tonnes of cereals from intervention? Will he do all in his power to ensure that it is made available at all possible speed to assist the hard-pressed pig and poultry sectors in Northern Ireland? Is he aware that we shall fully support him in his efforts to press for an early implementation of the larger scheme to which he referred at the end of his statement?

Mr. Walker: When the 75,000 tonnes is released out of intervention, the problem is that the transport costs are so burdensome to Northern Ireland producers. We shall urge that it is made available as quickly as possible. It is important that it is being made available not only to pig producers but to poultry producers. It involves barley as well as wheat, which is important for Northern Ireland. We strongly resisted proposals that there should be a clawback on the beef premium scheme, which the Government of the Irish Republic were demanding throughout the negotiations.

Mr. D. N. Campbell-Savours (Workington): Does the Secretary of State recognise that the growing hostility in Britain to the Common Market has nothing to do with the excellent principle of European union but has everything to do with the shambles of the common agricultural policy and the fact that annually the British people have to witness the spectacle of greedy agriculture Ministers in Europe going for higher and higher prices for their agricultural producers? Will he say to his colleagues in Europe that if they persist in those ludicrous and greedy demands for higher prices all that will happen is that the CAP will be bankrupted and the whole of European public opinion will turn against the institutions of the European Community?

Mr. Walker: Those were extraordinary remarks from the hon. Gentleman after a year in which, for example, food prices in this country have increased by only 1.6 per cent., which is the lowest increase for years. They were extraordinary remarks to make to a Minister under whom the price increases this year are basically half the average price increases during the period of office of the Labour Government. It will be interesting if the Labour party goes into the election saying that farm prices in Britain should be substantially slashed.

Sir Peter Emery (Honiton): Will my right hon. Friend accept the congratulations of many hon. Members that he has nearly achieved the impossible, in providing something that is immensely acceptable to the farmers at the same time as protecting domestic prices? It is a major achievement. Will he turn again to the subject of pigs? Can he tell me—it is not clear to me from the statement—whether the grain that is released will be for use in the whole Community? If that is the case, how much would be available in Britain? Secondly, would he still be able to negotiate an open-ended arrangement so that if the

problems of feedstuffs for pig producers continue and a proper case could be made to agriculture Ministers, a greater release could be made?

Mr. Walker: The 2 to 3 million tonnes is for the Community as a whole. The allocation of that to various countries will be related to the requirements of each country and to the proportion of the total European livestock industry that it possesses.

In regard to future negotiations, obviously we will watch the details of the scheme to see how it operates and how effective it is, and to consider whether it is required in future. One of the most important parts of the agreement on pigs was that we obtained a declaration from the Commission that in future, instead of applying a policy on pig marketing over the whole Community, it would consider regional problems, for example, the problems of the United Kingdom, in isolation to find ways of helping.

Mr. Douglas Jay (Battersea, North): In general, is it not clear that, because of low world food prices, far from there being any genuine reform of the common agricultural policy, the total costs of the policy and the economic burden on the United Kingdom are bound to increase still further?

Mr. Walker: As the right hon. Gentleman knows full well, what he refers to as the world price is the price of the volume that is available at that time. If agricultural production in Europe is eradicated, world prices would become very high. I for one rejoice that Europe has stability and security of food supplies.

Mr. John Townend (Bridlington): As I have made clear to my right hon. Friend, a number of specialist pig producers in my constituency are in a desperate financial position. Does he think that the measures he has announced, which are much welcomed, will be sufficient and that they will become effective in time to prevent a large number of imminent bankruptcies?

Mr. Walker: One of the problems of the immediate future is the substantial increase that has taken place during the past year in pig production. As my hon. Friend knows, with his knowledge of the pig industry, at the beginning of 1982 pig producers were doing exceedingly well. There was then a massive increase in production which has affected current market conditions, added to which there has not been a tradition of exporting. I hope that the range of measures that we have taken in the past few weeks will ensure that in future not only a national but an international market is available to pig producers.

Mr. Colin Shepherd (Hereford): Is my right hon. Friend aware that the poultry industry is under every bit as much pressure because of the cost of feedstuffs? Do I understand correctly that the feed incorporation scheme is designed to help the poultry industry as well as the pig industry, on the lines he has referred to for Northern Ireland?

Mr. Walker: Yes.

Mr. Tony Marlow (Northampton, North): May I congratulate my right hon. Friend on his strong stand on behalf of the British consumer? Can my right hon. Friend confirm the statements in the press today that he effectively has a veto over any further increases in food prices and that he will apply that veto if necessary? What proportion of the EC budget will the common agricultural

[Mr. Tony Marlow]

policy take up this year? Will he confirm that, whatever may happen to the common agricultural policy, we will get any refund that is negotiated for the United Kingdom?

Mr. Walker: On the veto, the most important declaration of the Commission was that it had decided unanimously that, irrespective of any representations made by the Council of Ministers, it would make no further proposals for price increases in this price fixing. Other than on a Commission proposal, the only way that there could be a price increase under the rules of the Community would be by a unanimous decision of the Council of Ministers.

Mr. John Silkin (Deptford): Just the same as before.

Mr. Walker: No, that is not the same as before. This is an important difference. What the right hon. Gentleman has said refers to the majority voting last year. The difference is that on a Commission proposal, majority voting can, under the rules of the Community, apply. In the absence of a Commission proposal, there has to be a unanimous decision of the Council of Ministers. Therefore, with the declaration that in this price fixing the Commission would refuse to make any further price proposals, the only way there could be an increase would be by a unanimous decision of the Council of Ministers. Obviously that would not take place, because I would veto it.

Mr. Robert Hicks (Bodmin): In view of the anxiety that has been expressed about the growing imbalance between the livestock and cereal sectors, does my right hon. Friend take the view that the tentative arrangements he has announced show a sufficiently favourable price differential for the livestock sector which will reverse the trend?

Mr. Walker: Taking the livestock sector in this country as opposed to the Community as a whole, during the period of this Government the position of the sheep producer has improved substantially. Dairy farming is in a healthy condition and is expanding. The decline in the beef industry has virtually halted. The improvements in the hill farm subsidy, the introduction of the sheep meat regime and the substantial improvement in the beef premium have helped the success of the livestock industry. The pig industry has had considerable difficulties. The measures that the Government have provided in the last few weeks should assist.

Mr. Eric Deakins (Waltham Forest): In regard to the record of the Labour Government, is the Minister aware that a large part of the food price increases in those years resulted from the transitional steps towards the common agricultural policy which were introduced and supported by him and the Government of which he was a member? Further, is he aware that between 1974 and 1977 every

price review reported to the House by my right hon. Friends as Ministers of Agriculture, Fisheries and Food were supported by him and his hon. Friends? Does he agree that on the one occasion in 1978 when the right hon. Member for Yeovil (Mr. Peyton) opposed the price increase, the difference between the two sides was 0.35 per cent? The right hon. Gentleman made some earlier bold statements in the House and outside about price freezes on products in structural surplus. He has obviously made no attempt to argue in Brussels for nil price increases. Has he not retreated from Brussels, bought off with a share of the booty?

Is it not the case that what the right hon. Gentleman has given the pig industry on the one hand he has taken away with the other? Is the right hon. Gentleman not emerging as an exponent of a new type of Tory economics: that an extra cost to pig producers is a benefit to them? [HON. MEMBERS: "No".]

I invite hon. Members to read the Minister's statement. Can he tell us why the Common Market has not followed the example of the United States which for the past two years has put a price freeze on dairy products and in the past year has announced a 10 per cent. reduction in cereal acreage? The United States is doing its best to avoid a trade war. What is the Common Market doing to avoid a trade war, which in the opinion of many people has already begun?

Finally, will the Minister confirm that the settlement means still higher surpluses for cereals, sugar and milk products? Does it not mean a still larger burden for the Community budget and for the United Kingdom taxpayer?

Mr. Walker: Before the hon. Gentleman makes such remarks, he should check the figures. If he would like the Community to come in line with the policy of the United States Government on dairy products, we would have to increase the price of Community dairy products by 20 per cent. to reach current levels in the United States. He should not ask us to do as the Americans are doing on dairy products when their dairy prices are higher than ours.

As for cereals, before the hon. Gentleman uses that example, he should consider what the Americans are doing. They are providing their farmers with a handout of cereals from stores on exceedingly advantageous financial terms for one year only. The result will be that at the end of that year American cereal farmers will be in a better financial position and will be able the year after to increase substantially the production of American cereals. Again, before he makes such remarks, he should examine what is happening.

As for the rest of the hon. Gentleman's remarks, I can only refer to a parliamentary reply given by the then Minister of Agriculture who, when asked how much of the 110 or 120 per cent. increase in food prices during the period of the Labour Government had been the responsibility of the common agricultural policy, said 10 or 11 per cent.

Te Press



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

W Rickett Esq
Prime Minister's Office
10 Downing Street
LONDON
SW1

21 April 1983

Dear Willie

COUNCIL OF AGRICULTURE MINISTERS: 18-20 APRIL 1983

... I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office) and to Private Secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely
Robert Lawson

ROBERT LOWSON
Private Secretary

P S I apologise for the extremely short notice, but we did not return to the UK until 5 o'clock this morning.

COUNCIL OF AGRICULTURE MINISTERS 18-20 APRIL 1983
DRAFT STATEMENT

Mr Speaker,
With permission/I should like to make a statement on the Council of Agriculture Ministers held in Luxembourg on 18-20 April. I represented the United Kingdom, accompanied by my rt hon friend the Minister of State.

The meeting continued the negotiations for the 1983/84 price fixing. It started with a statement by the Commission on current trends in the 1983/84 expenditure.

The Commission informed the Council that an increase on the budgetted figure would be required in 1983. This contrasted with the position in 1982 when the out-turn was less than budgetted, and resulted from a combination of factors including the monetary changes of 21 March, substantial increases in the production of major products, and trends in world prices.

They also informed the Council that their previous estimate of the budget provision likely to be required for 1984 had to be revised upwards by 6 per cent. The Commission stated that their price proposals for 1983/84, which had been criticised by the majority of member states as being inadequate and substantially below current rates of inflation in Europe, would need to be adhered to. In discussion, 7 of the 10 member states argued strongly that there was a need to improve upon the price proposals of the Commission. Only one other member state argued, with us, that there should be no increases in the Commission's price proposals. The majority of member states strongly opposed the Commission proposal to reduce their original price increase for milk to an increase of only 2.3%.

The meeting was adjourned to enable the Commission to consider their position. Following a meeting of the Commission held on Wednesday they came forward with a revised package of measures upon which they hoped to complete the price fixing. The Commission reported that they had decided that they would not put forward any proposals for any further price increases on any of the major commodities. They further declared that they had unanimously decided that, irrespective of what the Council of Ministers themselves should suggest, the Commission would not be making any proposals for further increases on the major commodities during this price fixing. I

welcomed this statement.

In discussion of the package proposed by the Commission, while many member states still expressed a desire for further price increases, it was clear that the majority would, albeit reluctantly, come to a conclusion on the basis of the Commission's paper.

A major difficulty remained for Germany. The proposals made by the Commission for the re-valuation of the German green currency would mean an increase in prices for Germany of the order of only 1% overall and no increase on the major commodities, milk and cereals. The German Minister could not accept this.

Primarily to allow further consideration to be given to this issue, the meeting of the Council was adjourned until next Wednesday, when an attempt will be made to conclude the price fixing on the basis of the Commission's current proposals.

The proposals, if accepted, would result in an increase of prices for the agricultural marketing year 1983/84 for the United Kingdom of 2.3% on milk, 3% on cereals and 3.8% over all products. For the Community, the over all increase would be 4%, substantially below the anticipated inflation rate for the Community of 9%.

In the United Kingdom, the effect on food prices would, over a full year, add one half of 1% to the food price index and one tenth of 1% to the retail price index.

We would retain the beef premium scheme and the sheep premium scheme. There would be a small improvement in the butter subsidy. These consumer subsidies would be worth between £200-£300 million.

The school milk subsidy would be improved from 10.9 pence per pint to 12.4 pence per pint. The Scheme would last for 5 years and the total benefit next year is likely to be of the order of £16 million. For Northern Ireland the various schemes assisting the beef producers would be extended and are anticipated to be of £11-£12 million benefit to the Northern Ireland producers. The Commission have also proposed to move around 75,000 tonnes of cereals from intervention into Northern Ireland.

The proposals include a number of measures of benefit to our pig and poultry producers. Firstly, these sectors would benefit from low cereals price increases. Second, the Commission would undertake to take account of regional difficulties in its management of the pigmeat market; this would for example mean that, if market conditions warranted it, the advantages of private storage facilities financed by the Community could be continued in the United Kingdom even if there were no need for such facilities in other parts of the Community. And thirdly, following the strong representations we have made, the Commission propose to press ahead with a scheme to make available from intervention stocks cereals for use in animal feed. This could involve 2-3 million tonnes.

I hope that negotiations can be brought to a satisfactory conclusion as quickly as possible.

PRIME MINISTER

CAP PRICE SETTLEMENT

Peter Walker rang me from Luxembourg this afternoon and asked me to inform you about the latest situation.

He had made clear in the discussions yesterday and this morning that we were opposed to increases above the prices originally proposed by the Commission. But the Germans had now said that the Presidency would this evening table a paper suggesting a compromise which included raising prices beyond the Commission's proposals.

Mr. Walker would of course oppose this when it was put forward. He thought that there would be fairly major disagreements in the Agricultural Council. The Germans might either try to obtain agreement tomorrow or, more likely, adjourn the Council for a week or two.

Mr. Walker wanted to bring this to your attention in view of Chancellor Kohl's visit this week. He believed that CAP price fixing would now become a major issue at the Summit. By the time the Summit took place he would probably have made a statement in the House making it clear that we were opposed to the German proposals.

We should get overnight a telegram reporting the details of the Presidency's "compromise".

A.J.C.

19 April 1983

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FILE

Env. Pol. RU

10 DOWNING STREET

From the Private Secretary

18 April, 1983

CAP PRICE SETTLEMENT

Robin Butler wrote to you on 14 April describing a brief discussion which took place between the Chancellor of the Exchequer and the Minister of Agriculture after Cabinet that day.

The Prime Minister has considered over the weekend the arrangement which Mr. Walker suggests might be put to the French, involving a settlement based on no increase to the Commission's current proposals, apart from an increase in the assistance to small dairy farmers from 1.20 m ecus last year to 150 m ecus this year. In return for this concession we would seek a substantial increase in the butter subsidy.

The Prime Minister is prepared to accept these ideas but wishes it to be clearly understood that, the concession to small dairy farmers apart, all proposals to increase prices above the level originally proposed by the Commission should be resisted and there should be no question of accepting any of them until there has been a chance for Ministers to consider the matter collectively.

The Prime Minister has further observed that the aid to small dairy farmers originated at the same European Council (at Lancaster House) which required a budget settlement as a counterpart to this concession. She notes that the small farmers have obtained their part of the bargain but that we have not obtained ours.

I should be grateful if the Prime Minister's views could be brought urgently to the attention of the Chancellor of the Exchequer and the Minister of Agriculture in view of today's meetings in Luxembourg.

I am sending a copy of this letter to Roger Bone (Foreign and Commonwealth Office), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

A. J. COLES

J. Kerr, Esq.,
HM Treasury

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PRIME MINISTER

CAP Price Fixing

Following the Cabinet discussion on Thursday, Mr. Walker told the Chancellor that he thought it was realistic to assume that the best outcome for us at this year's price fixing was that the Commission's current proposals should not be increased. He believed that the French might be induced to accept such an outcome if they were offered an increase in the assistance to small dairy farmers from 120 ecus last year to 150 ecus this year. In return we would try to secure a substantial increase in the butter subsidy.

The Chancellor is disposed to accept this on the ground that he, too, does not believe that a settlement can be obtained at prices lower than those proposed by the Commission and because the cost to us of the concession on small ~~dairy~~ farmers should be more than compensated by the increase in the butter subsidy. He is therefore inclined to tell Mr. Walker, when they are both in Luxembourg on Monday, that he has no objection to these suggestions.

I should be surprised if there was a settlement this week but David Hancock tells me that he thinks there is a 40 per cent chance that there will be. We therefore need to be absolutely clear about the instructions under which Mr. Walker is operating. I am inclined to think that we should say that you have considered

/the above

the above ideas and are prepared to accept them but it must be clearly understood that, the concession to small dairy farmers apart, all proposals to increase prices above the level originally proposed by the Commission should be resisted and there should be no question of accepting any of them until there has been a chance for Ministers to consider the matter collectively.

It would not be necessary to state this if, following the pattern of previous years, the negotiations were likely to last for several weeks. But the outside chance of a settlement this week makes something of the sort necessary, since there have been no recent Ministerial conclusions as to policy.

Agree that the above be conveyed to the Chancellor and Mr. Walker?

Yes - but the small dairy farmers aid came from the same Chancellor - A.J.C. have million which returned a budget settlement or a counterpoll I note - the small farmers for part of the budget - we haven't got our part - we haven't

15 April 1983



me ✓

10 DOWNING STREET

From the Private Secretary

15 April 1983

CAP PRICE FIXING 1983 : FINANCIAL IMPLICATIONS

The Prime Minister saw last night Robert Lawson's letter of 14 April enclosing draft messages for her to send to the President of the European Commission and Commissioner Tugendhat.

I told you on the telephone last night that the Prime Minister had agreed to these messages, subject to certain minor changes, and asked you to arrange for their early delivery today.

I now enclose the final text of each message.

I am copying this letter and enclosures to Robert Lawson (MAFF), John Kerr (HM Treasury) and David Hancock (Cabinet Office).

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

MESSAGE FROM THE PRIME MINISTER TO M. THORN

I am very concerned at the indications which are now emerging of the rapid rate of increase in the Community's agricultural guarantee spending. I have read Christopher Tugendhat's remarks to the European Parliament. Expenditure is now increasing at twice the rate of increase in the Community's own resources and this is likely to continue in 1984. This is clearly contrary to the guideline which the Commission put forward in their Mandate Report and which I and other Heads of State and Government endorsed at Lancaster House in November 1981.

I welcomed the prominence which the Commission gave in its Green Paper on the Future Financing of the Community to the need to observe this guideline in the years ahead. You yourself referred to this in your Programme Speech to the Parliament in February. I agree with the Commission that if any progress is to be made in the development of the Community it is essential that agriculture's share of the budget should be reduced by better control of surpluses and their cost.

I am therefore anxious to know what action the Commission now proposes to counteract the present trend of agricultural spending. It is surely crucial that at this year's annual price fixing the decisions taken should recognise the need to make a real impact on the surpluses problem so as to set the Community back on the path to keeping the rise in agricultural spending below the rise in own resources. Do you agree that the Commission should be reconsidering the level of price increases which it proposed before the current alarming prospects for expenditure had emerged? I really do not see how our policy objective of keeping the growth of agricultural expenditure below the growth in own resources could retain any credibility if we were to carry on as if nothing had happened.

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MY 2 IPTS: PRIME MINISTER'S MESSAGE TO TUGENDHAT

1. FOLLOWING IS TEXT (TO BE MARKED PERSONAL):
 BEGINS

'FOLLOWING DISCUSSION IN CABINET OF THE STATE OF PLAY ON THE FARM PRICE NEGOTIATIONS, I HAVE SENT A PERSONAL MESSAGE TO PRESIDENT THORN EXPRESSING THE CABINET'S CONCERN AT THE LACK OF EFFECTIVE MEASURES FOR DEALING WITH THE GROWING SURPLUSES AND THE CONSEQUENT RISE IN AGRICULTURAL EXPENDITURE. THESE RISK MAKING A MOCKERY OF THE COMMISSION'S POLICY OF KEEPING THE RATE OF GROWTH OF EXPENDITURE IN AGRICULTURE BELOW THAT OF OWN RESOURCES. AS YOU KNOW WE STRONGLY SUPPORT THIS POLICY.

YOU ARE WELL AWARE THAT AN INCREASE OF THE KIND THAT YOU HAVE FORECAST WOULD CREATE EXTRA DIFFICULTIES IN THE WAY OF AN AGREEMENT ON A SOLUTION TO OUR BUDGET PROBLEM. THE SOLUTION OF THE PROBLEM AT STUTTGART IS OF VITAL POLITICAL IMPORTANCE TO ME. LOOKING FURTHER AHEAD, I SIMPLY COULD NOT STAND BY AND SEE THE COMMUNITY'S COMMITMENTS TO SOLVING THE PROBLEM VITIATED BY THE EXHAUSTION OF THE FUNDS AVAILABLE TO THE COMMUNITY.

THE COMMISSION PLAYS A CRITICAL PART IN EACH PRICE FIXING NEGOTIATION. IF THEY NOW TAKE A FIRM STAND AGAINST PRESSURES FOR FURTHER PRICE INCREASES OR FOR WEAKENING THE MEASURES TO DEAL WITH SUPPLUSES, THERE IS HOPE OF A DEFENSIBLE SETTLEMENT WHICH, COUPLED WITH EFFECTIVE MEASURES TO CONTROL COSTS IN THE MANAGEMENT OF THE BUDGET, WOULD LEAVE SUFFICIENT HEADROOM FOR THE

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2007 - 1

FINANCING OF UK REFUNDS.

YOU ARE OF COURSE IN A KEY POSITION AS THE COMMISSIONER RESPONSIBLE FOR THE BUDGET. I AM RELYING ON YOU TO ENSURE THAT THE COMMISSION DOES NOT DUCK THE PROBLEMS WHICH THE CURRENT DRIFT OF AGRICULTURAL EXPENDITURE POSES, NOT JUST FOR THE UNITED KINGDOM, BUT FOR THE WHOLE FUTURE OF THE COMMUNITY.'

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10 DOWNING STREET

CCS FCO
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CO

From the Principal Private Secretary

14 April 1983

Dear John,

CAP PRICE SETTLEMENT

The Chancellor of the Exchequer and the Minister of Agriculture had a brief word after Cabinet this morning about British objectives for the CAP price settlement.

Mr Walker said that the best realistic outcome was that the Commission's proposals should not be increased. The French Minister of Agriculture might be induced to accept such an outcome if he was offered an increase in the assistance to small dairy farmers from 120 m. ecus last year to 150 m. ecus this year. In return there could come a moment at which the British could obtain a substantial increase in the butter subsidy.

The Chancellor said that he would like to consider Mr Walker's suggestions: while he recognised the case for some concession to the French, the combination of measures proposed by Mr Walker would increase the overall budget problem and he would need to consider them in that context. He said that he would let Mr Walker know his reaction as soon as possible.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

Yours ever,

Robin Butler

John Kerr Esq.,
HM Treasury.

AH

CONFIDENTIAL

0/10
For issue at 4.30 pm -

[Joint Announcement by the Agriculture Departments in the United Kingdom]

April 14, 1983

SUPPORT PRICES FOR THE 1983 POTATO CROP

In a Written Reply to a Question by Mr. Colin Shepherd, M.P., in the House of Commons today, asking if he would announce the support arrangements to apply for the 1983 potato crop, the Rt. Hon. Peter Walker, M.P., Minister of Agriculture, Fisheries and Food, said:

"The Government has decided that the guaranteed price for the 1983 potato crop should remain at the existing level of £44.64/ton (£43.94/tonne).

"In order to ensure stability in the market throughout the season, the Potato Marketing Board has again been asked to offer producers a contract for a proportion of their crop. The aim will be to place under contract up to 600,000 tonnes of potatoes so that they can be removed from the market in Great Britain, should this prove necessary.

"The prices offered will be increased by an average of £2.00 per tonne over the 1982 contract price, so creating a differential of £7.00 per tonne on average above the guaranteed price. In determining the contract price for each delivery period, the Potato Marketing Board will be asked to take account of the pattern of commercial contracting, and to give an incentive to longer term storage under proper conditions.

"Consideration will be given to the need for market support to Northern Ireland as necessary."



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

CONFIDENTIAL

A J Coles Esq
Private Secretary to the Prime Minister
10 Downing Street

14 April 1983

Dear John

CAP PRICE FIXING 1983 : FINANCIAL IMPLICATIONS

I understand that it was agreed in Cabinet this morning that the Prime Minister would send messages to Thorn/^{and}Tugendhat on this ... subject. I enclose drafts which I understand have been cleared at official level with the other Departments concerned.

I am sending copies of this letter and enclosures to Roger Bone (FCO), John Kerr (Treasury) and David Hancock (Cabinet Office).

*Yours sincerely
Robert Lowson*

Robert Lowson
Principal Private Secretary

CONFIDENTIAL

DRAFT MESSAGE FROM PRIME MINISTER TO M. THORN

I am very ~~much~~ concerned at the indications which are now emerging of the rapid rate of increase in the Community's agricultural guarantee spending. I have read ~~what~~ Christopher Tugendhat's ~~has~~ ^{remarks} ~~told~~ ^{to} the European Parliament. Expenditure is now increasing at twice the rate of increase in the Community's own resources and this is likely to continue in 1984. This is clearly contrary to the guideline which the Commission put forward in their Mandate Report and which I and other Heads of State and Government endorsed at Lancaster House in November 1981.

I welcomed the prominence which the Commission gave in its Green Paper on the Future Financing of the Community to the need to observe this guideline in the years ahead. You yourself referred to this in your Programme speech to the Parliament in February. I agree with the Commission that if any progress is to be made in the development of the Community it is essential that agriculture's share of the budget ~~must~~ ^{should} be reduced by better control of surpluses and their cost.

I am therefore anxious to know what action the Commission now proposes to counteract the present trend of agricultural spending. It is surely crucial that at this year's annual price fixing the decisions taken should recognise the need to make a real impact on the surpluses problem so as to set the Community back on the path to keeping the rise in agricultural spending below the rise in own resources. Do you agree that the Commission should be reconsidering the level of price increases which it proposed before the current alarming prospects for expenditure had emerged? I really do not see how our policy

objective of keeping the growth of agricultural expenditure below the growth in own resources could retain any credibility if we were to carry on as if nothing had happened.

PERSONAL AND CONFIDENTIAL

DRAFT OF MESSAGE TO MR TUGENDHAT

Following discussion in Cabinet ~~yesterday~~ of the state of play on the farm price negotiations, I have sent a personal message to President Thorn expressing the Cabinet's concern at the lack of effective measures for dealing with the growing surpluses and the consequent rise in agricultural expenditure. ~~which~~ ^{these} risk making a mockery of the Commission's policy of keeping the rate of growth of expenditure in agriculture below that of own resources. As you know we strongly support this policy.

2. You are well aware that an increase of the kind that you have forecast would create extra difficulties in the way of an agreement on a solution to our Budget problem. The solution of the problem at Stuttgart is of vital political importance to me. Looking further ahead, I simply could not stand by and see the Community's commitments to solving the problem vitiated by the exhaustion of the funds available to the Community.

3. The Commission plays a critical part in each price fixing negotiation. If they now take a firm stand against pressures for further price increases or for weakening the measures to deal with surpluses, there is hope of a defensible settlement which, coupled with effective measures to control costs in the management of the Budget, would leave sufficient headroom for the financing of UK refunds.

4. You are of course in a key position as the Commissioner responsible for the Budget. I am relying on you to ensure that the Commission does not duck the problems which the current drift of agricultural expenditure poses, not just for the United Kingdom, but for the whole future of the Community.



Edward Pd

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
London SW1

N. S. P. M.

A. S. C. 14/4

14 April 1983

1/2 Peter

UHT MILK - IMPLEMENTATION OF THE EUROPEAN COURT JUDGEMENT

I have seen your minute of 30 March to the Prime Minister together with the reply from No. 10.

As you will by now know, our officials have discussed possible ways in which officers of port health authorities might be associated with the running of the type of scheme you have in mind. The discussion made it clear how difficult it would be to give these officers any worthwhile role without countering your wish to have responsibility firmly within MAFF. However I do think that it would be wise to consult as early as possible in order to seek to minimise controversy and I would suggest that your proposals should be put as soon as possible to the Association of Sea and Air Port Health Authorities. Subject to this I have no other comments to offer at this stage on the proposals annexed to your minute.

I am copying this letter to those to whom you copied your minute.

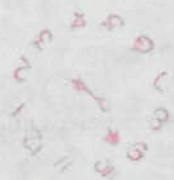
Norman Fowler

NORMAN FOWLER

EURO. POL : CAP : PE 11

DEPARTMENT OF THE POLICE
11-12-1983

14 APR 1984



11-12-1983

PRIME MINISTER

CABINET

Under Community Affairs, I understand that the Chancellor is likely to ask Mr. Walker, recalling your meeting of 20 December, whether next week (18/19 April) will see the last meeting in the CAP price fixing process; what was the outcome of his meeting today with his German counterpart Herr Kiechle; and whether the outcome of the price fixing is likely to be a price increase higher than that proposed by the Commission.

Mus

ms

13 April 1983



Ref. A083/1072

PRIME MINISTER

Cabinet: Community Affairs

The Minister of Agriculture, Fisheries and Food could report on his meeting on 13 April with Herr Kiechle, the new German Minister of Agriculture, and on the likely timetable and package for this year's Common Agricultural Policy (CAP) price fixing. If he does, the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary may wish to comment.

2. Subject to what Herr Kiechle tells the Minister of Agriculture, it seems likely that negotiations on the price fixing will begin in earnest at the Agriculture Council on 18-19 April, though it is not yet clear whether there will be a serious attempt to reach agreement then. If not, a further meeting of the Agriculture Council might be held the following week.

3. The Commission's proposals in December 1982 were based on a "norm" increase of 5.5 per cent with less for some commodities and more for others giving a weighted average price increase for the Community as a whole of 4.4 per cent. The Commission have subsequently reduced the price increase proposed for milk from 3.2 per cent to 2.3 per cent with the result that the weighted average of their current proposals is 4.1 per cent to 4.2 per cent.

4. The cost of the Commission's present proposals could be such as to make the Community run up against the 1 per cent limit on VAT in 1984 and leave insufficient headroom for United Kingdom refunds in respect of 1983. The United Kingdom position has been to argue for no increase on common prices for products in structural surplus (cereals, sugar, milk and wine) and for a modest increase for other products. No other member state in the Agriculture Council has supported the Minister of Agriculture in seeking price increases lower than the Commission has proposed.

5. The final package for the price fixing seems likely to turn on what accommodation the French and the Germans are able to reach on the reduction in the German positive MCAs. France is insisting



on a big German revaluation following the recent EMS realignment. The Germans have resisted this so far, and would find it difficult to reduce their MCAs without a bigger increase in common prices. The Commission are thought to be likely to stick broadly to their present proposals, which include a small reduction in German and other positive MCAs.

6. If, as seems likely, the package goes beyond the position currently agreed by Ministers, the Minister of Agriculture, Fisheries and Food will need fresh authority before he can accept it. He will probably not raise this in Cabinet.

7. The Foreign and Commonwealth Secretary may wish to report on the President of the Commission's reported remarks to the European Parliament on 12 April on the relationship between the interim solution and the long-term solution to the budget problem. Monsieur Thorn is reported to have said that the Commission could consider the immediate and short-term problems only in the context of a long-term solution. On the other hand, work on the interim solution has been going forward in Brussels with the active support of the Commission with the aim of agreeing a framework for the interim at the 25-26 April Foreign Affairs Council. Monsieur Thorn, in making his remarks will have been motivated by a desire to appear to meet the wishes of the European Parliament whose support for further refunds will be essential; his remarks may therefore not represent a change of heart by the Commission. The position will become clear only at the discussion in the Committee of Permanent Representatives on 14 April. The Foreign and Commonwealth Office, in briefing the Press, have taken the line that the Commission are as bound as member states by the European Council's conclusions, and that the United Kingdom expects work to proceed in accordance with these conclusions.

8. The Foreign and Commonwealth Secretary may wish to report on the meeting between Foreign Ministers of the European Community and the Association of South-East Asian Nations (ASEAN) in Bangkok on 24-25 March, which he attended. The meeting, which for the Community participants was largely a public relations exercise, went well. The Commission and other Community representatives were in particular able successfully to rebut ASEAN charges of Community protectionism.



9. The main Community meetings over the next seven days are:
- i. An Agriculture Council on 18-19 April to discuss the CAP price fixing.
 - ii. A Finance Council on 18 April where the main subjects for discussion will be the Community's negotiating position on the revision of the OECD export credit consensus, the New Community Instrument and, possibly, the insurance services directive.
 - iii. An Energy Council on 21 April where the proposed Community solid fuels policy will be an important issue.

REA

ROBERT ARMSTRONG

13 April 1983

CONQUEROR



Prime Minister

②

This was discussed in Cabinet
today and you are to send a message
to R. Thom. A.J.C. 14/4.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

Rt Hon Peter Walker MBE MP

12 April 1983

mf

Dear Peter

CAP PRICE FIXING AND PROSPECTS FOR FEOGA EXPENDITURE

Thank you for your helpful letter of 25 ^{attached} March in reply to mine of 16 March. — *PM's Box*

I am pleased to see that we are in full agreement on the nature and seriousness of the underlying problem, and I welcome the efforts you are continuing to make in the price fixing negotiations for 1983. I also understand that you will be seeing the new German Agriculture Minister on 13 April, and I assume that you will be taking that opportunity to express our concerns to him.

The one difference of emphasis between us concerns action in relation to 1984. You suggest that the Commission will not be prepared at this stage to give any kind of commitment about observing the guideline in that year. I recognise the difficulty, but I would like to explain more fully why I think that we must press now for the kind of undertaking for 1984 suggested in my earlier letter.

The latest intelligence we are getting from Brussels serves to underline even more forcefully the likely tightness of the position in the 1984 budget; and to reinforce our anxiety as to how the Commission are likely to react to the problem. The Commission seem to be envisaging FEOGA guarantee provision of around 16.5 billion ecus and at the same time to have in mind a much lower rate of growth than hitherto on other programmes like the regional fund. With one relatively minor exception, no provision seems to be contemplated for new policies from which the UK might benefit. The prospect is thus for a draft budget which will leave our underlying net contribution even higher than it is now. More worrying still, even on optimistic assumptions about other Community expenditure, FEOGA guarantee provision of around 16.5 billion ecus will leave precious

/little headroom



little headroom within the 1% ceiling either for new policies from which the UK could expect to benefit or for our refunds in respect of 1983. The outlook is thus indeed a dark one unless some way can be found of cutting back the amounts to be spent on the CAP.

Related to this, if the guideline is to be made effective in 1984, it must be taken into account by the Commission in drawing up the Preliminary Draft Budget for 1984. This process is already underway, and so now rather than later is the time to be registering our point. There is no evidence so far that the Commission are doing anything to get to grips with the problem of agricultural spending. On the contrary, they appear to be considering whether they can find some way of getting round the 1% ceiling.

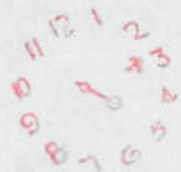
You suggested that we should be in a far stronger position to argue the case for corrective action under the CAP next year, when the need for action would be undeniable. Certainly it would then be more difficult for others to argue that there was no problem. But the fact that the Commission plan to raise the issue of longer-term CAP developments at the 18/19 April Agriculture Council should make it easier to raise the 1984 question in that context. In any event, I fear that when we were clearly well into 1984 it would be too late to bring the position for that year back into consistency with the guideline, short of extremely radical measures which others would be bound to resist fiercely. There is inevitably a time lag between policy decisions and their expenditure impact. Moreover, I imagine that in those extreme circumstances there would be an even greater temptation than now for the Commission to propose major economies in those few areas of the CAP from which the UK obtains significant budgetary benefits.

For all these reasons I hope you will feel able to place substantial emphasis on the need to contain the 1984 position in the continuing negotiations in the Agriculture Council next week and, beforehand, in your discussions with Herr Kiechle. As a minimum, I consider that we should be pressing the Commission now to report on the expenditure prospects for 1984 and on their ideas for measures which could be taken to bring the growth of guarantee spending in line with the expenditure guideline.

I am sending copies of this letter to the Prime Minister, the Foreign Secretary, and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'Geoffrey Howe', written in a cursive style.

13 APR 1985



CONFIDENTIAL

Feeney (2)



DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

From the
Minister for Trade

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
London
SW1A 2HH

Prime Minister

For information.

A.S.C. $\frac{11}{4}$

11 April 1983

John Major

MS

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGMENT

In Arthur Cockfield's absence abroad I am responding to your letter of 30 March to the Prime Minister.

I had hoped that it would have been possible to provide adequate safeguards without new primary legislation. However, my main concern is that the present reliance on the Secretary of State for Trade's powers to control UHT milk imports should be brought to an end as soon as possible, and I am therefore glad that you propose seeking new powers as a matter of urgency.

As regards the detailed proposals outlined in the annex to your letter, I do not think you should under-estimate the possible reaction to your taking powers to specify ports of entry. As Ian Percival says in his letter of 29 March, this raises the spectre of Poitiers and careful thought will have to be given to the way in which this requirement is expressed.

I understand that in view of the special circumstances of this case, our officials are making arrangements to keep in particularly close contact at the drafting stage.

I am copying this letter to the recipients of yours.

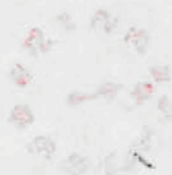
Peter Rees

PETER REES

CONFIDENTIAL

Euro Pol,
COP, P411

11 APR 1983





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON
SW1A 2HH

N. S. P. M.

11 April 1983

AN 12/4

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGEMENT

I am writing in response to your minute of 30 March to the Prime Minister seeking policy clearance for primary legislation to take account of the European Court's Judgement.

As you say, the two Solicitors General are agreed on the need for a Bill. In view of the pressure from the Commission and other member states, I go along with your view that it is essential to move as quickly as possible. Accordingly, while my officials are still clarifying with yours certain details as regards the implementation of the control arrangements in Scotland, I would wish to support your request for authority to proceed with primary legislation.

I am copying this letter to the recipients of yours.

GEORGE YOUNGER

Line PA,
COR, P76

RECEIVED
APR 22 1983

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Peter Walker MBE MP
Minister of Agriculture,
Fisheries and Food
Ministry of Agriculture
Fisheries and Food
Whitehall Place
London SW1A 2HH

N. B. P. M.

A. J. C. 12/4.

11 April 1983

P. Peter,

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGEMENT

I have seen a copy of your minute of 30 March to the Prime Minister setting out your proposals for the content of new legislation following the European Court Judgement.

You commented both in your minute and in the attached Annex on the possible manpower and expenditure implications. I recognise at this stage it is difficult to assess these with any precision, and this will have to await both the outcome of the discussions you propose with Norman Fowler and an indication of the level of trade which develops. I am pleased to note your acceptance of the need to contain any 1983-84 effect within the existing resources. As for the position after April 1984, I have noted your wish to put up a marker about possible manpower effects; but equally I am sure you would not expect me to accept any commitment to make a special allowance for this in the manpower exercise for the period to 1988. Similarly in the case of non-manpower effects, I am pleased to note you do not anticipate any other significant expenditure effects, and I would expect these to be absorbed within the existing planned resources.

There is, however, another aspect of these proposals which must be a matter of potential concern to the Treasury. This is that the imposition of a new system of certification could impose a substantial workload on HM Customs & Excise. It is therefore essential that there should be the closest liaison between your department and the Customs in developing your proposals, in order to ensure that they do not have untoward staffing implications for the latter.

I am sending copies of this letter to the recipients of your minute.


LEON BRITTAN

CONFIDENTIAL

2 APR 1983



WM 8/4



Foreign and Commonwealth Office

London SW1A 2AH

7 April 1983

J. W. Pym,

UHT Milk: Implementation of European Court Judgement

Thank you for your letter of 5 April in which you asked us to transmit a letter from Mr Walker to Commissioner Dalsager affirming that we need new primary legislation as a basis for new arrangements for milk imports.

Mr Pym has seen a copy of Mr Walker's letter of 30 March to the Prime Minister on this subject and the Prime Minister's reply. He has asked me to let you know that, in view of the Solicitor General's advice and of the need for us to implement the European Court's judgement as rapidly as possible, and subject to any comments from the other recipients of Mr Walker's letter, he agrees to the course Mr Walker proposes to take.

Mr Pym also endorses the Solicitor General's warning that, in specifying ports of entry for milk imports, we shall have to proceed very carefully if we are to avoid the charge of attempting to introduce quantitative restrictions in disguise.

Mr Pym nevertheless wonders whether a simple affirmation of the need for primary legislation is an adequate reply to send Mr Dalsager at this stage. More than a month has elapsed since Mr Dalsager sent his letter querying the need for new legislation. It might be tactically better to say something more concrete about the reasons for, and timing of, such legislation. It would help deflect further unwelcome enquiries from the Commission if we could do so. Mr Pym suggests that officials might perhaps consider quickly whether this is possible, with a view - if all are agreed - to getting a slightly more substantive letter off to Dalsager as quickly as possible

/I am



I am copying this letter to the Private Secretaries to the Prime Minister and Members of the Cabinet, the Attorney General, the Lord Advocate, to the Chief Whips (Lords and Commons) and to Sir Robert Armstrong.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'R B Bone', written in a cursive style.

(R B Bone)
Private Secretary

R Lawson Esq
MAFF
Whitehall Place
LONDON SW1

R B Bone Esq
Assistant Private Secretary to
the Secretary of State
Foreign and Commonwealth Office
Downing Street
London SW1

5 April 1983

UHT MILK: EUROPEAN COURT CASE

In the light of the Solicitor General's clear advice that primary legislation is needed to implement our new control system, the way is now open for a reply to be sent to Dalsager's telex of 22 February. I enclose a message which has been approved by Mr Walker and would be grateful if you could arrange for it to be transmitted as quickly as possible via UKREP Brussels.

R LOWSON
Private Secretary



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

From the Minister

Poul Dalsager Esq
Member of the Commission of the
European Communities
Rue de la Loi 200
1049 Brussels
Belgium

5 April 1983

UHT MILK: EUROPEAN COURT CASE

Thank you for your telex of 2 March on this subject asking me to communicate details of the measures the United Kingdom intends to take to comply with the Judgment of the European Court. My officials had a useful first meeting with yours on 4 March at which they explained in detail what we had in mind, and further meetings were held on 16 and 28 March.

As regards the need for primary legislation, it is, as you say, for Member States to decide on the measures to be taken in order to comply with a judgment of the Court. I have accordingly given very careful consideration to the various possibilities, and it is clear to me that we shall need both primary and subordinate legislation to implement the arrangements which I described in the final paragraph of my letter of 22 February. I recognise your concern that the need for primary legislation could cause delay, but in practice there is no reason why this should take longer than the subordinate legislation which will also be needed. I am not yet in a position to indicate a precise timetable but we intend to proceed urgently and you may be assured that there will be no unnecessary delay.

PETER WALKER
(approved by the Minister
and signed in his absence)

CONFIDENTIAL

ful



c. Ho Mio 4
WCO mad LPO
Hurt Attens. DES
Fio maff HMT
DES DEW, WPS
WO SO
31 March 1983
DEW, COL DTide
+ list below,

10 DOWNING STREET

From the Private Secretary

31 March 1983

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGMENT

The Prime Minister has seen Mr. Walker's minute of 30 March describing his proposals for primary legislation on this subject. Mrs. Thatcher has noted these proposals, pending possible comments from her colleagues.

I am copying this letter to the Private Secretaries to Members of the Cabinet, to the Attorney General and Solicitor General, to the Lord Advocate, to the Chief Whips (Lords and Commons) and to Sir Robert Armstrong.

A. J. COLES

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food.

CONFIDENTIAL

VC



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

A J Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

31 March 1983

Dear John

A.S.C. 31/3

h-a.

EC/US RELATIONS: AGRICULTURE

Thank you for your letter of 21 March in which you reported that the Prime Minister did not want to send Mr Reagan the draft message enclosed with my letter of 17 March, and asked for a fresh draft to be submitted in the light of the conclusions of the European Council.

Mr Walker feels on reflection that it would not be advisable for such a message to be sent at present. We will of course be in touch again should circumstances change.

I am copying this letter to the Private Secretaries of other members of OD(E) and of Sir Robert Armstrong.

Yours sincerely

Robert Lawson

ROBERT LOWSON
Private Secretary

Europe Pol,
CAP, Pt 11

5 1 MAR 1983



RCB1

①

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



From the Minister

CONFIDENTIAL

PRIME MINISTER

Prime Minister

I suggest you merely note, pending
comments from colleagues. Lord
Welby may see difficulty.

A.J.C. $\frac{33}{2}$

30 March 1983

Noted

ms

[Handwritten signature]

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGMENT

In the penultimate paragraph of my minute of 2 March on this subject I indicated that, following discussions with the Commission and other Member States, it would be possible to determine more precisely the terms of the United Kingdom legislation needed to deal with the situation arising from the Court's Judgment. My officials have now had three meetings with the Commission. In addition, there have been preliminary discussions with the Irish, which have resulted in their withdrawing their Court action against our interim measures; and we are planning further discussions with other Member States.

In the light of the discussions which have already taken place it is now possible to take a view of the legislative provisions which will be needed and I have sought the views of the Solicitor-General on what form these should take. He has discussed this question with the Solicitor-General for Scotland and the legal advisers of the other Departments involved. Their view is that the only safe course is to go for primary legislation and that this, together with the necessary subordinate legislation must be enacted quickly in order to avoid prejudicing our position. In the light of his advice I am now circulating a summary of my proposals in the annex to this minute for consideration and policy clearance by my colleagues.

Although the Commission seem at present to be reasonably relaxed about the progress being made on this issue, we remain vulnerable to further challenge in the Courts against our interim measures and need to get our legislation in place as soon as possible. In view of the evident urgency, I hope that my colleagues will be able to respond quickly, and with that in mind it may be helpful if I explain my proposal that responsibility for enforcement of the new import regime should rest with officials of the Agricultural Departments. This reflects the fact that enforcement will need to be very carefully judged taking account of our Community obligations, the

/need to avoid a ...

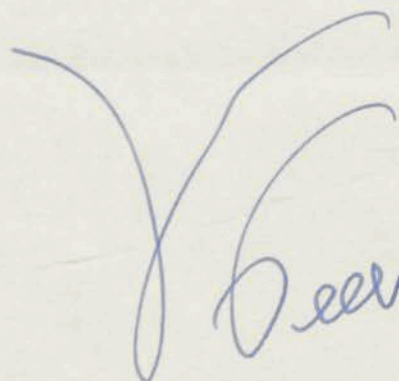
CONFIDENTIAL

need to avoid a further Court case, the need to protect public and animal health and of the legitimate concern of the United Kingdom dairy industry that imports should be required to meet health and hygiene standards equivalent to those imposed under domestic legislation. The day to day decisions on this will need to strike a just balance between conflicting considerations calling for an element of political judgement and co-ordination which could not be achieved without central co-ordination and Ministerial supervision. Moreover, responsibility for imports is a natural extension of the Agricultural Departments' role in promoting the health and hygiene of domestic milk production and would link up naturally with results of the visits abroad we shall be seeking to make in accordance with the co-operation arrangements envisaged in paragraph 30 of the Judgment. I appreciate, however, that there could be difficulties for Norman Fowler in such an arrangement and I am asking my officials to explore with him whether we could not find some administratively practicable way of involving Port Health Authorities in the implementation of import controls while reserving the effective operational decisions to my Department.

My statement on 9 February received a wide measure of support in the House and more generally. In the light of that reaction I think it unlikely that the legislation I am now proposing will prove controversial or time-consuming.

With these explanations and in the light of the Solicitor-General's advice I seek the formal agreement of my colleagues to my proposals and their agreement that the Bill should now be promoted from the contingent to the essential category for this Session of Parliament, and the agreement of the Leader of the House of Commons to give drafting authority for the Bill.

✓ I am copying this minute to members of Cabinet, to the Attorney General and Solicitor-General, to the Lord Advocate, to the Chief Whips (Lords and Commons) and to Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to read 'Peter Walker', with a large, stylized initial 'P'.

PETER WALKER

OUTLINE OF MILK BILL

1. I originally envisaged powers to enable my officials to do the following:

- a) Authorise individual overseas plants
- b) Inspect and approve individual plants
- c) Inspect and approve farms supplying them
- d) Require certificates with individual consignments of imports
- e) Sample and check imports at the ports to ensure that certificates are valid
- f) Specify ports of entry

2. These proposals have been reviewed in the light of the terms of the Judgment and in the light of discussions with the Commission. It is clear that the terms of the Judgment rule out items a)-c) but it explicitly provides for d) and e), and f) can be defended as a reasonable consequence of e).

3. Legislation is therefore proposed which would consist of brief enabling provisions applying to milk, cream and flavoured milk (in UHT or other forms) and providing for the certification, inspection and sampling of imports at specified ports, these measures to be operated by agricultural officials under the aegis of Agriculture Ministers. The legislation would also provide for the repeal of those aspects of our existing legislation which have been declared contrary to Community law. The Bill would apply to the United Kingdom as a whole, taking account as necessary of the differences in existing legislation in different parts of the United Kingdom. Detailed arrangements would be provided for in subordinate legislation (subject to negative resolution procedure and without the complex consultation requirements of the Food and Drugs Act):

subordinate legislation too may differ according to country.

4. The main sanction provided by the Bill would be the refusal to admit imports which were not properly certificated, which did not satisfy inspections or which were not presented at a specified port, but additional sanctions may be necessary.

5. It is not possible to indicate manpower needs with any precision since much will depend on the level of trade which develops. It is, however, obvious that there will be an additional claim on manpower resources. I recognise that this will have to be contained to the extent that it falls within 1983/84. I cannot however guarantee the position beyond April 1984 and must therefore put up a marker in the manpower exercise for the period to 1988. I do not anticipate any other significant expenditure as a result of this legislation.

30 MAR 1983





MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

N. S. P. R.

A. J. C. $\frac{20}{3}$

The Rt Hon Lord Cockfield
Secretary of State for Trade
Department of Trade
1 Victoria Street
London SW1H 0ET

30 March 1983

Thank you for your letter of 14 March about the Chris bananas case and about the implications for UHT milk.

I entirely agree that the judgment highlights the need for speedy action on UHT milk. As you know, my officials are having discussions with the Commission and I shall be writing separately about the need for legislation: I certainly agree with you that controls which are matters of food and agricultural policy should be exercisable by the Minister of Agriculture and not by the Secretary of State for Trade, and it also goes without saying that our permanent regime must not be open to the sort of challenge in the Courts which our temporary arrangements on UHT milk have had to face.

As regards that challenge my officials have done their best to help yours in terms of workload. We have also, throughout the case, followed the advice of the Solicitor General, first in deciding to refuse to admit UHT imports from Ireland, and secondly in deciding that we should seek to reach an understanding with the Irish Dairy Board. We have, of course, now reached an agreement which seems likely to be far more satisfactory than any special arrangement which could have been introduced in early February, since at that stage we would have been seeking something from the Irish rather than the reverse. I welcome this satisfactory outcome.

As regards bananas, I understand that arrangements have now been made to ensure that the procedures for handling applications fully comply with the judgment. We would certainly need to consider urgently the need for further steps should the legal challenge to our existing arrangements be renewed.

I am copying this letter to those who received copies of your own.

PETER WALKER

Euro RSI: CAP P44

30 MAR 1985





SECRETARY OF STATE
FOR
NORTHERN IRELAND

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

cc [initials]
EURO POL

Rt Hon Douglas Hurd CBE MP
Minister of State
Foreign and Commonwealth Office
LONDON
SW1A 2AH

28 March 1983

Douglas Hurd

N. B. P. D.

A-S-C. 257
13

UHT MILK : IMPLEMENTATION OF THE EUROPEAN COURT JUDGMENT

I have seen your correspondence with Peter Walker on the question of legislative provision for the envisaged controls over imports of UHT milk.

I fully agree with Peter's line that the introduction of new primary legislation is the only way we can be assured of clear, unambiguous and unchallengeable controls over imports.

It is also of course important that the new Bill extends to Northern Ireland and confers on DANI powers to make subordinate legislation. The Office of the Legislative Draftsmen for Northern Ireland have already been in touch with the Office of the Parliamentary Counsel and the Home Office Legal Adviser's Branch about the details.

I am copying this letter to the Prime Minister, the Lord Chancellor, Geoffrey Howe, Patrick Jenkin, Norman Fowler, the Attorney General and the Solicitor General.

[Handwritten signature]

was for
CAF # 11

183



DEPARTMENT OF HEALTH & SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY
 Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Peter Walker MBE MP
 Minister of Agriculture, Fisheries and Food
 Whitehall Place
 LONDON SW1

28 March 1983



N. B. P. R.

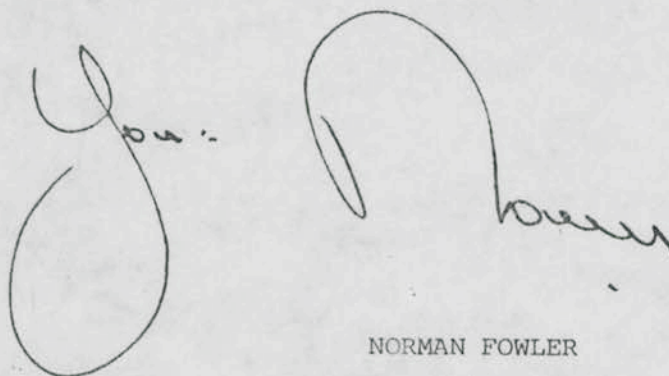
AR 28/3

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT'S JUDGMENT

You copied to me your minute of 2 March to the Prime Minister. I have seen the reply from No. 10 together with the exchanges you have had with Douglas Hurd and Francis Pym.

I freely endorse, from the public health point of view, your intention that any future imports must be of a similar quality to the domestic product. What requirements should be laid down for this purpose will become clearer when we know the Commission's reaction to the proposals which your officials put to them.

A separate matter is the powers needed to lay down and to enforce the requirements when these have been settled. It is, of course, essential to ensure that future controls are fully effective but given the present framework, including the role of local authorities and port health authorities, we need to be able clearly to demonstrate its inadequacy before inviting Parliament to enact a fresh one. I think I ought to put down a marker that we may have a little controversy with local government and their environmental health officers if we appear to be taking powers away from them for no clearly defensible reason.



NORMAN FOWLER

EWB M
CAP YR 11

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754

11 8 MAR 1965



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

N. S. P. D.

Peter Rees Esq QC MP
Minister for Trade
Department of Trade
1 Victoria Street
London SW1H 0ET

A. F. C. 23

23 March 1983

As been

UHT MILK IMPORTS FROM THE IRISH REPUBLIC

Thank you for your letter of 15 March about UHT milk imports from the Irish Republic.

The meeting with the Irish Dairy Board and the negotiations which have taken place subsequently now provide a reasonable basis for the resumption of their imports of UHT milk but on a controlled basis. Officials have agreed the terms of a statement by the Irish authorities on the various health measures which are applicable to the production of the UHT imports. My officials have also visited the UHT plant in the Republic. I am content that the various steps being taken, including the fact that there will be a quantitative control of imports (no more than 15 tonnes per month) and a requirement for landing at nominated ports, should provide adequate controls in relation to health as an interim measure prior to the introduction of the full regime on which negotiations are taking place with the Commission. It is, of course, being made clear to the Irish Dairy Board and the Irish authorities that these provisional arrangements are entirely without prejudice to the arrangements to apply in the longer term.

I understand that officials have now brought these matters to a satisfactory conclusion in the form of an agreement with the Irish Dairy Board and I can agree to you issuing licences on the lines you suggest.

I am copying this letter to the Prime Minister, the Lord Chancellor, Geoffrey Howe, Francis Pym, James Prior, Patrick Jenkin, Norman Fowler, the Attorney General and the Solicitor General.

Peter Walker

PETER WALKER

23 MAR 1983



CAP PRICE FIXING AND PROSPECTS FOR FEOGA EXPENDITURE

The Secretary's minute of 23 March to Mr Lawson refers.

Mrs Hamilton

cc Mr Andrews
Mr Griffiths
Mr Wilson

CONFIDENTIAL

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

25 March 1983

p.a.
A.J.C. 14/4.

CAP PRICE FIXING AND PROSPECTS FOR FEOGA EXPENDITURE

Thank you for your letter of 16 March.

I agree entirely with your assessment of the likely development of FEOGA expenditure in 1983 and 1984, given a continuation of a weak world market for the main surplus commodities and the continuing increase in Community production that, given normal weather, we can expect. I have put this overwhelming argument for price restraint as forcefully as I can to my colleagues in the Agriculture Council. Not one of them supports me in seeking price increases lower than the Commission has proposed. The general cry is for more, and we shall do well if we can hold down the final decision to the level of the Commission's proposals.

I see equally little prospect of getting support for the sort of firm constraints on FEOGA expenditure that you suggest. Only the Germans and the Dutch have joined us in pressing for an expenditure guideline that would limit the increase in FEOGA expenditure to a percentage markedly lower than the increase in own resources and, as you say, they are unreliable allies at best. You will recall how hard the Prime Minister fought for general acceptance of this guideline in the mandate discussions, but without success. I shall continue to argue from the guideline as strongly as I can. But it would be misleading ourselves to suppose that it will decide the outcome of the price-fixing.

/Other member states ...

Other member states will be just as strongly opposed to a limit on the 1983 FEOGA guarantee budget at a level that would really bite. The Commission will argue that the unpredictable nature of production levels and world market prices makes a firm limit unrealistic, and nearly every other member state will agree with them. They will put forward the same argument even more strongly in relation to 1984, which is by definition still less predictable. They will certainly not commit themselves now to take the draconian measures that look like being necessary in the 1984 price-fixing if our own guideline is to be observed. We shall be in a far stronger position to argue the case next year, when the level of expenditure will be undeniable and the need for corrective action self-evident.

As I see it, the real issue for us in the short term is to ensure that the 1983 and 1984 budgets have adequate provision to cover our budgetary refunds and that this provision does not get swallowed up by provision for increased agricultural expenditure. The Prime Minister's success in this week's European Council is clearly a very helpful factor here. Another is the fact that the Agricultural Commissioner is playing down the likely size of a supplementary budget in 1983. I shall do all I can to get him to commit himself not to seek a supplementary budget of more than a billion ecus. And I will canvass my new German and Dutch colleagues for support to this end. I will keep you informed of progress.

I am sending copies of this letter to the Prime Minister, the Foreign Secretary and to Sir Robert Armstrong.

PETER WALKER

13 APR 1964



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C/A

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RESTRICTED



10 DOWNING STREET

From the Private Secretary

21 March 1983

EC/US Relations: Agriculture

The Prime Minister has seen your letter of 17 March enclosing a draft message which Mr. Walker recommends that she sends to President Reagan.

The Prime Minister is concerned that she may be sending too many messages to President Reagan and that the currency is therefore becoming devalued. She would propose not to send the present one yet but would be prepared to look at the possibility again after this week's European Council. I should be grateful if a fresh draft could be submitted in the light of the conclusions of the Council.

I am copying this letter to the Private Secretaries to the other members of OD(E) and Sir Robert Armstrong.

A. J. COLES

Robert Lawson, Esq.,
Ministry of Agriculture, Fisheries & Food

RESTRICTED

src

PRIME MINISTER

EC/US relations: Agriculture

Mr. Walker is very keen that you should send the attached message to President Reagan this weekend. I am not sure why he thinks it so urgent.

Other Whitehall Departments (and David Hancock) think it would be much more sensible to wait until the European Council is over. We shall then know how Commissioners Haferkamp and Dalsager got on in Washington yesterday and shall be able to take account of whatever happens at the Council. If you send the message this weekend the Americans will do nothing with it but simply await results of the European Council.

Agree to consider sending message after the Council?

A. J. C.

18 March 1983

I fear we are sending too many messages to Reagan - 3 or 4 in a week and if the currency is becoming devalued, I fear that one will have to wait. not

010

①

Prime Minister

Agree message to President
Reagan?

A.J.C. 12/3



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

CONFIDENTIAL

A J Coles Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

17 March 1983

Dear John

EC/US RELATIONS: AGRICULTURE

Following my Minister's visit to Washington on 9/10 March, he has agreed with Mr Pym the enclosed message which the Prime Minister could send to President Reagan if she is content, and which I hope is self-explanatory.

I am sending copies of this letter and enclosure to the Private Secretaries of the other members of OD(E) and Sir Robert Armstrong.

Yours sincerely

Robert Lawson

ROBERT LAWSON
Private Secretary

CONFIDENTIAL

DRAFT MESSAGE TO PRESIDENT REAGAN

~~US/EC RELATIONS~~

1. Peter Walker, ^{our} ~~the British~~ Minister of Agriculture, has just returned from two days of talks in Washington about the problems which the UK and the Community have over agricultural trade. He has told me of his satisfaction with the reception he had from members of your Administration, ^{He} ~~and~~ was encouraged by the general agreement among those to whom he spoke that an export subsidy war between the US and the Community must be avoided. It would seriously damage both the US and the Community, and serve no-one's interests but those of the purchasers of food dumped on world markets - not least the Soviet Union.

2. I know, however, that there are strong feelings in the US on this subject and that there are many Americans who believe that the right answer would be ^{to} get rid of the bulk of the US surpluses quickly on the world market, and that this could be done without too serious a risk of effective Community retaliation. ^{Walker heard} Peter ~~picked up~~ reports during his visit suggesting that there may be some in the Administration too (though not among those he met) who believe that this is the right course for you to follow.

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We have
52 ~~Peter had~~ no way of knowing how much weight to attach to these reports, and it may be that they ~~were~~ ^{are} unfounded. But the situation is too serious to allow any possibility of misunderstanding, and I must tell you that any assessment that the Community would not retaliate in the face of aggressive export subsidisation by the US would in my judgement be seriously mistaken. Such action on the part of the US would place those of us in the Community who want to avoid direct retaliation in export markets in a minority. In an escalating trade war, the hand of those in the Community who believe that it should use up its own produce in preference to imports would be greatly strengthened; I have no doubt that their aim would be to achieve a very large reduction in the £9 billion of US agriculture produce which the Community now imports annually. We need your help to stop this happening.

53 You will know that I am far from being an uncritical advocate of the way in which the Community's Common Agricultural Policy works. But in political terms I am sure you will understand that an agricultural trade war would make it more, not less, difficult to get agreement in Europe to the changes that are needed to make it work better. I am convinced

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that the right way forward is for all of us to maintain restraint and concentrate on working out in detail what needs to be done, product by product. I very much hope that the talks the Commissioners concerned are to have in Washington this week will carry that process forward.

§. I would not be writing to you if I did not think that a great deal is at stake. There has never been a greater need for unity between Europe and the US in our approach to world economic problems, ~~and~~ ^{it} seems to me essential that nothing should be done to jeopardise the increased co-operation we must develop if we are to achieve the kind of results that you and I would both like to see at Williamsburg. I have asked Peter ^{Waller} to keep in close touch with Mr Block and Mr Brock over the coming weeks and months. We for our part will do all we can to help find practical solutions to these very difficult problems, and we want to work as closely as possible with you to that end.

CONFIDENTIAL



From the
Minister for Trade

DEPARTMENT OF TRADE
1 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144
SWITCHBOARD 01 215 7877

The Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
London SW1A 2HH

15 March 1983

N. B. P. R.

[Handwritten signature] 16
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f-c.

[Handwritten signature: Sean H. W.]

I am writing to you in Arthur Cockfield's absence overseas about the question of issuing a temporary licence to the Irish Dairy Board in order to restore the control of UHT milk imports to the position that existed prior to the import ban announced on 8 February.

Arthur Cockfield wrote to you about this on 11 March, since when a meeting with the Irish Dairy Board and the Irish Department of Agriculture has been held, chaired by an official of this Department and attended by your officials and representatives of the FCO and the Treasury Solicitor's Department. I understand that at this meeting the Irish Dairy Board said that they would be prepared to abandon their action against the Secretary of State for Trade on condition that they were granted a licence permitting the import of up to 15 tonnes of UHT milk a month into the UK, ie roughly the established trade in this product. The Irish indicated that it was their intention to import the milk through Fleetwood and possibly Cardiff.

I also understand that the Irish Dairy Board agreed to send your officials, within the next few days, a draft statement dealing with the measures taken in Ireland to safeguard the quality of UHT milk. I understand from what was said at the meeting that the statement is likely to be satisfactory from the point of view of UK health requirements. They also raised no objection to your officials visiting their UHT factory to satisfy themselves about the safety standards employed.

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The Irish attached a great deal of importance to the prompt issue of a licence so that UHT milk at present held at Fleetwood could be released without further delay. The purpose of this letter is to let you know that, assuming that a satisfactory statement on the safety aspects can be agreed, and the Irish agree to withdraw proceedings, it is my intention to authorise by the end of the week the issue of a licence permitting the import of up to 15 tonnes of UHT milk a month.

I am copying this letter to the Prime Minister, the Lord Chancellor, Geoffrey Howe, Francis Pym, James Prior, Patrick Jenkin, Norman Fowler, the Attorney General and the Solicitor General.

John Major *PM*

PETER REES

CONFIDENTIAL

two for Cap P+11

15 MAR 1963





From the Secretary of State

CONFIDENTIAL

The Rt Hon Peter Walker MBE MP
 Minister of Agriculture, Fisheries and Food
 Ministry of Agriculture, Fisheries and Food
 3 Whitehall Place
 London, SW1A 2HH

Prime Minister

For information.

MF

A-J-C. 11. 3

11 March 1983

Dear Mr Walker,

As you will know, judgement was given against us in the Divisional Court on Friday in the Chris bananas case. The Judge decided that the Secretary of State for Trade had no legal right to transfer to the Minister of Agriculture, Fisheries and Food effective responsibility for the issue of import licences under the Import, Export and Customs (Defence) Powers Act 1939. The Judge indicated that my Department might consult yours in individual cases, where you had the policy lead, but could not act as a simple "rubber stamp". The Judge concluded that having found for the plaintiff on this point, it was not necessary for him to decide whether or not the banana licensing system itself fell within the policy and objects of our 1939 powers. He did, however, air his doubts on this subject and this may give rise to further action against us in the future.

The Judgement raises a number of serious issues and we are urgently considering whether to appeal against it. My decision on this must clearly take into account its relevance to the case which the Irish Dairy Board has brought against us on UHT milk.

The most immediate question facing us, however, is on UHT milk where we must see whether we can reach an accommodation with the Irish Dairy Board by granting them a temporary limited import licence. I understand that the Solicitor General advises that this is the best course to follow. As you know, neither I nor my officials were aware of the outstanding problems with Ireland when I agreed to ban imports

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From the Secretary of State

CONFIDENTIAL

of UHT milk on 7 February. Had I been so informed, I should have insisted that some special arrangements be made for them since it was quite clear at our discussions on 3 and 7 February that my action to ban imports was purely to maintain the status quo and was not intended to introduce new restrictions into existing trade.

With this in mind, I am, of course, prepared to co-operate with you fully to try to settle the Irish Dairy Board problem. Bearing in mind the need for us to protect ourselves as far as possible against the implications of the Chris bananas judgement I am reluctantly prepared to agree that my officials take the lead in discussions with the Board, relying of course on yours for advice and assistance. My personal view is that we are unlikely to be able to buy the Irish off at this late juncture, but I suppose one ought to try.

I must make the point at this stage that the unavoidably increased involvement of my Department in the exercise of import controls on your behalf is going to have quantifiable resource implications. When I have a clearer idea of what these are, I shall consult you about the necessary adjustments which may need to be made to the staff ceilings of our two Departments.

All of this recent action reinforces the paramount need for quick results from your discussions on a new UHT regime with the Commission and other Member States. We were, perhaps, ~~un~~fortunate that the Judge in the Chris bananas case did not feel called upon to pronounce upon the legal basis for our actions under the 1939 Act. We are clearly working on a shaky basis and whether we appeal that Judgement or not we need an urgent Resolution on the regime to be applied to UHT milk in the wake of the European Court Judgement.

CONFIDENTIAL



From the Secretary of State

CONFIDENTIAL

These developments underline the fact that it is absolutely essential that controls which are essentially matters of food and animal policy should be exercisable by the Minister of Agriculture and not by the Secretary of State for Trade. Any legislation needed to achieve this must be dealt with very urgently.

I am copying this to the Prime Minister, Geoffrey Howe, Francis Pym, Patrick Jenkin, the Lord Chancellor, the Attorney General, the Solicitor General and to Norman Fowler.

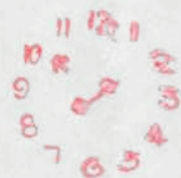
Yours sincerely,

for LORD COCKFIELD

[Approved by the Secretary of State
and signed in his absence.]

CONFIDENTIAL

MAR 1983



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A.S.C. ¹⁴/₁₃

h-a-

*With the Compliments
of the
Deputy High Commissioner*

NEW ZEALAND HIGH COMMISSION
NEW ZEALAND HOUSE, HAYMARKET
LONDON SW1Y 4TQ

[Signature]
11/3/83

EUROPEAN POL

Wellington

11 March 1983

NZ/EC : EUROPEAN PARLIAMENT

THE FOLLOWING STATEMENT WAS RELEASED TODAY BY THE PRIME MINISTER:

2. 'I LEARNED WITH REGRET THAT THE EUROPEAN PARLIAMENT ACCEPTED THE RESOLUTION OF ITS AGRICULTURE COMMITTEE CALLING FOR AN END TO NEW ZEALAND BUTTER EXPORTS TO THE EUROPEAN COMMUNITY AFTER THE END OF THIS YEAR'', THE PRIME MINISTER, THE RIGHT HONORABLE R.D. MULDOON SAID TODAY. 'I UNDERSTAND THAT A GREAT NUMBER OF THE EURO-PARLIAMENTARIANS DID NOT AGREE WITH THIS RESOLUTION, REFLECTING AS IT DOES ONLY THE NARROWLY FOCUSED INTERESTS OF SOME SECTORS OF EUROPEAN AGRICULTURE, AND ATTEMPTED TO HAVE THE PARLIAMENT MAKE DUE RECOGNITION OF THE WIDER NATURE OF THE CLOSE AND COOPERATIVE RELATIONSHIP THAT EXISTS BETWEEN THE EUROPEAN COMMUNITY AND NEW ZEALAND, AND I AM APPRECIATIVE OF THEIR EFFORTS'', THE PRIME MINISTER SAID.

3. THE SENTIMENT EXPRESSED IN THE RESOLUTION IS NOT, HOWEVER, ONE THAT IS SHARED BY THE EUROPEAN COMMISSION NOR THE MEMBER STATES, EXPLAINED MR MULDOON. 'NEW ZEALAND'S NEED FOR ONGOING ACCESS TO THE COMMUNITY FOR ITS BUTTER IS RECOGNISED AND ACCEPTED BY THE EUROPEAN COMMISSION AND THE GOVERNMENTS OF THE 12-MEMBER STATES WHICH DECIDE THE COMMUNITY'S POLICIES AND WHICH ARE APPRECIATIVE OF THE WIDER POLITICAL AND ECONOMIC FACTORS BEHIND NEW ZEALAND'S SPECIAL RELATIONSHIP WITH THE COMMUNITY. NOT LEAST OF THESE ARE THE FINANCIAL AND BUDGETARY BENEFITS THE COMMUNITY ENJOYS FROM ITS COOPERATION WITH NEW ZEALAND IN THE INTERNATIONAL DAIRY MARKET, THE BASIS FOR WHICH MUST BE A CONTINUATION OF ACCESS TO THE COMMUNITY MARKET FOR NEW ZEALAND BUTTER''.



FCS/83/50

MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

UHT Milk: Implementation of the European Court Judgement

1. Thank you for your letter to Douglas Hurd of 9 March. *attached*

2. I realise that, during the initial consideration of this issue in the two or three days immediately preceding the Court's judgement of 8 February, there was an assumption that new primary legislation might be necessary in order to institute new arrangements for the import of UHT milk. But the actual terms of the judgement, which effectively ruled out the idea of any compulsory system of overseas inspection, seem to me to have altered the situation. As Douglas Hurd suggested in his letter of 4 March, the need for new primary legislation is now by no means obvious.

3. As you know, officials of the various Departments concerned considered this question in a meeting at the Cabinet Office on 2 March. It was agreed that the point needed further examination, and that your Department would prepare a paper. Whilst we await that paper, and its proper examination by officials and lawyers, I think it would be premature to foreclose the issue by writing to the Agriculture Commissioner in the terms you suggest. I quite see that his communication needs early acknowledgement. But I suggest that at the moment all that needs to be said to him is that we share his concern that we should be in a position to comply with the Court's judgement as rapidly as possible; that we are undertaking an urgent examination, in the light both of his message and of the preliminary exchanges your officials

/have had

BF 18/3/83

Amint ref from Dr Walla

AR 11/3



have had with the Commission, of exactly what might and might not be possible under existing legislation; and that we will let him know as soon as possible once we have reached a conclusion on the matter.

4. I am copying this minute to those to whom you copied your letter.

A handwritten signature in dark ink, appearing to be 'FP', with a horizontal line underneath.

(FRANCIS PYM)

Foreign and Commonwealth Office
11 March 1983

Envo Pat.
COP, Pt 1

11 MAR 1984

11 12 1 2 3 4
5 6 7 8 9 10

The Rt Hon Douglas Hurd CBE MP
Minister of State
Foreign and Commonwealth Office
London SW1A 2AH

9 March 1983

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGMENT

Thank you for your letter of 4 March on this subject.

The need for primary legislation was generally recognised at the Prime Minister's meeting on 7 February. My officials, before your letter was received, expressed to the Commission the firm view that both primary and secondary legislation would be needed. I have, of course, considered whether the view we took then is affected by the terms of the Court's judgment, but in the light of legal advice I have concluded that new legislation is essential if the control over imports which I need to apply at the frontier in order to protect public health is to be effective and safe from challenge in the Courts. The current threat to our interim ban, to which you allude, is a cogent reminder of the need for absolute certainty on the latter point.

I acknowledge that there are difficulties in this course, but I believe your letter over-estimates them. In particular, the favourable parliamentary and public reaction to the statement I made on 9 February suggests that legislation may not be as controversial as you anticipate. Secondly, the timetable need not be as extended as you suggest: a great deal of preparatory work has already been done, and provided we now move quickly there is no reason why primary legislation should take any longer than the subordinate legislation which will also be necessary. This is a point which I make in the enclosed letter to Mr Dalsager, which I would be grateful if your officials could forward via UKREP, Brussels.

...

/I am copying ...

/ I am copying this letter to the recipients of my original minute, and I shall, of course, be seeking formal clearance for my proposals in the usual way.

PETER WALKER

Mr P Dalsager
Commission of the European Communities
Rue de la Loi 200
1049 BRUSSELS

9 March 1983

UHT MILK: EUROPEAN COURT CASE

Thank you for your telex of 2 March on this subject asking me to communicate details of the measures the UK intends to take to comply with the Judgment of the European Court. My officials had a useful first meeting with yours on 4 March at which they explained in detail what we had in mind and I understand that a further meeting between them will take place shortly.

As regards the need for primary legislation, it is, as you say, for Member States to decide on the measures to be taken in order to comply with a judgment of the Court. I have accordingly given very careful consideration to the various possibilities, and it is clear to me that we shall need both primary and subordinate legislation to implement the arrangements which I described in the final paragraph of my letter of 22 February. I recognise your concern that the need for primary legislation could cause delay, but in practice there is no reason why this should take longer than the subordinate legislation which will also be needed. I am not yet in a position to indicate a precise timetable but we intend to proceed urgently as soon as we have had the necessary discussions with the Commission and Member States and you may be assured that there will be no unnecessary delay.

PETER WALKER

Enrico Peli
KAP, 1941



10 DOWNING STREET

From the Private Secretary

cc FCO
CSec O
DOT
LOD
Butler N10
Mansfield SO
Duss CO
7 March 1983

He

UHT Milk: Implementation of the European Court Judgement

The Prime Minister has seen your Secretary of State's minute of 2 March. She has also seen Mr. Hurd's letter of 4 March. Pending possible comments from other Ministers, the Prime Minister has made no observations on the substance of this matter.

I am sending copies of this letter to John Holmes (Foreign and Commonwealth Office), John Gieve (Chief Secretary's Office), John Rhodes (Department of Trade), Henry Steel (Law Officers' Department), William Haire (Mr. Adam Butler's Office), David Middleton (Lord Mansfield's Office), David Clark (Department of Health and Social Security) and Richard Hatfield (Cabinet Office).

A. J. COLES

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food.

QJ



Foreign and Commonwealth Office

London SW1A 2AH

4 March 1983

From The Minister of State

Rt Hon Douglas Hurd CBE MP

Prime Minister

A.S.C. 4/3

Dear Mr. Walker,

UHT MILK: IMPLEMENTATION OF THE EUROPEAN COURT JUDGEMENT

In Francis Pym's absence overseas, I would like to make two preliminary comments on the approach to this question which you outlined in your minute of 2 March to the Prime Minister.

Since a formal system of compulsory overseas inspection is no longer on the cards, I hope that we can dispense with the need for new primary legislation. There would to my mind be great advantages in avoiding such a course. New legislation would be very controversial. It would give those in Parliament opposed to our membership of the EC a field day; and it would serve to bring the more contentious aspects of the European Community back into the public eye at a highly inconvenient time. Moreover, broad enabling legislation of the kind you suggest always provokes Parliamentary criticism. Moreover, with the best will in the world, the passage of primary legislation would take time, perhaps several months. This would expose us to a period of protracted difficulty with the Commission and our European partners, at just the time when we are seeking to make headway on the Internal Market. It would also heighten the risks that our interim ban on imports, already challenged by the Irish Dairy Board in the Courts, could be struck down - leaving us with a very difficult hiatus.

I therefore think it would be greatly preferable if we can instead have the necessary checks and sampling that we will want to apply to milk imports at the point of entry on existing legislation, including the 1955 Food and Drugs Act. I understand that

/officials

Rt Hon Peter Walker MBE MP
Minister of Agriculture, Fisheries
and Food
Whitehall Place
LONDON SW1

CONFIDENTIAL



officials are considering whether there are any essential elements in the regime of control you envisage which cannot be based on existing powers. It would surely make sense to do what we can to ensure that the new system can be operated without recourse to new legislation.

I am copying this letter to the recipients of your minute.

Yours sincerely
Stefan Lamb

(Approved by Mr Hurd and signed in his absence by his Private Secretary)

CONFIDENTIAL

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CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

4 March, 1983.

②

CAP Price Fixing

The Prime Minister has seen your Minister's letter of 3 March suggesting that she consider writing to the Dutch Prime Minister about the discrepancy between Mr. Lubbers' desire that the Commission's price proposals should be revised downwards, and the public statements of the Dutch Agriculture Minister to the effect that in a number of areas the prices proposed by the Commission are inadequate.

The Prime Minister's preference is to speak to Mr. Lubbers about this matter at the European Council later this month. I should be grateful if the briefs prepared for the Council could take this into account.

I am sending copies of this letter to John Kerr (HM Treasury), Roger Bone (Foreign and Commonwealth Office), and Richard Hatfield (Cabinet Office).

A. J. COLES

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food.

CONFIDENTIAL

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



From the Minister

CONFIDENTIAL

PRIME MINISTER

Prime Minister

I think it would be a bit crude to do this at once
- I suggest you wait a week or so and give Mr.
Lubbers a chance to send his thank-you letter first!
Agree to write in due course?

3 March 1983

A.J.C. 3/3

Also - better to speak
to him re
European Council
no

[Handwritten signature]

At today's Cabinet meeting you stated that the Dutch Prime Minister had informed you that with their inflation rate at only 2% the Commission's price proposals were far too high.

As I commented, the Dutch Agriculture Minister has stated categorically in public in Holland, and at the Council of Ministers meeting, that the Commission's proposals are a reasonable starting point but that there are a number of spheres in which they are inadequate.

We have also had a bi-lateral with the Dutch Minister in which we went through all the commodities. There was none for which they were in favour of a lowering of the price increase proposed by the Commission.

Perhaps therefore you will consider writing to the Dutch Prime Minister describing to him what I have reported to you and asking him whether we in fact are going to have any support in advocating reductions in the increases proposed by the Commission in for example the cereal, sugar, wine and milk prices.

✓ I am sending copies of this minute to the Chancellor of the Exchequer, the Foreign Secretary, and Sir Robert Armstrong.

[Handwritten signature]

PETER WALKER

CONFIDENTIAL

3 - MAR 1900



WHILE THE MACE TOZON 7 1/2

NUMBER OF VICTORIES NUMBER AND FOOD

1/2



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



From the Minister

PRIME MINISTER

ms

Prime Minister

To note, pending possible comments from other Ministers, the arrangements Mr. Walker plans for UHT milk in future.

A.J.C. 2/3

2 March 1983

an A/C attached

UHT Milk: implementation of the European Court Judgment

At our meeting on 7 February I undertook to let my colleagues have before 7 March an indication of my proposals for permanent arrangements for animal and public health controls on imports of UHT milk and cream.

The final shape of these arrangements can of course only be determined after we have had some discussion with the Commission and the interested Member States and my officials will be seeking an early meeting with the Commission for this purpose. As a first step I have written to Dalsager emphasising the UK's intention to comply with the Judgment as soon as possible and that the licensing changes which were introduced on 8 February were intended purely as a temporary stopgap designed merely to preserve the status quo while more permanent arrangements providing for the admission of imports under suitable safeguards are worked out. I have confirmed specifically that there is no intention that the temporary measures should in practice prevent the import of products which could legally be marketed in the UK before the introduction of these measures ie that it is not the intention to prevent existing trade in cream and flavoured milk from continuing.

The Judgment makes it clear that we are entitled to apply measures in relation to imports of UHT milk in order to protect human health. We can lay down objective conditions regarding:

- // (i) the quality of the milk before treatment; and
- // (ii) methods of treatment and packing;

and we can specify:

- (iii) a requirement for official certificates of compliance from exporting member states; and
- (iv) arrangements for testing imports on arrival in the United Kingdom and if necessary refusing entry to consignments that do not conform to the standards laid down.

/The judgment

The judgment also refers to the possibility of co-operation between the authorities of member states making it possible to facilitate and simplify frontier checks. Since such co-operation would be on a voluntary basis it would not be limited by any specific legal provisions and where member states have, for example, indicated their willingness to permit inspections by the UK, such inspections could take place in the context of such co-operation. We shall seek to build on this so as to obtain as much assurance as possible about the standard of milk entering the UHT plants of those member states who wish to supply our market. We shall point out that the greater the assurance we can have on this the more we should be able to simplify frontier formalities and reduce the level and scope of testing that would otherwise be necessary.

Our basic approach will be to seek to apply to imports standards of equivalent effect to the measures we apply to our own production subject to the criteria that we should not seek to impose arrangements which go beyond what can be justified on public or animal health grounds or which would entail applying higher standards to imports than to domestic UK production. We propose to put forward proposals regarding the standards of raw milk entering the UHT plant, for its processing and for the finished product.

As regards the first of these, the quality of raw milk produced in the United Kingdom is maintained at a high level by a combination of legal requirements and commercial practices. At farm level detailed provisions are laid down in our Milk and Dairies (General) Regulations which specify the physical arrangements for milk production and the practices which should be applied by farmers. There are animal health provisions and provisions in the Food and Drugs legislation regarding the health status of dairy cattle. At a commercial level milk is subject to a number of requirements including standards for bacterial quality, for contaminants and residues and for storage temperatures. Where necessary these are backed up by commercial or statutory penalties. As a result some 97% of our milk achieves a bacterial count of 100,000 per ml or better. Continental standards are often significantly lower.

In order to ensure that the quality of milk before treatment meets standards equivalent to those applying in the United Kingdom we cannot realistically expect other Member States to take over identical provisions to those which we apply ourselves. We shall therefore need to lay down some broad criteria and to discuss with the Commission and then with Member States the ways in which they would be able to achieve these. Given the lack of Community harmonisation and the varying practices in different Member States it may not be possible to lay down exactly the same arrangements in all cases but we shall seek to agree with the other Member States concerned arrangements which ensure that the milk used for the purpose of UHT production in countries exporting to the United Kingdom achieves a similar quality to our own.

/The arrangements

The arrangements which are applied for the processing of UHT milk are laid down in specific terms in United Kingdom legislation. Given the low bacteriological quality of much continental raw milk and the importance of the various provisions in ensuring that the UHT process is carried out safely, we shall want the same (or very similar) provisions applied in any UHT plant which is to export to the United Kingdom, including appropriate arrangements for processing, packing, record keeping, control of batches, sampling and testing. In addition we would seek to have at least an initial inspection of any UHT plants preparing milk for export to UK before such exports started.

As regards the finished product we shall wish the export certificate to cover the following points:

- (i) the milk conforms to Community standards for drinking milk (butterfat content);
- (ii) the milk has been tested for bacterial contamination following heat treatment;
- (iii) the milk is free from added water;
- (iv) the milk is safe for sale for human consumption (ie it is free from toxic residues, pesticide residues, antibiotics, trace metal contaminants, and harmful organisms such as staphylococci and salmonella.)

When these discussions with the Commission and other Member States have been completed it will be possible to determine more precisely the terms of the UK legislation necessary, but in general terms I envisage the need for a short enabling Bill giving order making powers to provide for public health controls on imports and parallel regulations filling in the detailed requirement: some less extensive changes to our existing regulations dealing with domestic arrangements may also be needed.

I am sending copies of this minute to those who were at your meeting on 7 February, to Norman Fowler and to Sir Robert Armstrong.

Robert Lara

for PETER WALKER

(Approved by the Minister
and signed in his absence)

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12-MAR-1983

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FROM WASHINGTON 012345Z MAR 83.
TO PRIORITY F C O
TELEGRAM NUMBER 496 OF 1 MARCH
AND TO UKREP BRUSSELS.
INFO EC POSTS, UKMIS GENEVA.

Read in full.

FOLLOWING FROM THOMAS IN SIR O. WRIGHT'S ABSENCE ON WEST COAST.

mt

MR WALKER'S VISIT TO WASHINGTON: 9-10 MARCH.

1. MR WALKER COMES AT A TIME WHEN THE ADMINISTRATION ARE WONDERING WHAT TO DO NEXT AFTER THE EGYPTIAN WHEAT FLOUR SALE AND THE INCONCLUSIVE END TO THE LAST ROUND OF EC-US TALKS. A NUMBER OF NEW MEASURES OF EXPORT SUPPORT ARE UNDER CONTEMPLATION (WE WILL REPORT SEPARATELY), AND CONGRESSIONAL OPINION INCREASINGLY FAVOURS ACTION. THE STATE DEPARTMENT AND THE TREASURY STILL FAVOUR MODERATION. IT IS NOT AT ALL CLEAR WHICH WILL PREVAIL. IT IS THUS AN OPPORTUNE MOMENT FOR MR WALKER TO TRY TO INDUCE GREATER POLITICAL REALITY INTO AMERICAN THINKING, AND TO HELP BREATHE NEW LIFE INTO THE TALKS.

2. AMERICANS TEND TO BE LECTURED AT BY VISITING COMMUNITY OFFICIALS. THEIR MOST RECENT EXPERIENCE WITH A MINISTER (IF ONE DISCOUNTS THE BRIEF VISIT BY MR KOFOED IN OCTOBER) WAS WITH MME CRESSON LAST JULY AND THEY RESENTED THE VEHEMENCE AS WELL AS THE SUBSTANCE OF HER ARGUMENTS. THEY WILL BE EXPECTING A RATHER DIFFERENT MESSAGE FROM MR WALKER. THEY KNOW OF OUR LONG STANDING CRITICISMS OF THE C.A.P. THOSE WHO FOLLOW SUCH MATTERS CLOSELY KNOW OF OUR CONTINUED PRESSURE IN BRUSSELS TO HOLD DOWN PRICE INCREASES CONTROL SURPLUS PRODUCTION AND OPPOSE AGRICULTURAL PROTECTIONISM. THEY HAVE NOTED MR WALKER'S OWN OPPOSITION TO THE COMMISSION'S OVER-GENEROUS PRICE PROPOSALS THIS YEAR. THEY CONCLUDE THAT OUR INTERESTS CONVERGE WITH THEIRS, THAT WE ARE NOT UNHAPPY AT SEEING THE FRENCH DISCOMFITED AND THAT WE PRIVATELY WELCOME THE PRESSURE THEY ARE PLACING ON THE C.A.P. FROM OUTSIDE TO FORCE CHANGES WHICH WE HAVE BEEN UNABLE TO ENGINEER FROM WITHIN. AMERICANS GENERALLY DO NOT PERCEIVE THE POLITICAL REALITIES WHICH UNDERLIE THE C.A.P. NOR THE EXTENT TO WHICH THEIR RHETORIC AND THEIR RELIATORY MEASURES RISK ENTRENCHING THE COMMUNITY'S HARD-LINERS AND FORCING THE MODERATES INCLUDING OURSELVES TO SUPPORT A SOLID COMMUNITY FRONT.

3. AMERICAN POLICY-MAKING ON THIS IS SOMEWHAT CONFUSED. BUT MOST AMERICAN OFFICIAL THINKING NOW CONTAINS THE FOLLOWING ELEMENTS. THEY WANT COMMITMENTS FROM THE COMMUNITY TO RESTRAIN EXPORTS AND KEEP OUT OF CERTAIN MARKETS IN THE SHORT TERM; AND IN THE MEDIUM TERM TO CUT BACK PRODUCTION AND ELIMINATE SURPLUSES.

CONFIDENTIAL

/ THEY ARE

THEY ARE UNCLEAR ABOUT THE RESPECTIVE POWERS OF THE COMMISSION AND THE MEMBER STATES: AND THEY DO NOT APPRECIATE THAT - IN EUROPE AS IN AMERICA - IT IS EASIER TO STOP NEW THINGS HAPPENING (EG THE PROPOSED OIL AND FATS TAX) THAN TO CHANGE INGRAINED POLICIES (EG PHASING OUT DAIRY REFUNDS). THEY THEREFORE BELIEVE THAT THE COMMUNITY IS UNWILLING, RATHER THAN UNABLE, TO CHANGE BASIC POLICIES: AND THAT THIS CAN BE REMEDIED BY GETTING TOUGH. THE FAILURE, AS THEY SEE IT OF THE GATT SUBSIDIES CODE TO RESTRAIN THE COMMUNITY (THEY ARE PARTICULARLY UPSET BY THE PRELIMINARY WHEAT FLOUR RULING) HAS ENCOURAGED THEM TO THINK THAT IF OTHERS CAN GET AWAY WITH SUBSIDIES, THEY SHOULD FOLLOW SUIT.

4. AGAINST THIS BACKGROUND, TOO MANY AMERICANS STILL BELIEVE THAT THEY CAN GET THE EUROPEANS TO ABANDON ELEMENTS OF THE C.A.P. WHICH (WHETHER THE AMERICANS REALISE IT OR NOT) ARE CENTRAL TO THE POLICY: AND THAT THERE IS THEREFORE NO NEED TO CONCENTRATE ON REACHING A PRACTICAL ACCOMMODATION WITH THE COMMUNITY WHICH WILL ALLOW FOR SOME RECOVERY IN US EXPORTS.

IN PARTICULAR:

(A) THEY FEEL STRONGLY THAT THE EUROPEANS HAVE MADE NO REAL EFFORT TO SHARE WITH THE AMERICANS ANY OF THE BURDEN OF PRODUCTION ADJUSTMENT IN RESPONDING TO AN OVER-SUPPLIED WORLD MARKET:

(B) THEY DO NOT APPRECIATE THE EXTENT TO WHICH US PROVOCATION RISKS COMMUNITY RETALIATION AND TRADE WAR COULD PUT THEIR LUCRATIVE AGRICULTURAL MARKET IN EUROPE AT RISK:

(C) THE HARD-LINERS, SUCH AS SENATOR HELMS, DO NOT ACCEPT THAT THE GATT MECHANISMS, FOR ALL THEIR IMPERFECTION, ARE THE ONLY INTERNATIONAL DISCIPLINES AVAILABLE, AND THAT TO ABANDON THEM WOULD DAMAGE THE US POSITION IN GENERAL AS MUCH AS OUR OWN.

(D) PARTLY BECAUSE OF THEIR DISTRUST FOR VILLIAN, THEY DO NOT REALISE WHAT A LONG WAY THEY HAVE ALREADY BROUGHT THE COMMUNITY TO NEGOTIATE, ESPECIALLY SINCE THE GATT MEETING. INSTEAD OF BUILDING ON THIS, THE AMERICANS HAVE MOVED TOWARDS MEASURES (LIKE THE WHEAT FLOUR SALE) WHICH ARE LIKELY SIMPLY TO MAKE THE COMMUNITY REFUSE TO NEGOTIATE UNDER PRESSURE:

(E) AMERICANS EXAGGERATE THE CONTRIBUTION OF THE C.A.P. TO THE CURRENT DECLINE IN US EXPORTS. THEY PREFER TO BLAME THIS, RATHER THAN THE OVER-VALUED DOLLAR, DECLINING WORLDWIDE DEMAND, THE INDEBTEDNESS OF SOME OF THEIR PRINCIPAL CUSTOMERS, AND THE CONTINUING EFFECTS OF EARLIER TRADE EMBARGOES. THEY ATTRIBUTE THE COMMUNITY'S SUCCESS IN WORLD MARKETS TO 'UNFAIR SUBSIDIES', WHILE FAILING TO RECOGNISE THAT THE AGRICULTURAL REVOLUTION HAS TAKEN PLACE IN EUROPE TOO, AND THAT THEY THEMSELVES HAVE EXPENSIVE SYSTEMS OF AGRICULTURAL SUPPORT:

(F) FINALLY, SOME AMERICANS COME CLOSE TO DENYING THAT THE EUROPEANS HAVE A LEGITIMATE PLACE ON WORLD AGRICULTURAL

2
CONFIDENTIAL

/ MARKETS,

CONFIDENTIAL

MARKETS, AND TO ARGUING THAT AMERICA ALONE BECAUSE OF ITS ASSUMED COMPARATIVE ADVANTAGE HAS A VOCATION TO EXPORT. THEY DO NOT YET RECOGNISE THAT WITH THE GROWTH OF AGRICULTURAL PRODUCTION THROUGHOUT THE WORLD, THEY WILL NEVER AGAIN HAVE THE NEAR MONOPOLY OF EXPANDING MARKETS WHICH THEY ONCE ENJOYED.

5. IN ALL THESE WAYS THE ATTITUDES OF AMY AMERICANS TO PROBLEMS OF WORLD AGRICULTURAL TRADE ARE UNREALISTIC. THEY FIND IT DIFFICULT TO ACCEPT THAT THEY THEMSELVES ARE VULNERABLE ON A NUMBER OF CONCRETE POINTS. FOR EXAMPLE DESPITE THEIR CLAIMED COMPARATIVE ADVANTAGE, THEY ARE HAVING TO PAY SUBSIDIES AS LARGE OR LARGER THAN THE COMMUNITY TO PICK UP THIRD COUNTRY MARKETS (LOOK FOR EXAMPLE AT THE FIGURES FOR THE EGYPTIAN WHEAT FLOUR DEAL AND THE MILK POWDER SALE TO MEXICO). IN ADDITION THEY HAVE NO TRADITIONAL ROLE ON THE WORLD DAIRY MARKET, AND THEY WOULD THEREFORE RISK BREAKING THE GATT RULES IF THEY WERE NOW TO USE SUBSIDIES TO DISPOSE OF THEIR SURPLUS DAIRY PRODUCTS. THEY WOULD ALSO BE HURTING THE NEW ZEALANDERS, AND THEY KNOW THAT ANY SIZEABLE QUANTITY OF BUTTER THEY DISPOSE OF CHEAPLY IS LIKELY TO END UP IN RUSSIA.

6. ALL THIS SUGGESTS THAT THE AMERICANS ARE LIKELY TO RESPOND BEST TO A CAREFUL APPROACH WHICH PUTS THE C.A.P. INTO BETTER PERSPECTIVE FOR THEM, BUT AT THE SAME TIME EMPHASISES THAT WE HAVE A COMMON PROBLEM WHICH IN OUR VIEW IS BEST TACKLED THROUGH A CONSTRUCTIVE CONTINUATION OF THE TALKS STARTED LAST DECEMBER, ALWAYS WITHIN THE CONSTRAINTS IMPOSED BY POLITICAL REALITY ON BOTH SIDES OF THE ATLANTIC.

WRIGHT

FCO/WHITEHALL
NAD

THIS TELEGRAM
WAS NOT
ADVANCED

3
CONFIDENTIAL



cc RJ
②

Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000 1st March 1983

A.J.C. 2/3

The Rt. Hon. Peter Walker MBE MP
Minister of Agriculture, Fisheries and Food

Dear Peter

mt

GREEN POUND: UK NEGATIVE MCAs

Thank you for your letter of 28 February. — *will request is required*

As my office informed yours I am happy for you to try to persuade the Commission to delay for a further week the creation of the negative MCA which would emerge under normal community rules, given the possibility that sterling might quickly recover sufficiently to eliminate the gap.

I must emphasise that my agreement is given on the understanding that this delay is for one week only. If the gap persists I do not think we could seriously hope to dissuade the Commission from introducing a negative MCA, nor do I think we should try.

I note what you say about the green pound. But there are many uncertainties in the present situation which may persist for some time, and the possibility that sterling may strengthen cannot be ruled out. I still believe our policy objective should remain to limit the increase in domestic prices of CAP products to 5 per cent or less during 1983. Our green pound policy should be consistent with that objective. If the recent fall in sterling persists it is all the more important that we should do whatever we can to keep the increases in food prices down to this level during 1983, especially given the strong recovery in farmers incomes experienced last year.

I am sending copies of this letter to the Prime Minister, Foreign and Commonwealth Secretary and to Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

Encl. Pol.
CAP 11

4-7-1983



Prime Minister*A.J.C. 16.
2**[Handwritten signature]*FCS/83/34MINISTER FOR AGRICULTURE, FISHERIES AND FOODEC/US Agriculture

1. I am increasingly concerned about the threat of a competitive escalation of agricultural subsidies between the US and the EC, both because of the financial cost and because of the potential damage to wider US-European realtions.
2. Last October (your letter of 22 October) you offered to go to Washington to discuss the whole food export business with the Americans. As you will recall, I thought then that such a visit would be premature, but I think the situation has now changed. Butter sales to the Soviet Union are no longer the salient issue and there is now, if not a Community, at least a moderate Commission position which we can generally support. The Commission and the Americans have had two rounds of talks, following the meeting of George Shultz and other American Ministers with the Commission in Brussels in December. Despite the moderate and friendly atmosphere of these talks, they are clearly not leading to practical results and the feeling on both sides is that things will have to get worse before they get better. Elements in USDA and Congress seem set on having a subsidy war, or at least a battle or two before agreeing to an armistice.
3. It is in our interest to head this off if we can, or at least to ensure there is an armistice before things get out of hand. My officials are consulting yours about getting

/the German



the Germany Presidency to reinforce the Commission's efforts in Washington. But, with their minds on the hustings, a message is probably the most we can expect of them. I shall see President Reagan and other senior members of the Administration, and shall have a meeting with George Shultz, when I accompany The Queen to the West Coast in early March. I shall certainly take the opportunity to raise the issue then. But I think an early visit by you to Washington, where you could go over the ground with Block and other members of the Administration and perhaps also - subject to the advice of Sir Oliver Wright - leading people on the Hill, could do a lot of good. What is needed is some powerful political advocacy, in a firm but conciliatory way, of the need for an accommodation before rather than after a subsidy war which will be costly in every sense. A statement of the European view on this will come even more effectively from a representative of a major Member State, and from you personally, than from the Commission. We should need to consult Sir Oliver Wright, who will be on the West Coast accompanying The Queen between 24 February and 8 March, about timing.

4. What do you think?

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

A handwritten signature in dark ink, appearing to be 'FP', written in a cursive style.

(FRANCIS PYM)

Foreign and Commonwealth Office
16 February 1983

116 FEB 1983



2

PRIME MINISTER

Statement on the Agriculture Council

Most of the questions on Mr. Walker's statement were about the import of ultra-heat treated milk, and the threat that this posed to doorstep deliveries of fresh milk. The Opposition, led by Norman Buchan, tried to paint the Government as complacent about this threat. They said that supermarkets might use imported UHT milk as a loss-leader, and that this would be the end of the doorstep delivery, with a tragic loss of jobs. Mr. Walker said that no Government would want to see the end of our unique doorstep service. He was confident that UHT milk would never pose a threat to fresh British milk, partly because the UK industry provided a competitive service, and partly because UHT milk tasted horrible. He said that his dog was prepared to eat Lymeswold cheese, but not to drink UHT milk! The Government would take care over the drafting of the legislation to ensure that any imported UHT milk met our health standards, and meanwhile imports would be prohibited through the amendment of the Open General Import Licence. This prompted Dale Campbell-Savours and James Lamond to say that in reality Mr. Walker was not talking about health standards, but the protection of the UK dairy industry, and that other parts of the industry ought to receive similar protection.

The Opposition welcomed the Government's resistance to French attempts to link the question of New Zealand butter imports with the question of their exports to the Soviet Union. Mr. Buchan also tried to suggest that the Government should release surplus stocks of cereal to the domestic livestock industry at the same subsidised price as these stocks were exported. Some Conservative Backbenchers expressed concern about the state of the pig industry; Mr. Walker replied that the best hope for the industry lay in the new marketing initiatives on bacon and pork, and that the industry was sufficiently flexible to deal with fluctuations in the market.

9 February 1983

CR

Council of Agriculture Ministers

3.32 pm

The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker): With your permission, Mr. Speaker, I should like to make a statement about the meeting of Council of Agriculture Ministers in Brussels on 7 and 8 February. I represented the United Kingdom with my right hon. Friend the Minister of State.

The Council continued its discussion of the Commission's price proposals for 1983-84. No decisions were taken and the Council of Ministers will resume negotiations on these matters at its meetings in March.

The Council agreed a further one month extension of the arrangements for New Zealand to export butter to Britain in accordance with agreement reached in the Council last October. The French and Irish Governments refused again to lift their reserve on the regulation implementing this agreement. I raised the commitments which the French Government entered into last October in a trade agreement negotiated with the Soviet Union, which the Commission has found to be contrary to article 113 of the Treaty of Rome, and stressed to the Commission its duty to see that the illegal aspects of this agreement were stopped.

During the course of the Council, as the House knows, the European Court of Justice issued its judgment in the case related to United Kingdom imports of ultra-heat treated milk. As I informed my hon. Friend the Member for Devon, West (Sir P. Mills) yesterday, the judgment states that the United Kingdom would be entitled to lay down the objective conditions which it considers ought to be observed as regards the quality of milk before treatment and as regards the method of treating and packing UHT milk of whatever origin offered for sale in its territory.

The Government will study the judgment in detail and will as soon as possible take the steps necessary to comply with it. Our aim will be to provide for the import of UHT milk from other member states subject to its satisfying the same health and hygiene requirements on which, in the interests of public health, we insist for the production and processing of our own milk. The necessary legislation will be set in hand urgently as soon as the details of the judgment have been studied and consultations held with the Commission and with other member states.

Meanwhile, in order to deal with the immediate situation created by the judgment and to retain full safeguards for public health, the Government are taking temporary precautions against the import of unsafe milk by amending the open general import licence so as to prohibit imports while the necessary studies and consultations take place.

Mr. Norman Buchan (Renfrewshire, West): How much progress has the Minister made with the French about New Zealand? Did he make it clear that this country stands by the negotiated agreement for the import of New Zealand butter without any trade-off or ties of any kind? Has he made it clear that that is the view of the whole House?

Secondly, the Minister said very little about prices. Did he adhere to the pledge in his party's last election manifesto that the Conservatives would call for a freeze on the price of products that were in surplus production? In particular, has he called for a freeze on, if not a reduction in, cereal prices?

We support the Minister's action on milk. We cannot tolerate a lowering of the health standards that apply in this country. We need a long-term solution. We cannot allow interference with our dairy industry by the Common Market. There could be serious consequences for the producers, for jobs in the industry and for our old friend the door-to-door delivery. I hope that there will be a guarantee of a long-term solution if not an outright ban. A drop in the consumption of liquid milk, which might well be the result of such imports, would merely force us to contribute even more to the butter mountain.

I have seen representatives of the Consumers Association, as, no doubt, has the Minister. As he knows, the association is anxious about prices, among other things. Is not the most effective way to deal with the price aspect, which affects the entire livestock industry, to ensure that the immense stocks of cereal in this country are released to the livestock industry at the price at which we are willing to subsidise their export? That would help dairy industry prices marginally and pig producers enormously. I hope that the Minister will give an assurance today that he intends so to release those stocks.

Mr. Walker: I believe that not only all Members of the House but the majority of EC countries and the Commission accept that an agreement was reached with New Zealand that was in the interests of both New Zealand and Europe and that it must continue. I think that it is now clear to the French and the Irish that their stand is most unpopular throughout the Community and that no changes can be made to buy their agreement.

On price fixing, any study of cereal and milk surpluses will show that there have been substantial price reductions in real terms and that the period of office of this Government compares favourably with that of previous Governments in this respect.

With regard to UHT milk, I entirely agree that this country is almost unique in having the benefit of regular doorstep deliveries which not only provide high quality milk to the households of this country but perform an important social service for the elderly and others. I certainly do not believe that any UHT milk that complied with or health regulations would have any chance of competing with that. Anyone who has tasted the stuff would find it difficult to drink it instead of the normal product delivered to the doorstep unless there was an enormous price differential. I certainly boast that my dog eats Lymeswold cheese, but it certainly would not drink UHT milk.

Clearly we shall permit only the sale of milk that meets all the appropriate safeguards. Port inspections and so on will be required and we shall have to consider methods of doing that.

The hon. Gentleman referred to cereal prices. If he wishes to reduce cereal prices for livestock feeding throughout Europe, he must consider the substantial budgetary and financial costs involved, which would still have to be met, albeit in a different form, by consumers and taxpayers. There is no easy gimmicky way to cut cereal prices to livestock producers because the price reductions have to be paid for—unless one considers that the prices paid to cereal producers throughout Europe are far too high, and it would be difficult to argue that and to maintain a viable cereal industry in this country.

Mr. Buchan: I think that the Minister is unduly complacent about the possible competitive effect of cheap

Government make it clear, irrespective of any decisions of the so-called assembly, that they will do what is right in the interests of the British people?

Mr. Pym: We have already shown that the Government are a better defender of British interests than the previous Labour Government. The Labour party took part in the European elections in 1979 as did the Conservative party. There are members of the Labour party now in the European Parliament who have a role to play whether the hon. Gentleman likes it or not. They are entitled to use whatever powers they may have. The fact that they are voting on this issue seems to me to be a matter for them. We have the undertaking from the Commission that the bargain that was struck and the deal that was done for the 1982 refunds will occur in all circumstances.

Confederation of British Industry

67. **Mr. Kenneth Carlisle** asked Secretary of State for Foreign and Commonwealth Affairs whether he makes it his policy to assess the views of the Confederation of British Industry in regard to the future development of the European Community.

Mr. Hurd: Yes, Sir.

Mr. Carlisle: Does my right hon. Friend agree with the CBI that it would be a disaster for British industry if we left the Common Market? Does he accept that not only do millions of jobs depend upon our growing exports to the Common Market, by far our largest market, but that foreign firms invest in jobs and factories in this country precisely because we are members of the Common Market.

Mr. Hurd: My hon. Friend is right. Personally, I hope that individual employers will inform their employees of the proportion of that firm's order book and therefore of jobs that depend on free access to the Community.

Mr. Dalryell: What can Foreign Office Ministers think in their reflective moments about supplies from Rolls-Royce to Blohm and Voss and from British Aerospace-Plessey to Aerospatiale Dassault of the most lethal weapons of war to be used, possibly by Argentina?

Mr. Hurd: I do not see that that arises from the question.

Sir Russell Fairgrieve: In the interests of this and other Community policies, may I give added weight to the question asked by my hon. Friend the Member for Chichester (Mr. Nelson)? Will my right hon. Friend ask his colleagues in the Treasury to consider an early, rather than a later, joining of the EMS?

Hon. Members: No.

Mr. Hurd: I note what my hon. Friend says. Like him, I listened to my right hon. Friend's reply. I do not wish to add to it.

Mr. Ioan Evans: When the Minister talks to the CBI will he get its confirmation that, since this country has become a member of the Common Market, industrial putput has fallen by 16 per cent. and that 2 million manufacturing jobs have been lost? Will he have discussions at the same time with the TUC to obtain its views on membership of the Common Market?

Mr. Hurd: The fact that unemployment in this country is bad is not a reason for putting more jobs at risk by withdrawing from the Community.

Council of Ministers

70. **Mr. Roy Hughes** asked the Secretary of State for Foreign and Commonwealth Affairs when he will next be attending a meeting of the Council of Ministers; what subjects will be discussed; and if he will make a statement.

Mr. Hurd: Because of other commitments my right hon. Friend will not be attending the next Foreign Affairs Council scheduled for 21 and 22 February, so I shall go in his place. A written statement of forthcoming business of the Council of Ministers, which included details of the provisional agenda for the February Foreign Affairs Council, was published in the *Official Report* on 31 January.

Mr. Hughes: Should not the right hon. Gentleman be delivering a clear repudiation of the diktat from the Common Market that tries to force down the throats of the British people so-called imported milk in substitution of our own most excellent product that has been so superbly delivered in all weathers for so many years?

Mr. Hurd: I gather that the product to which the hon. Gentleman refers has 1 per cent. of the market. No one is compelling the hon. Gentleman or anyone else to drink the nasty stuff.

Mr. Russell Johnston: Is it not the case that at the meeting of the Foreign Affairs Council the one issue that will not be discussed is any diminution of the powers of the directly elected European Parliament that has been so much criticised in earlier exchanges? Does the right hon. Gentleman agree that if the Government are genuinely interested in a positive policy towards the Community this will mean an increase in the budget and also an increase in the direct power of the European Parliament?

Mr. Hurd: I do not think that we shall be discussing either a diminution or an increase in the powers of the body.

Mr. Dykes: Does my right hon. Friend feel that there is any prospect of the beginning of the development of a common energy policy?

Mr. Hurd: My hon. Friend knows that a start has been made on that matter. He also knows about the proposals that my right hon. Friend and others have made on behalf of this country to develop such a policy. It could certainly be a useful part of the Community's general policies.

Mr. Stoddart: In relation to the import of UHT milk, is it not iniquitous that we should be told by an alien body what we should and should not do about imports? Is it not a disgrace that at the behest of such a body Ministers propose to introduce legislation in this Parliament to alter the law in accordance with the European Court of Justice?

Mr. Hurd: With your permission, Mr. Speaker, my right hon. Friend the Minister of Agriculture, Fisheries and Food is to make a statement on his meetings yesterday. It may be that he will refer to that point.

UHT milk, especially when used as a loss leader by supermarkets. He must take on board the anxiety expressed by dairy traders as well as by milk producers.

Secondly, the Minister seems to be saying that he is content to use taxpayers' money to release cheap cereals to livestock producers abroad but that he is not prepared to do the same for our pig industry. There is no budgetary difference except that we can save our own industry and get cheaper prices.

Mr. Walker: When the Labour Government were in office, neither on butter nor on cereals did they pursue that policy. Their Chancellor of the Exchequer and the Treasury calculated the expense of using that method. It sounds appealing and has great public response, but whichever party is in power, it is unlikely to pursue that course.

Mr. Robert McLennan (Caithness and Sutherland): Will the Minister not pursue a policy just because the previous Labour Government pursued it, and will he look again at incorporation proposals?

With regard to UHT milk, increasingly known as utterly horrible tasting milk, will the Minister give a more precise estimate of the impact on employment? His own officials suggested to the Select Committee on Agriculture that there would be a substantial effect on employment.

Mr. Walker: I agree with the hon. Gentleman about the taste of UHT milk. It has been available in this country for a considerable time. The hon. Gentleman mentioned the possibility of it being used as a loss leader. It has been used as a loss leader. A lower price has been applied to UHT milk. It has never been a success, for good and sound reasons. There is no better value in Europe than the service quality and price of milk delivered to doorsteps in this country. It is of very good value and will continue to be of very good value.

The Commission looked on several occasions at the use of cereals, including the period when the leader of the Social Democratic party was the President of the Commission.

Several Hon. Members *rose*—

Mr. Speaker: I am mindful that there are two abbreviated debates to follow in which a large number of hon. Members have constituency interests. I hope that the hon. Members who are called will ask one quick supplementary question so that we can more quickly reach the main debate.

Sir Marcus Kimball (Gainsborough): Bearing in mind the current price negotiations, will my right hon. Friend confirm that our European partners are seized with the urgency of doing something immediately for the pig industry?

Mr. Walker: As my hon. Friend will know, the pig industry always has had considerable fluctuations because of the speed at which it can increase or reduce production.

One of the disadvantages of our pig and processing industry has been the failure to obtain its proper share of the bacon market. This year substantial improvements have taken place. The pig industry, in my view, has never taken the advantage that the Dutch or Danes have taken in both Europe and World markets. I hope that there will be substantial improvement in our marketing operation in this field in the coming year.

Mr. John Morris (Aberavon): In the light of the Minister's statement that he intends urgently to prepare legislation to allow imports of treated milk, will he recall the complete lack of expedition by France to comply with the judgment of the European Court on the import of lamb from this country? Is it not more important to prepare legislation carefully rather than hurriedly? Will he bear in mind that, although the housewife is buying 15 per cent. of her liquid milk from the supermarket—a figure never anticipated by the trade—if she buys more she will be tempted to buy this dreadful milk and may well upset the balance in the wrong way, thereby losing the advantage of doorstep delivery? Would not that be a tragedy?

Mr. Walker: To lose the advantage of doorstep-delivered milk would be a total tragedy. Any Government in power should do everything possible to ensure that the doorstep delivery service continues for a whole range of reasons which I know the hon. Gentleman supports.

As for supermarket sales in this country, there is a class of people who, because of their accommodation in flats and the times at which they are at home, take advantage of the availability of milk supplies in shops. That is reasonable. I have nothing against it, providing it reaches sensible levels.

Throughout the Government's negotiations with the dairy trade, including the Co-op, and the milk producers, we have done everything possible to retain the doorstep delivery service.

I assure the hon. Gentleman that legislation will be very carefully prepared on the basis of ensuring that the hygiene controls and regulations that we apply are strenuously applied to any milk coming into this country. I assure the hon. Gentleman that the object of port inspections and everything else that is done will be to sustain that state of affairs.

Mr. Geraint Howells (Cardigan): What effects, if any, will the judgment of the European Court have on the future role of the Milk Marketing Board in this country?

Mr. Walker: None. The Milk Marketing Board has been accepted by the Community as a proper, recognised marketing organisation that is of considerable importance not just to milk producers but to consumers throughout the country.

Mr. Colin Shepherd (Hereford): Is my right hon. Friend aware that his resolute and prompt action in defence of the status quo will be welcomed by the milk roundsmen, by the public in the receipt of doorstep deliveries, by the Milk Marketing Board and by the Dairy Trade Federation? Is it not true that there are alarming implications within the judgment for the quality of milk treated by the UHT process? Does not that underline the extraordinary good value of the milk that is put on doorsteps every day?

Mr. Walker: Yes. the Consumers Association, in its report, when dealing with the value of milk put on the doorstep every day, gave a number of selective prices—several of which were out of date—purporting to show how much cheaper milk was in Europe than in the United Kingdom. At present milk in Denmark and in the Netherlands, for example, is similar in price to that in the United Kingdom, but it tends to arrive in cartons and not in bottles, and not at the doorstep but at the shop. Milk in Denmark and the Netherlands has some of the cream

[Mr. Walker]

content extracted from it whereas the milk delivered in this country is whole milk with the appropriate amount of cream.

The price of milk delivered to the doorstep, in view of the service and quality, compares very favourably with that anywhere in Europe, with the exception of Ireland where there is a consumer subsidy on the delivery of milk.

Mr. Thomas Torney (Bradford, South): I agree with much of what the Minister has said, particularly in defence of doorstep deliveries. I remind him of the employment situation in the doorstep delivery service. If we lose or weaken our doorstep delivery service, we shall add substantially to the almost four million unemployed people in this country. What will the Government and the Minister do ultimately to ensure that we keep our doorstep deliveries and keep this horrible milk out of our country?

Mr. Walker: I totally agree with the hon. Gentleman on the employment prospects. The important point about milk delivery is not only that large numbers of people are employed but that they are doing a good job in giving a service to consumers. It is very important to retain that position. In my judgment, maintaining doorstep deliveries and keeping milk production in this country at maximum efficiency are far more important than any threat from a rather bad tasting milk as an alternative. It is important that we ensure that our excellent delivery service, which is unique in western Europe, continues.

Mr. John Townend (Bridlington): Will my right hon. Friend accept the thanks of the milk producers and milk roundsmen in east Yorkshire on the forthright way in which he got over to television viewers last night that this imported milk is much lower in quality, is nasty in taste and does not compare in any way with our home-produced milk?

Mr. Walker: Some of the earlier reports yesterday morning did not take into consideration the fact that UHT milk is very different from the milk we are used to drinking in this country and there would be nothing like the present service. In this country—and this is something on which both sides of the House agree—this is a unique service of immense importance. It provides high quality milk at a very reasonable price.

Mr. D. N. Campbell-Savours (Workington): Is French milk any more unhygienic than British untreated milk? Why not put aside this spurious and silly non-tariff barrier system of keeping out continental milk and instead tell the truth—that we are trying to protect United Kingdom farmers and to plan their trade in a very Socialist way?

Mr. Walker: The hon. Gentleman's statements are totally absurd, especially the use in his argument of untreated milk, which forms a minute proportion of the market. His statements will give great pleasure to the French—but perhaps that was his purpose.

Mr. Robert Hicks (Bodmin): Does my right hon. Friend agree that the most fundamental problem facing British agriculture is the growing imbalance between livestock and cereals? What action does he propose to take to correct the imbalance?

Mr. Walker: At present the price fixing proposals endeavour to ensure that the imbalance between the

rewards for livestock and cereals is corrected, but, in my view, it has not been corrected to a sufficient extent. There is a case for ensuring that the improvement in livestock prices is larger than any changes in cereal prices. That is the Government's attitude on the price fixing.

Mr. James Lamond (Oldham, East): If British milk producers are delivering the right product at the right price at the right time—as the Prime Minister is always asking us to do—why does the Minister seem to find it necessary to emphasise so frequently that French milk is bad and that our delivery service is good? Cannot the customer decide for himself, or is this a case of double standards—protection for the farmers but no protection for the rest of our industry?

Mr. Walker: Actually, the double standards are on the other side. A number of anti-Europeans like the hon. Gentleman say in one breath that they want cheap food imports to lower prices to the housewife and say in the next breath that we should protect our milkmen and producers.

Mr. Albert McQuarrie (Aberdeenshire, East): Will my right hon. Friend expand on what he said to my hon. Friend the Member for Gainsborough (Sir M. Kimball) about the pig industry and to the hon. Member for Renfrewshire, West (Mr. Buchan) about cereal prices? He will be aware of the serious situation now facing the pig industry. Will he undertake to look at this and try to alleviate the problem?

Mr. Walker: Anyone who looks at the post-war position of the pig or poultry industries will find that there have been substantial fluctuations in their fortunes, from very good rewards to very low rewards, because of the speed at which production can be increased. The Government have taken a number of measures that have been helpful to the pig industry. In my judgment, the main scope for improvement is in the marketing of both bacon and pork products. As my hon. Friend knows, we are doing a lot about that at present.

Mr. David Stoddart (Swindon): The right hon. Gentleman will know of my interest in the importation of New Zealand butter. Is he aware that I very much support the stand that he has taken? Is he also aware that many people are worried about the waspish comments of Madame Cresson—who seems to have a long-term contract with "The World at One"—which indicate that she will veto next year's importation of New Zealand butter? Will he give a further assurance about that, because we need it?

Mr. Walker: I give a total assurance. Having done this joyful and happy job in Brussels for the past four years, I know that Madame Cresson is not the first French Minister who has made waspish remarks.

Mr. Anthony Nelson (Chichester): Is my right hon. Friend aware that he will receive widespread support for the prohibition on the importation of unsafe milk? Many of us find it refreshing to have a Minister who not only advances British fisheries and milk interests but is proving extremely adept at playing our European partners at their own game.

Mr. Walker: I am grateful to my hon. Friend, but the Government have always complied with the basic law of the Community and shall always do so. The Community has laid down that we should make changes in our method

of importing this milk, and that we will do. In fairness, it has also laid down that we shall still have the power to apply standards of hygiene and health control that we consider adequate. We must now ensure that those standards are applied on an adequate and effective basis. If that is done, no milk producer in Europe will be able to compete with either our milk producers or our dairy industry, given that they will have to meet the same hygiene standards. We need have no fear from competition if other countries apply the same standards as we do.

Mr. Stanley Newens (Harlow): Does the right hon. Gentleman recognise that, if permission is granted to import any UHT milk, it will undermine the viability of milk rounds somewhere in the country to the detriment of consumers, the dairy industry and farmers? In those circumstances, will he bear in mind that consumers in remoter areas will have less access to milk if it is put on as a loss leader in supermarkets? Will he, therefore, take a firm stand and not concede one iota of these new suggestions?

Mr. Walker: If, as I believe is true, we are better and more efficient at producing milk on the farm than any other country in Europe and that we have the best dairies in Europe, including the Co-op dairies, we have considerable opportunities in the European market, including France. Despite what Madame Cresson suggested, it might be of much more joy to French housewives if good, fresh, English milk were available to them. That might be a possibility.

Mr. Teddy Taylor (Southend, East): If the Common Market succeeds in forcing this unsafe and unhygienic milk into Britain, would it not be a more permanent solution for our farmers if there were some means of dissuading European farmers from producing more milk, dairy products and other food for which there is no demand in Europe and for which we have to spend £7 million a day in subsidy to send to Third world countries?

Mr. Walker: That is an extraordinary remark. The European court has stated categorically that we shall have the power to enforce whatever hygiene standards we consider appropriate. There is, therefore, no problem in terms of hygiene. More than most hon. Members, my hon. Friend tables question after question pointing out to the British housewife the joy of buying food at the cheapest price available in the world. On that basis, he should rejoice at cheap milk coming into the country.

Mr. Ron Leighton (Newham, North-East): Does the right hon. Gentleman agree that a compulsory obligation to allow the entry of French UHT milk is in every way

contrary to the British national interest? Does he accept that the highest court in this land should be this Parliament, not some alien institution that takes a decision which causes him to scurry here to promise the urgent introduction of legislation? Does not this issue point to the folly of ceding some of the powers of this Parliament in 1972? Should not we seek to repatriate those powers as soon as possible so that decisions on what is in the interest of British milk producers are taken in the House of Commons?

Mr. Walker: The hon. Gentleman knows that when in office the Labour party decided to renegotiate our terms of membership, and as part of those terms the Labour Government accepted the jurisdiction of the European Court.

Mr. Hal Miller (Bromsgrove and Redditch): Having listened to the protestations of Labour Members, does my right hon. Friend recollect that it was under a Labour Government that the right hon. Member for Deptford (Mr. Silkin) allowed UHT cream into the country without apparent regard to health safeguards?

Mr. Walker: Fortunately, I have no responsibility for the activities of the right hon. Member for Deptford (Mr. Silkin).

Mr. Eric Deakins (Waltham Forest): Perhaps we can come back to the price negotiations in Brussels with which the Minister dealt cursorily in his statement. What are the major areas of disagreement between the member states and the Commission? Is the Minister opposing the continuation of the milk co-responsibility levy? What positive proposals has he put forward in these discussions to reduce the cost of the CAP both to the British housewife and to the British taxpayer?

Mr. Walker: In answer to the hon. Gentleman's first point, there are many conflicting views and much disagreement at this stage. The hon. Gentleman talks about my statement being cursory, but, as everyone knows, at this stage of the year there is a process of general rounds of the table, and everyone gives a long list of what they would like ideally to have, but of course none obtains the full list. That is the basis. It has gone on year after year, including those years when the Labour party was in power. It is perfectly reasonable. During the time that I have been responsible for the price negotiations, in real terms the increases in farm gate prices and in food prices to the British housewife have been much lower than during the time of my predecessors. I hope that that splendid trend will continue.

Liverpool, Wavertree (Circulation of Leaflet)

4 pm

Mr. Malcolm Thornton (Liverpool, Garston): On a point of order, Mr. Speaker. On Tuesday 1 February, my hon. Friend the Member for Liverpool, Wavertree (Mr. Steen) raised a point of order with you about the circulation in part of his constituency of a leaflet by the hon. Member for Liverpool, Edge Hill (Mr. Alton) to support his candidature for a seat that has not yet been officially designated by the Boundary Commission. You gave a clear steer in your remarks when you said:

"Since 4 o'clock a Sub-Committee of the Select Committee on Services, to which I turn for advice on such matters, has been considering this very leaflet".

You said that you would be advised on it at some future stage. You went on to say:

"I think that it goes further than the hon. Gentleman thinks. We want some guidelines for hon. Members who will be in real difficulty. Perhaps at a later date I shall make a statement to the House when I have received the distilled wisdom of the Committee and have had a conference on the matter".—[*Official Report*, 1 February 1983; Vol. 36, c. 156.]

To many of us who often find ourselves in a difficult position that was most useful.

I learnt at lunchtime today—in other words, long after your statement—that the same leaflet had been circulated in a part of my constituency of Garston. I regard that as a flagrant abuse of everything that this House stands for. I regret that the hon. Member for Liverpool, Edge Hill is not in his seat. I put a note on the board informing him that I was raising this point of order. Although it is not a matter for the House that the hon. Gentleman's unseemly scramble for the seat has caused grave embarrassment to his leader and his alliance friends, it is a flagrant abuse of the conventions of the House, and it has been taken in

deliberate contravention of your statement of last week. It is a matter to which, in my opinion, the House should have regard.

Mr. Anthony Steen (Liverpool, Wavertree): Further to that point of order, Mr. Speaker. Besides distributing this scurrilous leaflet in my constituency, purely for political ends, the hon. Member for Liverpool, Edge Hill (Mr. Alton), since your ruling, has accepted an invitation to address students from one of the wards in my constituency, which is not in his constituency and which—

Mr. Speaker: Order. The hon. Gentleman is making a mistake. The only thing that concerned me was the use of the House of Commons emblem for distribution of leaflets by hon. Members. Wherever hon. Members distribute them is their concern. Normally, as I said privately, people like to issue their own party propaganda without bringing the House into it. The Sub-Committee to which I referred decided to refer the matter to the major Services Committee. I understand that it is deliberating on the matter. I hope that all right hon. and hon. Members will bear that in mind until I am in a position to give a ruling. As the house will know, I do not automatically say to the House what the Committee says to me, but I need its advice before I give a ruling to the House.

Later—

Mr. Steen: On a point of order, Mr. Speaker. I seek your guidance on the point of order raised earlier—

Mr. Speaker: Order. We finished with that matter a while ago. I certainly was not joining in comments on the content of the document. I want to make that clear. What was brought to my attention was the use of the emblem of the House for party political purposes. That is the matter under consideration, and we must leave it there for the time being.



Mr. Major

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

W Rickett Esq
Prime Minister's Office
10 Downing Street
LONDON
SW1

9 February 1983

Dear Willie

COUNCIL OF AGRICULTURE MINISTERS: 7 - 8 FEBRUARY 1983

- ... I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.
- ✧ I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office) and to Private Secretaries of the other Agriculture Ministers and members of the OD(E).

Yours ever

David Dawson

PP ROBERT LOWSON
Private Secretary

COUNCIL OF AGRICULTURE MINISTERS ON 7 AND 8 FEBRUARY
DRAFT STATEMENT

With permission, Mr Speaker, I should like to make a statement about the meeting of the Council of Agriculture Ministers in Brussels on 7 and 8 February. I represented the United Kingdom with my right hon Friend, the Minister of State

The Council continued its discussion of the Commission's price proposals for 1983/84. No decisions were taken and the Council of Ministers will resume negotiations on these matters at its meetings in March.

The Council agreed a further one month extension of the arrangements for New Zealand to export butter to Britain in accordance with agreement reached in the Council last October. The French and Irish Governments refused again to lift their reserve on the regulation implementing this agreement. I raised the commitments which the French Government entered into last October in a Trade Agreement negotiated with the Soviet Union, and which the Commission have found to be contrary to Article 113 of the Treaty of Rome, and stressed to the Commission their duty to see that the illegal aspects of this agreement were stopped.

During the course of the Council, as the House knows, the European Court of Justice issued its judgment in the case related to UK imports of ultra-heat treated milk. As I informed my hon Friend, the Member for West Devon yesterday, the Court judgment states that the United Kingdom would be entitled to lay down the objective conditions which it considers ought to be observed as regards the quality of milk before treatment and as regards the method of treating and packing UHT milk of whatever origin offered for sale on its territory.

The Government will be studying the judgment in detail and will take as soon as possible the steps necessary to comply with it. Our aim

will be to provide for the import of UHT milk from other member States subject to its satisfying the same health and hygiene requirements on which, in the interests of public health, we insist for the production and processing of our own milk. The necessary legislation will be set in hand urgently as soon as the details of the judgment have been studied and consultations held with the Commission and with other member States.

Meanwhile, in order to deal with the immediate situation created by the judgment and to retain full safeguards for public health, the Government is taking temporary precautions against the import of unsafe milk by amending the Open General Import Licence so as to prohibit imports while the necessary studies and consultations take place.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
PARLIAMENTARY QUESTION

Question No: Written 130

Date: Tuesday 8 February 1983

SIR PETER MILLS (Conservative - West Devon): asked the Minister of Agriculture, Fisheries and Food, what action he is taking on ultra heat treated milk imports.

MR WALKER

The European Court of Justice has today issued its judgment in the case dealing with UK imports of ultra heat treated milk. The Court finds our present arrangements for licensing imports of ultra heat treated milk and for applying certain requirements to the sale of such milk, to be contrary to Community law. On the other hand, the Court judgment states that the United Kingdom would be entitled to lay down the objective conditions which it considers ought to be observed as regards the quality of milk before treatment and as regards the method of treating and packing UHT milk of whatever origin offered for sale on its territory.

The Government will be studying the judgment in detail and will take as soon as possible the steps necessary to comply with it. Our aim will be to provide for the import of UHT milk from other member States subject to its satisfying the same health and hygiene requirements on which, in the interests of public health, we insist for the production and processing of our own milk. The necessary legislation will be set in hand urgently as soon as the details of the judgment have been studied and consultations held with the Commission and with other member States.

Meanwhile, in order to deal with the immediate situation created by the judgment and to retain full safeguards for public health, the Government is taking temporary precautions against the import of unsafe milk by amending the Open General Import Licence so as to prohibit imports while the necessary studies and consultations take place.

PART 10 ends:-

MAFF to Ch/Ex 8.2.83

PART 11 begins:-

MAFF to WR 9.2.83

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