



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
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From the Minister

The Rt Hon Lord Carrington PC KCMG MC
Secretary of State for Foreign and
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Foreign and Commonwealth Office
Downing Street
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NBA

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CONFIDENTIAL

28 February 1980

Albee

CAP PRICES

Thank you for your minute of 15 February. I was grateful also for Geoffrey Howe's comments in his letter of 15 February and for George Younger's in his to you of the same date. I shall be circulating shortly a paper for discussion in OD(E). Meanwhile, I am not expecting any final positions to be taken up at next week's meeting of the Agriculture Council except on sugar where the Presidency intend to try to reach an outline agreement or to decide to roll forward the present quotas for another year.

As you said, the inclusion in the reference period of 1979/80 lessens the discrimination against us a little - but not much. The new proposal would leave us with an unchanged A quota of 936,000 tonnes and give us a small B quota of about 74,000 tonnes. At 1.01m tonnes our new maximum quota would represent a cut of 24% from our present maximum quota (compared with a cut of 30% under the previous proposal). The revised proposal would cut our present production level (1.154m tonnes) by some 15%. This year's production is not the result of exceptional yields.

We should thus suffer a serious cut back not only in production but in potential expansion if we were to accept the present Commission proposal which imposes more severe sacrifices on us than on most other Member States.

Given normal yields we can expect this year's crop to be repeated or exceeded next year. This would, of course, strengthen our negotiating hand if the present quota regime were to be rolled forward for another year as the Presidency favour.

Continued/

An early decision on sugar is increasingly pressing with the beet growing season now approaching. But, at next week's meeting, I shall continue to press as hard as I can for a definitive settlement which would need to include a fair quota figure for the UK. It is difficult to judge how the discussions will go. It is possible that the Presidency and other Member States will press for a roll forward of this year's quotas if a definitive settlement looks remote. I should need, if necessary, to agree to an extension for a further year rather than accept any partial solution which would not ensure for us a reasonable quota figure.

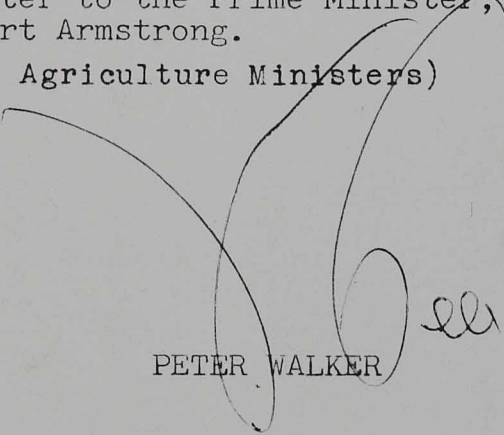
Turning to the milk proposals, I am sure that we must adhere to the decision in OD(E) to agree to an increase in the basic co-responsibility levy only if this does not discriminate against the UK industry. Agreement to arrangements which discriminated against our producers would not only be very damaging politically at home, but would also be seen as capitulation to those who argue that the milk (and other) regimes should be used to support the inefficient peasant farmer at the expense of the efficient producers. The additional exemption proposed for the basic levy could turn into the thin end of a very thick wedge.

As to the supplementary levy, I shall avoid taking up a firm position at next week's meeting. But I am very doubtful whether we shall be able to accept this proposal. It would imply that the costs of any future expansion in the UK would have to be borne by our producers or consumers, while producers elsewhere, many of whom are less efficient than our own, would continue to be underpinned by the Community Budget. I shall, however, develop my thinking more fully in the paper to OD(E).

I do not think I need to comment on other commodities before next week's meeting. I shall, of course, cover them fully in my paper to OD(E).

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

(Also copied to other Agriculture Ministers)


PETER WALKER



29 FEB 1960

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