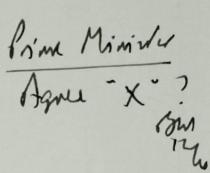


PM/79/53

PRIME MINISTER



- 1. At their meeting this morning the Sub-Committee on European Questions (OD(E)) considered two papers by the Minister of Agriculture.
- 2. The first outlined his approach to the forthcoming Common Agricultural Policy price negotiations, which are due to begin at the 18 June Agriculture Council, and was endorsed by the Sub-Committee on the basis of paragraph 4 of his memorandum OD(E)(79)13. (copy attached).
- 3. The second paper OD(E)(79)12 proposed a $7\frac{1}{2}\%$ Green Pound devaluation from 1 July together with a further devaluation of 5% on pigmeat. The Sub-Committee were unable to reach agreement on this proposal. This was mainly because such a devaluation would increase the retail price index by 0.5% which would be in addition to any increases attributable to tomorrow's budget; a devaluation of this order would also leave little room for further Green Pound devaluation to offset agricultural cost increases in future years.
- 4. This issue needs to be settled before the Agriculture Council on 18 June. I therefore suggest that the proposed devaluation of the Green Pound be discussed at this Thursday's Cabinet on the basis of a memorandum by the Minister of Agriculture (already commissioned by the Sub-Committee) covering both CAP prices and the Green Pound.
- 5. I am copying this minute to all members of OD(E) and to Sir John Hunt.

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(CARRINGTON)

Foreign and Commonwealth Office 11 June 1979

