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



From the Minister

30 December 1980

PRIME MINISTER

A handwritten signature in blue ink, appearing to read 'D. G. ...', is written over the typed name 'PRIME MINISTER'.

1981 CAP PRICE FIXING

1. The Chancellor sent me a copy of his minute to you of 19 December on this subject.
2. The new Commission will undoubtedly be under pressure not only from the farmers' lobby but also from certain Governments to come forward with proposals for price increases much higher than we shall find acceptable. I agree, therefore, that it is important that we should seek to influence the new Commission's thinking before it finally takes decisions on its proposals early in the New Year.
3. We are unlikely to have much impact on the price increase proposed unless we are ready to take up a clear position as the Chancellor suggests. But an average increase of 4 to 5 per cent - with the clear implication that the increases for the main surplus commodities including milk and beef should be less - will be difficult to reconcile with the outcome of the Annual Review of the state of our own industry which will be revealed in the White Paper due to be published in January. Whatever we say to the Commission on prices must be expected to leak out. We have therefore to be prepared to answer questions about the line taken. In addition we face the political difficulty of justifying the final settlement if the price increase is significantly above what we have advocated.
4. Having said this, I agree with the Chancellor's view that we must advocate a low price increase and I accept his proposal that we argue for an average increase not higher than 4 to 5 per cent. If the point is raised, I should have to make it clear that we were not assuming any revaluation of the green pound. It will be necessary to decide how precisely this figure is presented to the Commission. I propose to deal with this in the paper that I shall be circulating to colleagues next week on the line we should take more generally with the Commission on its ideas for CAP reform.

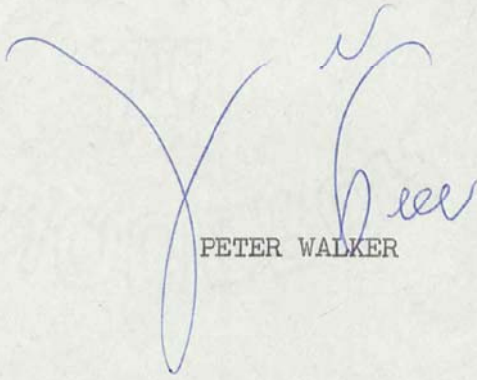
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5. Before the negotiations begin, we shall of course need to take a view on what our detailed aims should be on prices and related issues. This must depend in part upon the content of the proposals that eventually emerge from the Commission. I plan to circulate a paper to colleagues discussing the issues with which we shall be confronted as a basis for deciding our essential objectives and the tactics to be followed. If colleagues would wish to have a preliminary discussion of this before the price proposals emerge, I shall be ready to circulate a paper along these lines for discussion in the third week in January.

6. I am copying this minute to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Secretary to the Cabinet.



PETER WALKER

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