

PRIME MINISTER

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to Peter

Before Christmas, the Chancellor suggested that we should try to get the Commission to bring forward proposals for only a 4-5 per cent increase in agricultural prices in 1981 (Flag A). Peter Walker (minute below) has now agreed to this approach, despite the difficulties which it may cause domestically.

Mr. Walker suggests that he will have to be prepared to make it clear that he is assuming no Green Pound revaluation. He intends to circulate a paper to colleagues next week, dealing with more general proposals on CAP reform, but also touching on the handling of this specific proposal.

Mr. Walker also offers to circulate a paper for discussion in the third week in January on essential objectives and tactics for the price negotiations. This would be in advance of the emergence of the Commission's price proposals.

Content to await Mr. Walker's paper next week before deciding whether collective discussion is necessary on the handling of the 4-5 per cent figure - this appears unlikely?

Do you wish to take up Mr. Walker's offer of a preliminary discussion about the tactics for the price fixing in the third week in January?

Yes - if the price increase was not to be higher, we shall have to consider revaluation of the Green f.  
not.

2 January 1981