

SUBJECT

CONFIDENTIAL

JS.

cc Kester



File Euro Pd

10 DOWNING STREET

From the Private Secretary

1 April 1981

Dear Kate,

AGRICULTURAL PRICE NEGOTIATIONS

The Prime Minister had a meeting this afternoon to discuss the stage then reached in the agricultural price negotiations in Brussels. The Chancellor of the Exchequer, the Lord Privy Seal, the Secretary of State for Scotland, the Chief Whip and Mr. Franklin were present.

It was agreed that the proposed price package as described in telegrams from UKREP Brussels would probably be broadly acceptable to the farming industry. However, concern was expressed about the consequences for our negotiations on the Common Fisheries Policy of finalising the package at this stage; about its impact on consumers in this country and its reception by the fishing industry; and about its implications for the future growth of agricultural surpluses and for the restructuring of the budget. It was acknowledged that, given the way the negotiations had developed, it would now be very difficult for the Government to take a line which implied a direct link with progress in the negotiations for a Common Fisheries Policy.

At the conclusion of the discussion, the Prime Minister said that the present package needed to be improved in four respects:-

- (a) the 25 per cent reduction in the butter subsidy should be eliminated;
- (b) some additional clawback should be achieved on sheepmeat. The reference point should be the export quality price as opposed to the ordinary market price;
- (c) there should be effective measures to limit the growth of milk surpluses. The present formula was inadequate. There should be no additional budgetary provision for milk until the Commission had proposed, and the Council had agreed, new measures designed to offset any additional costs and contain the growth of the surpluses;
- (d) given that general agreement on an undertaking to limit the growth of agricultural spending could not be achieved, the UK position should be entered clearly in the minutes of the Agriculture Council Meeting.

/ The points

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These points were to be pursued by the Minister of Agriculture when negotiations were resumed in the Agriculture Council. If he was unable to achieve them he should report back to the Prime Minister by telephone, if necessary seeking the adjournment of the Council while he did so.

The foregoing was conveyed to the Minister of Agriculture by telephone at 1545 this afternoon.

I am sending copies of this letter to John Wiggins (HM Treasury), Stephen Gomersall (Lord Privy Seal's Office), Godfrey Robson (Scottish Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. O'D. D. ALEXANDER

Miss Kate Timms,
Ministry of Agriculture, Fisheries and Food.

26