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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Nigel Lawson MP
Treasury Chambers
Parliament Street
London
SW1P 3AG

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7 January 1985

Dear Chancellor

REVIEW OF THE COMMON AGRICULTURAL POLICY

1. Thank you for your letter of 11th December. You will also have seen Geoffrey Howe's minute of 10th December and the comments of the Prime Minister.
2. I very much take your point that any initiative to set up an independent review must not serve as an alibi for those who want to dodge the difficult decisions still facing us, and particularly at the forthcoming price fixing. But I believe this danger to be more apparent than real, precisely because of the existence of the financial guideline. That will provide the effective limit for the negotiations as well as obliging the Commission to make realistic proposals and stick to them. The fact that an independent review has been commissioned will not prevent decisions having to be taken at the 1985 price fixing. Our aim would of course be that when the conclusions of the Review eventually become available it would help with the decisions which will have to be taken in future years.
3. It has been suggested that we already know what is wrong with the CAP and that an independent study is therefore unnecessary. It is true that the more glaring defects of the CAP are obvious. It is also true that we have identified and advocated - often without much support or success - some of the more obvious remedies. But the fact of the matter is that agriculture within the existing Community is a complex industry and will become more so with the accession of Spain and Portugal; the EC's support arrangements are extremely diverse; and the economic, social and political factors which go into the make-up of policy are varied and conflicting. Future prospects of technology, consumer demand and trading conditions justify careful analysis. And there are some very real questions about the balance of policies affecting agriculture and conservation and the effects of agricultural policies on particular regions (Douglas Hurd has

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commented on this). Finally, our viewpoint on the CAP is not the same as that of our Community partners: they by no means see its faults in the same way as we do. We should therefore be unwise to underestimate the problems which we face in moulding the CAP more in the direction which we would favour.

4. But even if it were true that everyone knew more or less what to do, it would by no means follow that an independent study would be worthless. A principal advantage would be in forcing my agricultural colleagues to take account of the longer term. At present they are all too prone to take the easy short-term option. Simply bringing together present facts and some sensible predictions about the future course of supply and demand could help to concentrate the minds of the Agriculture Council and influence the political climate within which decisions are taken. It seems to me virtually inevitable that an independent and qualified group looking at European agriculture would be bound to conclude that further restraint on support and more vigorous efforts to improve market balance were necessary over a prolonged period. This should strengthen our hand in getting the CAP changed in directions that we would like to see. It could help to avoid abrupt policy decisions such as the imposition of milk quotas at the 1984 price fixing. It could help to make such decisions, if not more palatable, at least more explicable to the farming communities.

5. I did not of course pursue the idea at the December Council in view of the doubts expressed. But we know that the Italian Presidency have been thinking along similar lines. I shall be seeing Signor Pandolfi in Rome tomorrow and will have the opportunity to learn more about his thinking. I will then report further to colleagues so that we can reach a common position.

6. A copy of this goes to the Prime Minister, the Foreign and Commonwealth Secretary, the Secretaries of State for Scotland, Wales and Northern Ireland, the Lord President of the Council, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

Yours Sincerely
C. Healey

Jd

MICHAEL JOPLING
(Approved by the Minister and
signed in his absence)