

CGPC

CONFIDENTIAL

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



From the Minister

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury  
Parliament Street  
London SW1P 3AG

NBM  
AT 20 rel  
CM 2/1/2

11 February 1985

1985 CAP PRICE FIXING

I refer to your letter of 6 February.

Officials are due to consider our line at this year's price fixing on 13 February on the basis of a paper from my Department. We can consider any outstanding points thereafter at the meeting of OD(E) which has already been arranged for 19 February, ie well before the meeting of the Agricultural Council on 25/26 February.

I agree with many of the points you make, but I have no wish to anticipate the debate in OD(E), since I am sure it is best to consider matters properly on the basis of a presentation of all the facts rather than to adopt a piecemeal approach. I would merely comment at this stage that the national interest in the price fixing has many facets, including not only financial aspects, important though they are, but also, for example, the interests of consumers and producers and other less tangible but real considerations such as the effect of our line on our overall position in the Community. We will need to agree a policy which balances all relevant factors.

I am copying this letter, as you did yours, to the Prime Ministers, to other members of the Cabinet and to Sir Robert Armstrong.

MICHAEL JOPLING



Guo Pol: CAP: Pt 13

11 FEB 1965

LIBRARY  
UNIVERSITY OF  
TORONTO

11 FEB 1965





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

6 February 1985

The Rt. Hon. Michael Jopling MP  
Minister of Agriculture, Fisheries and Food

*John Michael*

*ms*

**CAP**

I have been giving some thought to our objectives for forthcoming negotiations on the CAP following the progress made last year on the Fontainebleau rebate system and the agreement on EC budget discipline. I have been particularly disturbed by the signs that Community Agriculture Ministers, not least the German, will be seeking price increases that make no economic or budgetary sense. It is clearly going to be a major struggle to contain costs over the coming year.

Our principal objective in all future negotiations must continue to be to minimise the very considerable resource costs of the CAP to the UK. Provided we can put the arrangements satisfactorily in place, the Fontainebleau agreement will moderate our net budgetary contribution to CAP expenditure in other Member States and the budget discipline agreement should (if strictly implemented) gradually - but only gradually - reduce the share of Community spending devoted to agriculture. But budget discipline will not work unless the Commission and the Agriculture Council take stringent decisions on price levels and to limit the open-ended nature of many CAP support regimes which they have not so far shown many signs of being willing to do.

Ideally, the chronic and increasing surpluses, in most of the major agricultural commodities which the Community now produces, should be tackled by radical reforms. Options might include:

- (i) drastic cuts in real prices levels to eliminate surpluses. (In 1981 it was calculated that real cuts of the order of 25-33 per cent might be required to achieve this);
- (ii) a move to generalised deficiency payments instead of reliance of intervention (but target prices would have to be substantially lower than current levels to make this cheaper than the present system);
- (iii) nationally financial<sup>ed</sup> income aids to support smaller producers for social policy reasons.

I hope that such radical changes could be considered in any long term review of the CAP which may be set up after this year's price fixing. You will wish to consider this in relation to the proposal in your letter of 7 January, which we shall need to consider collectively before anything is set in train. But I fear that none of these options is remotely negotiable in the short term.

*2.13*

*4*

*Prime Minister*

*CDP 7/1*





Against that background, I am sure that we should concentrate our effort on the more limited objectives which we set ourselves before Christmas for the 1985-86 price fixing, building on the progress made last year: viz.

- (i) strict adherence to the financial guideline;
- (ii) continued price restraint (including a zero norm increase for all products in surplus);
- (iii) strict application of existing guarantee thresholds (including the retention of the milk quota regime and the full 5 per cent cut in cereals prices) and, where appropriate, the introduction of new ones;
- (iv) parity of treatment between northern and Mediterranean products.

I recognise that the proposals which the Commission have just adopted are relatively stringent compared with previous exercises but they still contain some serious weaknesses from our point of view. I am particularly concerned by the suggestion that agricultural expenditure in 1985 will now substantially exceed the 19.3 billion ecus implicitly accepted as unavoidable in last year's budget negotiations. Unless we can correct this, our task of obtaining Parliamentary approval for supplementary finance in 1985 will be even more difficult than is already likely to be the case. The proposals on milk and cereals are not as stringent as we would have wished and show no signs of dealing with the fundamental problem of the substantial surpluses in both sectors. Finally, although the Commission insist that the proposals will keep expenditure within the guideline, they have not demonstrated this in accordance with the terms of the budgetary discipline agreement and we shall need to probe this further.

No doubt you will soon be circulating a fuller analysis of the Commission's proposals. I hope that we can agree that we need to have an early Ministerial discussion of how best to advance our agreed objectives before the next meeting of the Agriculture Council on 24 February. In my letter of 7 December I have already suggested that officials should prepare papers on the beef premium scheme and on the practicalities of further quantitative restrictions (in case, as seems likely, we are unable to persuade other member states to agree to a sufficiently stringent prices policy). I trust that work on these aspects can now be expedited so that we can have an informed discussion of the main issues very soon. In my view, our overriding objective must remain the need to demonstrate that the budget discipline agreement we strove so hard to secure can be made to work in the agricultural sector. Our position on individual issues which may arise in the negotiations must at all times be seen to be consistent with this objective. This means that it cannot be right this year to pursue specific UK farming interests such as the retention of the beef premium scheme and reductions in our negative MCA, if this would undermine any chance of a satisfactory overall settlement.

I am sending copies of this letter to the Prime Minister and other Cabinet colleagues and to Sir Robert Armstrong.

NIGEL LAWSON



7 FEB 1965

11 12 1  
10 2  
9 3  
8 4  
7 5





From the Minister

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

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

1) AT  
2) NBPM  
CDP/92.

6 February 1985

Dear Chancellor

REVIEW OF THE CAP

Thank you for your letter of 16 January on this subject.

In the price proposals which they have now published, the Commission have said that they intend "to provoke a debate before the middle of 1985 in the context of the Community bodies and with the professional organisations concerned in order to define the future prospects for European Agriculture." They see this as the means of arriving at a clearer definition of the framework and instruments for the future. I have to say that this is not the sort of independent review which I have had in mind. I fear that it may be too much influenced by established Commission thinking. But we may have missed our chance of securing a Council initiative for an independent review. We need now to consider how to react to the Commission's proposal. I understand that Mr Andriessen may well launch this at the Agriculture Council in February.

I agree that there is a need for inter-departmental discussion before then. My officials will be putting a paper round setting out our thinking.

I am sending copies of this letter to the Prime Minister, the Foreign and Commonwealth Secretary, the Secretaries of State for Scotland, Wales and Northern Ireland, the Lord President, the Lord Privy Seal, the Chief Whip and Sir Robert Armstrong.

Yours Sincerely  
C. (Hewson)

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



Europ. 101 : Cap : Pt 13.

0001121  
0001121  
0001121  
0001121  
0001121  
0001121  
0001121  
0001121  
0001121  
0001121

16 FEB 1985