

GRS 800.

CONFIDENTIAL

CONFIDENTIAL

FRAME AGRICULTURE

FM PARIS 211730Z FEB 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 146 OF 21 FEBRUARY

INFO PRIORITY UKREP BRUSSELS

INFO SAVING ATHENS, BONN, BRUSSELS, COPENHAGEN, DUBLIN, THE HAGUE, LUXEMBOURG AND ROME

FRENCH VIEWS ON CAP PRICES 1985/86

SUMMARY

1. SOME INDICATION OF THE FRENCH POSITION ON CAP PRICES AT NEXT WEEK'S AGRICULTURE COUNCIL. BUT THOROUGH INTER-DEPARTMENTAL DEBATE PROBABLY STILL TO COME, AND DIFFERENCES EVIDENT BETWEEN AGRICULTURE MINISTRY AND OTHERS.

DETAIL

2. CHEVAUCHEZ (ROCARD'S CABINET) SUGGESTED TWO GUIDING PRINCIPLES: A PRICE SETTLEMENT WHICH WOULD BE PERCEIVED BY PRODUCERS AS HAVING, UNLIKE LAST YEAR, SOME POSITIVE ELEMENTS; AND THE AVOIDANCE IN SECTORS SUCH AS MILK AND WINE OF DOUBLE CONSTRAINTS IN THE FORM OF BOTH PRODUCTION CONTROL AND A PRICE FREEZE. THE FIRST PRINCIPLE MEANT THAT THE FRENCH WERE PREPARED TO CONSIDER A REDUCTION IN THE CEREALS PRICE OF THE ORDER PROPOSED BY THE COMMISSION (BUT NOT GREATER) ON CONDITION THAT THIS WAS LINKED TO THE INTRODUCTION OF A CO-RESPONSIBILITY TAX ON CEREALS PRODUCERS TO FINANCE THE SEARCH FOR ALTERNATIVE OUTLETS, FOR INSTANCE ETHANOL. THIS WOULD BE A SIGN TO PRODUCERS OF A POSITIVE POLICY FOR THE FUTURE. FRENCH CEREALS PRODUCERS WERE READY TO ACCEPT SUCH A TAX. CHEVAUCHEZ ADDED THAT THE FRENCH DID NOT INTEND TO MAKE THE RUNNING ON CEREALS PRICES, BUT WOULD LEAVE THIS TO THE GERMANS AND THE BRITISH TO DEBATE.

3. ON MILK, THE FRENCH WOULD PRESS FOR AN INCREASE GREATER THAN THE 1.5 PERCENT PROPOSED BY THE COMMISSION. THIS LINE WAS CONFIRMED IN CONTACTS WITH THE TRESOR AND SGC1. THE FRENCH DID NOT INTEND TO CALL INTO QUESTION THE ARRANGEMENTS ALREADY AGREED FOR MILK QUOTAS FOR THE COMING YEAR, INCLUDING THE FURTHER 1 PERCENT CUT IN PRODUCTION, THOUGH THEY WERE OF COURSE ANXIOUS TO SEE THE INTRODUCTION OF THE PROPOSED REGIONAL QUOTA TRANSFERS AND IF POSSIBLE THEIR EXTENSION BEYOND THE FIRST YEAR. BUT A MODEST PRICE INCREASE HIGHER THAN THE COMMISSION'S PROPOSAL WOULD BE INDISPENSIBLE.

4. A SIMILAR LINE IS EMERGING ON WINE, AT LEAST ACCORDING TO THE THINKING OF THE AGRICULTURE MINISTRY. A MODEST PRICE INCREASE WOULD HELP TO MOLLIFY PRODUCERS IN ADVANCE OF ENLARGEMENT AND TO COMPENSATE FOR THE INTRODUCTION OF PRODUCTION CONTROLS. AN INCREASE OF THE ORDER OF 2 - 4 PERCENT WOULD NOT BE INCONSISTENT, IN CHEVAUCHEZ'S VIEW, WITH THE DUBLIN AGREEMENT WHICH PROVIDED FOR A RESTRICTIVE PRICE POLICY, BUT NOT NECESSARILY A PRICE FREEZE. HE ARGUED THAT A SMALL INCREASE IN WINE PRICES WOULD IN PRACTICE COST LITTLE TO THE EC BUDGET.

CONFIDENTIAL

15.

CONFIDENTIAL

5. THE FRENCH APPEAR READY TO ACCEPT A ZERO PRICE INCREASE ON OLIVE OIL, AND TO LEAVE THE RUNNING ON OTHER MEDITERRANEAN PRODUCTS TO THOSE WITH THE STRONGEST INTEREST. ON BEEF AND SHEEPMEAT, CHEVAUCHEZ SAID THE FRENCH WERE UNLIKELY TO BE PRESSING FOR PRICE INCREASES, PREFERRING TO LOOK TO CHANGES IN THE REGIMES THEMSELVES, IN PARTICULAR ON SHEEPMEAT, TO SATISFY FRENCH PRODUCERS' NEEDS.

6. CONTACTS WITH MME OBLENSKY (TRESOR) AND CONSTANS (SGCI) REVEALED A MORE FAVOURABLE RESPONSE TO THE COMMISSION'S PRICE PROPOSALS, EVEN A READINESS TO CONTEMPLATE A GREATER CUT IN CEREALS PRICES THAN MINUS 3.6 PERCENT. THE DIFFERENCE OF APPROACH WAS ALSO IN EVIDENCE IN DISCUSSION OF GREEN RATE CHANGES. CHEVAUCHEZ SAID THE FRENCH MIGHT WISH TO GO FURTHER THAN THE COMMISSION PROPOSAL AND SEEK ALSO THE ABOLITION OF THE 1.5 PERCENT MCA FRANCHISE, A STEP BEING DEMANDED BY FRENCH FARM ORGANISATIONS. CONSTANS SUGGESTED THAT THIS WAS NOT THE VIEW OF OTHER DEPARTMENTS.

7. DISCUSSING THE RELEVANCE OF THE FINANCIAL GUIDELINE TO THIS YEAR'S PRICE FIXING, CONSTANS ARGUED STRONGLY THAT IT WOULD MAKE A NONSENSE OF THE GUIDELINE IF THE PRICE FIXING DID NOT RESPECT IT. ALTHOUGH JURIDICALLY THE COMMUNITY WOULD NOT APPLY THE BUDGET DISCIPLINE TEXT IN FULL THIS YEAR, THE COMMUNITY WOULD CREATE TROUBLE FOR ITSELF NEXT YEAR IF IT WERE TEMPTED TO BE LAX ON PRICES ON THIS OCCASION. CHEVAUCHEZ, ON THE OTHER HAND, TOOK A LINE SIMILAR TO THAT TAKEN BY THE FRENCH DELEGATION IN AGRIFIN, ARGUING THAT THE GUIDELINES WOULD COME INTO QUESTION ONLY WHEN THE REFERENCE FRAMEWORK WAS SET.

8. THE EXPECTATION HERE IS THAT AT NEXT WEEK'S COUNCIL THE ITALIAN PRESIDENCY WILL HAVE ONLY A BRIEF TOUR DE TABLE ON CAP PRICES, RESERVING THE REST OF THE TIME FOR STRUCTURAL FUNDS AND WINE. BLANCHEMAISON (SGCI) HAS COMMENTED TO US THAT THE FRENCH VERY MUCH WANT TO SETTLE THE STRUCTURAL PACKAGE, EXCLUDING IMPS, AT NEXT WEEK'S COUNCIL SO AS TO AVOID IT BEING TIED IN WITH CAP PRICES, ENLARGEMENT, ETC IN A GLOBAL PACKAGE IN LATE MARCH.

9. FCO PLEASE PASS IMMEDIATE TO MRS ATTRIDGE AND PACKER (MAFF).

FCO PLEASE PASS SAVING ADDRESSEES

FRETWELL

FRAME AGRICULTURE
ECD (1)

REPEATED AS REQUESTED

(2)
CONFIDENTIAL