



PM/85/30

PRIME MINISTER1985 CAP Price-Fixing

NBPM
CDP
16/4.

with CAP?

1. Michael Jopling minuted to you on 10 April proposing that you and Nigel Lawson should lobby Chancellor Kohl and Herr Soltenberg respectively to persuade the Germans to change their position on cereal prices.

2. I am sure it would be worthwhile for Nigel to raise this matter with Stoltenberg, and I hope he had an opportunity to do so last weekend at the informal ECOFIN Council. I shall be interested also to hear whether Finance Ministers considered the possibility that the Presidency compromise promised for the next Agriculture Council on 22-23 April will significantly exceed the cost of the Commission proposals and possibly breach the financial guidelines. I continue to believe, as I know does Nigel, that in either of these cases we must insist that a joint council of Finance and Agriculture Ministers be convened, as provided for in the budget discipline text. We must exploit to the full the leverage that text provides to resist pressure in the Agriculture Council for unrealistic price increases.

3. I am not convinced, however, that this is the right moment for you to approach Kohl direct. Julian Bullard in Bonn has reported that the position of rigid opposition to any price cuts for German farmers adopted by Herr Kiechle in the Agriculture Council has the full support of Chancellor Kohl and the Federal Cabinet. This position reflects the German Government's view



that avoiding any further fall in German farm incomes on top of the 18% recorded last year is a domestic political imperative. I attach a copy of the relevant reporting telegram from our Embassy in Bonn.

4. Against this background, it seems unlikely that an approach to Kohl would bear fruit. The Germans are more likely to move by pressure than persuasion. This means isolating them in the Council.

5. In my view, these considerations point to holding our fire, certainly until after 12 May, the date of the North Rhine Westphalia Land election: a crucial test of the Federal Government's popularity. Your meeting with Kohl at Chequers on 18-19 May would, of course, provide an opportunity to raise the issue with him in advance of what Michael Jopling suggests could be the crucial Agriculture Council on 20-21 May. Meanwhile Julian Bullard might be instructed to go on making our position clear with your full authority.

6. I am copying this minute to Michael Jopling and to the other recipients of his minute.

GEOFFREY HOWE

Foreign and Commonwealth Office
15 April, 1985