010

NB PM
CDP 18/4
CCPG

NOTE OF A MEETING BETWEEN THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD AND THE FRENCH MINISTER OF AGRICULTURE:
PARIS - 17 APRIL 1985

Present

The Minister	M. Nallet
Mr Andrews	M. Lachaux
Mr Llewelyn	M. Trunel
Miss Timms (Embassy)	M. Chevauchez

1. The Minister met the new French Minister of Agriculture, M. Henri Nallet over lunch to discuss the price fixing negotiations

2. M. Nallet asked the Minister for his views of the prospects for next week's Council. The Minister replied that the Council must try to make progress. Germany remained the main stumbling block. M. Nallet agreed. A rapid settlement was needed. His own farmers were already pressing for an early decision on green rate changes. The German position was not a reasonable one, particularly in two respects. In the first place, the budgetary constraints facing the Community had to be respected, because if they were not economies would subsequently have to be introduced at short notice; these would be likely to hit such items as export refunds on cereals, with adverse effects for cereal exporters such as the UK and France. In the second place, it was essential to adopt a responsible attitude on cereals in view of the attitude of the USA. If the Community did not pursue a moderate line, it would find itself in great difficulties viz-a-viz the United States. Overall, he thought that the Commission proposals were reasonable; they took account of the two points he had mentioned and were sensible on other products. He had few real difficulties with them.

3. The Minister said that his position was very similar. Restraint on cereals was necessary not only because of the attitude of the USA but also because of the growing surplus within the Community. At next week's Council the Presidency would, no doubt, put forward compromise proposals, but he would be distressed if the Commission moved from its position. He had, in any case, already made it clear that on two points, cereals and milk prices, the Commission's proposals were not stringent enough. M. Nallet noted this last point, and asked whether the Minister thought it possible to develop the Commission proposals to reconcile the UK and German positions. The Minister replied that we must clearly work on the basis of the Commission proposals and any adjustments would have to be small ones. It was essential to deal with difficulties now rather than putting off solutions. M. Nallet said that he accepted this basic analysis. Last year Heads of State had acted responsibly and tackled difficult decisions on the CAP. It would be irresponsible now to abandon what had been achieved. He fully agreed that if problems were not dealt with now, they would be more difficult to resolve later. But he feared that some delegations would be tempted to put off difficult decisions.

4. The Minister said that the UK attached great importance to the full implementation of the budgetary discipline agreement; we must ensure that we did not breach these financial constraints. He also hoped that it would be possible to avoid calling a joint Finance and Agriculture Council. M. Nallet replied that French legal experts had advised him that there was no legal basis for requiring a joint Council to be held this year. He trusted that such a Council would also be felt to be out of the question politically. Great progress had been made recently in reforming the CAP and relaunching the development of the Community, but if it was seen that decisions on prices were imposed by Finance Ministers, this progress would be endangered and the long-term reform of the CAP currently being carried through in such exercises as the Commission's "Reflections" one would be made much more difficult. The Minister commented that he did not accept this interpretation of the legal situation, but he agreed that politically it would be best to avoid the need to hold a joint Council. So far as the Commission's "Reflections" exercise was concerned, he agreed that this was important, but felt that the Council should retain a good deal of influence. The exercise should not be left solely to the Commission, and the Council should ensure that it had proper control of its development. M. Nallet agreed with this last point. He added that it was also essential to keep this exercise and the price fixing separate; Ministers' should only turn their minds to the long term reform of the CAP after they had reached decisions on prices, although they had to ensure that their price decisions did not prejudice long term reform.

5. Discussion then turned to individual commodities. On milk, the Minister explained the UK position, stressing the need to hold to the decisions reached last year and to freeze prices. M. Nallet said that he agreed on the first point. As the President's adviser, he had been directly associated with the courageous decisions that had been taken on milk, and it would be dishonourable to abandon these now. He was thus strongly opposed to the views expressed by Germany. The key decisions taken last year had to be respected, although there was a need for some flexibility on some points. He did differ from the UK on prices, however; he did not think that it was possible both to restrain production physically and freeze prices, and was seeking a higher increase than that proposed by the Commission.

6. The Minister pointed out that increases in prices would make it impossible to abandon the quota system and revert to a price policy without risking an explosion of production. M.Nallet replied that quotas were a transitional measure, but as such they would be necessary for several years. The structure of the milk sector in France had to be improved, and producers had to learn to co-operate (they were being forced to do this by the quota system). Once the structure of the industry had been modernised, it would be possible to revert to a market policy based on price, but a period of transition was needed first.

7. The Minister said that the Irish demand for extra quota was a matter of great sensitivity in the UK, and he hoped that France would oppose it. Since Ireland had appealed to the European Court,

the Court should be left to decide the matter. M. Nallet agreed that if the allocation of quota between member states and regions was reopened, there would be areas in France that would demand more. On the other hand, in his previous capacity he had heard Mr Fitzgerald explain the importance of milk to Ireland to M. Mitterrand, so he was aware of the strength of feeling in Ireland on this issue. A further point was that the President's relations with Mr Fitzgerald were very good, and France had tried to be helpful to Ireland during their Presidency. He had noted what the Minister had said about the European Court, but he doubted whether Ireland would agree to leave matters to the Court; he thought that they would insist on a decision by the Council.

8. Turning to beef, the Minister said that, given the current surplus, a price freeze was clearly right. He was determined to retain the Beef Variable Premium Scheme, and hoped that now that the introduction of clawback had removed the possibility of any distortion, France would reconsider its opposition. M. Nallet said that he had no philosopical objection to direct aids for certain regions and certain commodities, where there were differences in conditions of production, but as a socialist he believed that direct aids should be subject to ceilings. However, his main preoccupation in this sector was the size of Community stocks and the large fall in incomes in France over the past year. Politically he was, therefore, in a difficult position and had to ensure that appropriate market management measures were taken. Nevertheless, he did not exclude some movement in the French position and had no fundamental reservations about the continued existance of the variable premium. Mr Andrews commented that we recognised that there were difficulties ahead in managing the market, and we would be happy to discuss ways of improving matters with French officials.

9. M. Nallet said that he had made three demands on sheepmeat. He recognised that sheep production in the UK was efficient and that the Community regime favoured UK producers. He did not wish to endanger this efficiency or alter the basic structure of the regime, but improvements were needed to assist French producers, who were facing severe liquidity problems. His three demands were:

(a) use of the corrected central rate to calculate the annual ewe premium in national currency;

(b) abolition of the Special Export Certification Scheme;

(c) a single rate of ewe premium in all regions.

10. The Minister said that we were very strongly opposed to the abolition of the SEC, which we regarded as an integral part of the regime. Mr Andrews questioned whether the trade in ewes caused any difficulties for French producers. Any change in the current arrangements would be legally questionable and and contrary to the spirit of the regime. M. Nallet commented that he understood the UK position. However, he needed to find a solution that would prevent the disappearence of sheep farming in France. He was ready to show flexibility and understanding, but he did need the final price

package to include something that would bring relief to his producers. The Minister said that he fully understood M. Nallet's position; nevertheless, he remained strenously opposed to any change in the SEC arrangements. He added that there were two other points in this sector of interest to the UK. We could accept a ceiling on the variable premium, provided that this was not accompanied by any other recovery bar, and we were looking for some adjustment to the seasonal scale. M. Nallet replied that the merits of the current seasonal scale were a matter of dispute within his own industry, and he might be able to show some flexibility here.

11. The Minister said that he was very concerned at the increasing cost of Mediterranean products. The Commission were now proposing cuts, and he hoped that these would be maintained. M. Nallet agreed that certain Mediterranean products did present budgetary problems and added that he had no reservations about supporting the Commission's proposals. M. Lachaux pointed out, however, that if concessions on trade were made to Mediterranean third countries to compensate them for the effects of enlargement, as was probably in the forthcoming negotiations, the demands of the Mediterranean member states would be more difficult to resist.

12. M. Nallet said that he would be seeking a "symbolic gesture" on the price of table wine. Without this, he was not sure that French producers would accept the physical limitation on their production that had been agreed at Dublin. If French producers did not accept these physical constraints and the introduction of effective obligatory distillation, there was danger of a physical revolt. Moreover, if it did not prove possible to implement the Dublin agreement in France, it would not be possible to impose these disciplines on Spain. He added that a 1% price increase would have a negligible effect on the Community budget in 1985 and would only cost some 12 mecu in 1986.

13. The Minister said that according to our interpretation of the Dublin declaration, a price freeze was required. M.Nallet replied that he had been one of the drafters of the Dublin declaration; this referred to "restrictive prices", not to a freeze, and this term was intended to replace the word "freeze" in the earlier Commission document referred to in the declaration. He went on to stress that this point was a major one for France and one that he would be insisting on in the Council. The Minister observed that all delegations had their major points, as he himself had made clear earlier in the discussion.

14. M. Nallet said that on the agrimonetary side France was seeking a full green rate devaluation. If they could achieve this, their position would be more flexible. Mr Andrews replied that we believed that green rate changes should be the final element of any package.

15. Returning once more to the negotiations as a whole, M. Nallet said that both parties had a strong interest in the general line proposed by the Commission and in a rapid conclusion to the negotiations. They had to operate within these two contraints. So far as Germany was concerned, he was prepared to try to help, as he understood Herr Kiechle's political problems, but he was not

prepared to accept measures that could not be financed. On cereals, they had been reflecting on what might be done, as had the Presidency, the Commission and the Netherlands, and he did not exclude anything that would enable Herr Kiechle to escape from the position he had got himself into. The Minister mentioned the possibility of providing something on bread-making wheat, which would be restricted to Germany and of a temporary nature. Mr Andrews added that we were concerned at the Dutch ideas on cereals, as these would in practice mean that the guarantee threshold would not be applied. This would be a serious departure from the decisions taken last year. Moreover, we did not believe that the Dutch plan would result in a 3.6% price cut.

16. M. Nallet commented that the idea of relating the guarantee threshold to world prices merited consideration, although fluctuations in world prices would have to be taken into account, as would the potential effect on world prices of the US Farm Bill. He went on to say that he would be prepared to accept a specific and temporary measure to help Germany, although this would present him with serious political difficulties at home. The key was to find a solution that helped Germany without destroying the general balance of the Commission proposals.

17. Finally, M. Nallet said that he hoped that the UK and France would work together in the agricultural sector. From the moment that France had accepted the need to control expenditure on the CAP, their two countries had had a good deal in common as regards agriculture, and this common interest could only grow in an enlarged community.

CIL

C I LLEWELYN
18 April 1985

Distribution

Private Offices
Mr Andrews
Mr Mason
Mr Smith
Commodity Under Secretaries
Mr Capstick
Mr Wilson
Mrs Attridge
Commodity Assistant Secretaries
Mr Packer
PS/Foreign Secretary
PS/Chancellor
PS/S of S for Scotland
PS/S of S for Northern Ireland
PS/S of S for Wales
Mr Powell/No.10
Mr Williamson/Cabinet Office
Mr Anderson (UKREP)
Miss Timms (Embassy, Paris)