

GRS500

RESTRICTED

RESTRICTED

FRAME AGRICULTURE

DESKBY 181430Z

FRAME AGRICULTURE

FM UK REP BRUSSELS 181350Z APR

TO IMMEDIATE FCO

TELEGRAM NUMBER 1375 OF 18 APR 85.

INFO COPENHAGEN, THE HAGUE, ROME, DUBLIN, PARIS, BONN, LUXEMBOURG,
ATHENS, LISBON, MADRID AND WASHINGTON.

INFO SAVING BRUSSELS.

CAP PRICE FIXING: DEVELOPMENTS PRIOR TO AGRICULTURE COUNCIL ON 22/23
APRIL.

SUMMARY.

1. ANDRIESSEN DOES NOT EXPECT A SETTLEMENT NEXT WEEK AND DOES NOT
INTEND TO TABLE A COMMISSION COMPROMISE PACKAGE.

THE GERMANS ARE PRESSING INCREASINGLY FOR AN ACROSS THE BOARD
PRICE FREEZE (POSSIBLY EXCLUDING MILK) AS THE BEST WAY OUT OF
THE IMPASSE. A PRESIDENCY PAPER IS BEING PREPARED AND IS
LIKELY TO REFLECT IN PART AT LEAST NEW COMMISSION IDEAS FOR
ALTERING THE CEREALS GUARANTEE THRESHOLD SYSTEM.

DETAIL.

2. AT THIS WEEK'S COMMISSION MEETING ANDRIESSEN GAVE HIS COLLEAGUES
A PROGRESS REPORT ON THE PRICE FIXING. HE OUTLINED THE GERMAN
PROBLEM AND DIFFICULTIES OVER MEDITERRANEAN PRODUCTS, ALSO CASTING
THE UK AS WELL OUTSIDE THE CENTRE OF THE PACK. IT WAS HIS VIEW
THAT THE GERMAN AND ITALIAN ELECTIONS ON 12 MAY WOULD PREVENT ANY
SETTLEMENT BEFORE THE COUNCIL BEGINNING ON 13 MAY. HOWEVER, A
PRESIDENCY PAPER OF SOME SORT WOULD BE TABLED AT NEXT WEEK'S
COUNCIL. THIS MIGHT WELL TAKE THE FORM OF A FURTHER OPTIONS
DOCUMENT. ANDRIESSEN WOULD BE DISCUSSING IT WITH PANDOLFI BUT
NO COMMISSION COMPROMISE PACKAGE WOULD BE TABLED NEXT WEEK BECAUSE
SUCH A MOVE WOULD BE PREMATURE.

3. ANDRIESSEN ALSO ALERTED HIS COLLEAGUES TO INCREASING GERMAN
PRESSURE FOR AN ACROSS THE BOARD PRICE FREEZE APART FROM A
SMALL INCREASE FOR MILK. HE APPARENTLY SAW THIS AS GAINING INCR-
EASING SUPPORT BUT HE HIMSELF DEFINITELY OPPOSED IT.

4. THE GERMAN REPRESENTATION HERE HAVE SINCE CONFIRMED THAT
THEY REGARD THE LOCAL ELECTIONS ON 12 MAY AS IRRELEVANT.
KIECHLE, THEY SAY, CANNOT BE EXPECTED TO BE ANY MORE AMENABLE
AFTERWARDS. INSTEAD THEY POINT THE FINGER AT THE PRESIDENCY
FOR SEEKING DELAY FOR ITALIAN DOMESTIC REASONS.
THE GERMANS HAVE ALSO INTIMATED THAT THEY MIGHT BE PREPARED TO
HAVE A TOTAL FREEZE (INCLUDING MILK) IF THIS WOULD MAKE THE
IDEA MORE ACCEPTABLE.

RESTRICTED

/CEREALS

CEREALS.

5. THE COMMISSION SERVICES HAVE PREPARED A SCHEME AIMED TO BREAK THE DEADLOCK ON CEREALS. A GUARANTEE THRESHOLD OF 120 MILLION TONNES (THE 126 MILLION IN THE COMMISSION PRICE PROPOSALS REDUCED TO OMIT NON-INTERVENED CEREALS LIKE OATS) WOULD BE DEVIDED INTO THREE SEPARATE THRESHOLD QUANTITIES:

- DURUM (1 JULY START TO MARKETING YEAR)
- WHEAT, BARLEY AND RYE (1 AUGUST START)
- MAIZE AND SORGHUM (1 OCTOBER START).

INTERVENTION PAYMENTS ARE MADE AFTER A FOUR MONTH DELAY. FOR THE FIRST THREE MONTHS OF THE MARKETING YEAR INTERVENERS WOULD UNDER THE SCHEME BE GUARANTEED AT LEAST 95 PERCENT OF THE INTERVENTION PRICE BUT THE ACTUAL LEVEL WOULD NOT BE DETERMINED UNTIL MONTH FOUR ONCE THE SIZE OF THE YEAR'S HARVEST WAS KNOWN AND WHEN THERE WOULD BE 1 PERCENT ABATEMENT (UP TO A MAXIMUM OF 5 PERCENT) FOR EACH 1 PERCENT THAT THE HARVEST EXCEEDED THE GUARANTEE THRESHOLD.

6. THE CHIEF ATTRACTION OF THE SCHEME FOR THE COMMISSION IS THAT IT COULD PROVIDE FOR EFFECTIVE PRICE REDUCTIONS WITHOUT OBLIGING MINISTERS TO AGREE REDUCTIONS IN INSTITUTIONAL PRICES.

THE SERVICES ESTIMATE THAT UNDER THE MECHANISM THE WHEAT/BARLEY/RYE INTERVENTION PRICE WOULD HAVE BEEN REDUCED BY 5 PERCENT IN 1984 AND IS PROJECTED TO BE CUT BY 2 - 3 PERCENT IN 1985. THE INTERVENTION PRICE WOULD HOWEVER REMAIN TO BE SET IN THE PRICE FIXING AND THE PROPOSAL ON THE TABLE FROM THE COMMISSION AT PRESENT REMAINS A FREEZE FOR DURUM AND PLUS 1.5 PERCENT FOR ALL OTHER CEREALS.

7. THE ABOVE IDEA IS TO BE DISCUSSED WITH THE PRESIDENCY BEFORE THE COUNCIL AND THEY MAY SEEK CHANGES BUT THE COMMISSION SERVICES STRONGLY EXPECT IT TO FIGURE IN SOME FORM IN THE PRESIDENCY DOCUMENT TABLED AT THE COUNCIL.

FCO ADVANCE TO:

FCO - CLEMENTS *ecd(1)*

CAB - HARDING

MAFF - HADLEY LOWSON PACKER ATTRIDGE ANDREWS

TSY - BUTT.

BUTLER

(ADVANCED AS REQUESTED)

FRAME AGRICULTURE
ecd(1)

COPIES TO:
ADVANCE ADDRESSEES

²
RESTRICTED