

CC PC 2

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



From the Minister

CONFIDENTIAL

Prime Minister

*CDD
25/4*

FOREIGN AND COMMONWEALTH SECRETARY

*Overtaken by
Report to
Cabinet.*

*CDD
25/4*

CAP PRICE FIXING 1985

1. You will know that the Agriculture Council concluded its meeting last evening with no progress towards an agreement on agricultural prices for 1985. It was an unproductive and disquieting meeting.

2. The Presidency circulated on Sunday a document of "principal elements of a global compromise", which was described as a paper prepared in close liaison with the Commission. It was an unhelpful and, for our point of view, thoroughly unsatisfactory document. On cereals, it contained an outline of a new guarantee threshold mechanism intended to replace the arrangements agreed last year. The clear intention was to avoid a price reduction which reflects last year's large cereals harvest in the Community; and there were some member states who were prepared to go a very long way towards meeting the Germans on this. On milk, the document contained concessions to Ireland and Italy on quotas. There was no reference at all to beef, including our demands on the Beef Variable Premium. There were also suggested changes in the sheepmeat regime which would unbalance the 1980 agreement to the serious detriment of our industry. On Mediterranean products there are a number of changes that could have proved costly and the proposed reduction in positive MCAs was deleted from the Commission proposals. The Commissioner was not prepared

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to put a cost on the compromise since the implications in relation to prices was left open. But there is no doubt that it would add significantly to the cost of the Commission proposals.

3. In the event discussions on the compromise document made no progress. We were able with the benefit of technical and other arguments and with French and Dutch support to kill off the/^{Presidency's}cereal threshold idea. In doing so, we floated an alternative approach which would maintain the existing threshold mechanism with a modification to take account of changes in the relationship between Community and World prices. It became clear that no change in the threshold mechanism was going to get anywhere because of the immovable German resistance to any reduction at all in the common price level for cereals. The German Minister made it clear throughout that he had the total support of the German cabinet, as we knew, and was not prepared to budge. He even talked about a point of "national interest".

4. The Agriculture Council is meeting again next Thursday, 2 May and the Presidency intends to carry forward the negotiations to a conclusion. It is impossible to see, at present, a way through the German blockage. I hope that the Presidency and the Commission will be putting pressure on the German Government. But all the evidence so far is that they will not give any ground at all on the cereal price.

5. The Presidency said that they would produce a "non-paper" at the beginning of next week's Council. I shall be doing my best to influence it in our direction. On the evidence of this week's meeting, other Member States and the Commission will not be prepared to move to a position in which the Germans are voted down unless the German Government itself is ready to accept this way out of the present impasse. I think this unlikely, though we cannot rule out altogether a move towards a largely cosmetic formula on cereals in order to give the Germans a way out. We have to recognise

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that all other Ministers are mainly concerned to get an early settlement on terms acceptable to them, and this desire appears to be shared by the Commission. Apart from ourselves, only the French and to some extent the Danes and the Dutch appeared to be ready to stand up at all to the Germans on cereals.

6. I have, of course, maintained throughout our position on the need to respect the agreement on budget discipline including the provision for a Joint Council. It remains to be seen how the Commission will perform on this although Andriessen made a helpful statement about the financial implications at this week's Council.

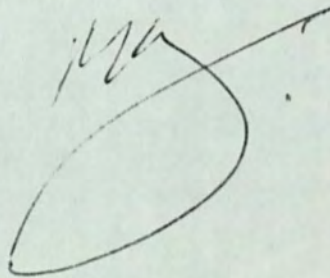
7. I have been reflecting further on how we handle this in the light of your minute of 15 April to the Prime Minister. You argued that we should insist on a Joint Council if the compromise arrived at significantly exceeds the cost of the Commission proposals and if there is a breach of the Financial Guidelines. I think the former of these is very likely in the terms described in Ian Stewart's letter to me of 21 March; but there is a good chance that we can avoid a breach of the guideline. I have no doubt that such a breach would present the very greatest difficulties and we should have to insist on a Joint Council. But if the Commission's original proposals are exceeded without a breach I think we do need to reflect, particularly following the outcome of this week's Budget Council, whether insistence on a Joint Council would be in our wider interest. The Budget Council discussion showed how little support we can rely on even among Finance Ministers. I fear we should arouse absolutely no support for cuts in an agricultural package which did not breach the guideline in 1986. I do think we should consider whether it makes sense in domestic political terms to invite what would be seen as a significant further rebuff in a Joint Council discussion, particularly if this were to take place shortly before we were going

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to Parliament seeking approval for the Own Resources Decision and a further Inter-Governmental Agreement.

8. I am copying this minute to the Prime Minister, to Members of OD(E) and to George Younger, Nick Edwards and Douglas Hurd as well as to Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'MJ', with a large, sweeping flourish underneath.

MICHAEL JOPLING

24 April 1985

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