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CAP - 30/4

CCPC

MEETING BETWEEN THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD, THE PRESIDENCY AND THE COMMISSION: BRUSSELS 29 APRIL 1985

Present

Minister
Minister of State (Commons)
Sir Michael Franklin
Mr Andrews
Mrs Archer
Mr Llewelyn

Signor Pandolfi
Mr Andriessen
Signor Moroni
M. Le Gras
Mr Pooley
Mr Avery
Mr Trojan

Signor Pandolfi said that he wished to emphasise three elements in the price fixing negotiations:

1. Cereals were clearly the major problem. He had just returned from Bonn, and there was no change at all in the attitude of Germany. In these circumstances, he thought that the only way forward was to give up the idea of any new mechanism, as it would be too difficult to devise a new scheme in the time available, and consider simply a relaxation in the price reduction proposed by the Commission, to take account of last year's exceptional harvest. This would mean maintaining the principle of the existing guarantee threshold system, but reducing its effect. He would not, however, go so far as to suggest a price freeze for cereals;

2. The "general equilibrium" of the package would have to be considered. The Council should examine in detail all the demands made by the various member states in order to find a general balance of advantages and disadvantages;

3. The third key element was the financial costs of the package. On this, the position of the Commission was clear. Moreover, the new figure decided on for FEOGA expenditure in 1985 represented a constraint on additional expenditure this year.

He thought that the negotiations at the Council later this week would be very difficult, but for political reasons it was essential to try to find a solution. So far as the conduct of this week's negotiations was concerned, he would first try to reach a balance on all aspects of the package other than cereals and then try to reach agreement on cereals. He feared that if the Council started by discussing cereals, the negotiations would be blocked immediately.

The Minister said that cereals was central to these negotiations and crucial to the future of the CAP. It was vital that market realities were not ignored and the achievements of the previous twelve months thrown away. He noted that Signor Pandolfi would not be proposing a change in the mechanisms of the regime; he hoped, however, that the idea put forward by the Netherlands and UK delegations, that world prices should be taken into account in the guarantee threshold calculations would not be forgotten. On prices, he continued to believe that a 5% reduction would have been the right course, and he hoped that Germany would not be allowed to get away with imposing a zero price increase on the Community. The will of the majority must be made to prevail. It would be quite wrong for the Commission to move from its proposed 3.6% price reduction, particularly as a move on the sort envisaged by the Presidency would clearly not win over the Germans.

Signor Pandolfi stressed that any change on cereal prices would only be made in the final stages of the negotiation, but he could not suggest how German intransigence could be overcome; it seemed that this was a matter of vital interest to them. Mr Andriessen added that if there was a general wish in the Council to try to move towards Germany on prices, the Commission could try to accommodate it. They would be proposing changes in the regime, although they did not exclude these in the longer term. The Minister repeated that it would be a grave mistake for the Presidency or Commission to move until the Germans signalled some readiness to modify their position.

On other aspects of the package, Signor Pandolfi said that sheepmeat was clearly a key issue for the UK. On this, however, M. Nallet had told him that France's objections to the Special Export Certification scheme would not be met by an extension of the variable premium to all ewes. Moreover, the Commission had reservations about this idea, which they estimated could cost an additional 40 mecu. The Minister said that we too also saw difficulties in extending the variable premium to ewes. A number of technical problems would have to be resolved, and we would have to be sure that this extension did not have adverse financial implications for our producers. In view of these difficulties, we had been considering a different approach. Since French complaints centred on the export of younger ewes under the SEC, we had been looking at ways of excluding these animals from the SEC at times of the year when the French market was under pressure. There would be no problem in determining the age of ewes certified under the SEC, since the number of adult teeth a sheep possessed depended on its age. In specific terms, he was suggesting that ewes with less than six adult teeth (ie. less than three years old) should be excluded from the SEC when the market price in France was below the intervention price there.

Signor Pandolfi seemed attracted by this proposal, but commented that France was concerned about the number of carcases exported and asked what reduction it would lead to. The Minister said that we could not quantify the effects of our proposal, but it was clear that at present the proportion of younger ewes exported was highest in the spring, which was when the French market was under most pressure. Our idea should, therefore, go to the root of the problem. Mr Andriessen said that his Services would consider this proposal.

Turning to other aspects of the sheepmeat regime, Signor Pandolfi said that the Commission had come up with a formula for the payment of ewe premium to Herdwick and certain other mountain sheep, and were proposing some adjustments to the seasonal scale for May and June. It was agreed that both these points should be discussed further by officials. Mr Andriessen said that the Commission was not intending to change its proposal on a variable premium ceiling, including the recovery bar; the Minister emphasised that he was very firmly opposed to the latter point. Finally, Signor Pandolfi confirmed that exemption from clawback for exports to third countries would be extended.

On beef, Signor Pandolfi said that they were now thinking in terms of extending the Variable Premium for a year, until April 1986. This could, however, have financial consequencies for FEOGA, and the Council would need to consider this point, together with possible modifications to the scheme. The Minister said that we did not accept that continuation of the Variable Premium involved an additional cost to FEOGA. It was essential that the Scheme was extended on the same basis as last year and, given the substantial changes that had been made last year, without further modification.

Turning briefly to milk, Signor Pandolfi noted that the UK had no special demands. One major problem was Ireland's request for additional quota; since this was Ireland's only significant demand in the price fixing it was politically necessary to give them something here. The Minister made it clear that he would be very strongly opposed to this; it should be left for the European Court to decide whether Ireland's bid for extra quota was justified.

The Minister stressed that it was important to maintain the agreement on quotas reached last year; this meant that both the 1% cut in overall quota and the 1% reduction in co-responsibility levy should be implemented. Additionally, he would be pressing for a Council declaration in favour of great mobility of quota between producers. On this last point, Mr Andriessen said that UK ideas on sale and purchase of quota raised two problems; they would provide an incentive to perpetuate the system and would mean that private purchasers would be competing with Community and national purchasers if there was a Community scheme for buying out quota. However, he was prepared to support a declaration asking the Commission to study all aspects of a scheme for purchase of quota, provided that it did not explicitly refer to private sale and purchase. Mr Pooley commented that increased flexibility in the administration of quotas would tend to maintain levels of milk production and thus the cost of the regime to FEOGA.

Finally, the Minister stressed that the Council would have to take full account of the financial consequences of any price fixing package and of the agreement on budgetary discipline.

C I LLEWELYN
30 April 1985

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