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RECORD OF AN AD HOC MEETING OF MINISTERS  
HELD IN CONFERENCE ROOM A, CABINET OFFICE  
ON WEDNESDAY 8 MAY 1985 AT 7.00 PM

NRPM  
CDP  
2/5

EUROPEAN COMMUNITY: AGRICULTURAL PRICE FIXING

Present Secretary of State for Foreign and Commonwealth  
Affairs (In the Chair)  
Chancellor of the Exchequer  
Minister of Agriculture, Fisheries and Food  
Secretary of State for Wales  
Minister of State, Scottish Office  
Parliamentary Under-Secretary of State,  
Northern Ireland Office  
Mr D F Williamson (Cabinet Office)  
Mr G Stapleton { " " }  
Mr M H Jay { " " }  
Mr B J Harding { " " }

The meeting, which had before it a Note by the Cabinet Office covering the Presidency's document of 4 May 1985, the text of a statement made by the Agriculture Commissioner on 5 May and the Commission's first assessment of the financial effects of the Presidency's suggestions, considered the line that the United Kingdom should take in the Agriculture Council starting on 13 May 1985 when negotiations on the 1985-86 Common Agricultural Policy (CAP) price-fixing proposals would be resumed.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Agriculture Council had again failed to reach a settlement on agricultural prices for 1985-86 at its meeting in Luxembourg on 2-5 May. However, while there were still a number of difficult issues outstanding, the Council had moved closer to agreement on several points and was expected to try to reach a settlement when the negotiations resumed in Brussels on 13 May. The German insistence that there should be no reduction in the cereals price remained the biggest obstacle to an agreement. At the last meeting of the Council they had rejected a Presidency compromise proposal for a reduction of

1.8 per cent and had received support from Belgium and the Republic of Ireland. The Commission had indicated that they could not accept the Presidency's figure, and the United Kingdom and France had continued to support the Commission's proposal for a reduction of 3.6 per cent; the United Kingdom's original objective of seeking the full 5 per cent reduction in cereals prices consistent with the strict observance of the guarantee threshold mechanism was no longer realistic. The Commission were expected to table a compromise package at the Agriculture Council starting on 13 May, but it was difficult to forecast at this stage what might be proposed on cereals. It was possible that the Commission might propose a price reduction somewhere between their original proposal and that of the Presidency. For the time being the United Kingdom's line should be to support the Commission's original proposal and to seek to isolate the Germans, who had shown signs that they might be prepared to invoke the Luxembourg Compromise on this issue. Apart from cereals, there remained a number of points of difficulty for the United Kingdom. These included the resistance of other member states to the extension of the Beef Variable Premium Scheme (BVPS), the proposed changes to the sheepmeat regime and the demand of the Republic of Ireland, supported in the Presidency's document, for an increase in its milk quota.

In discussion of the line that the United Kingdom should take in the Agriculture Council starting on 13 May the following main points were made:

- a. The United Kingdom should continue to support attempts by the Commission to constrain the overall cost of the package. It would, however, be necessary to insist on Finance Ministers being consulted if the additional cost of a compromise package were to result in higher budget costs in 1985 which could not be met without an increase in the figure already agreed by the Budget Council for the Inter-Governmental Agreement (IGA). A Joint Council of Finance and Agriculture Ministers would be necessary if the cost of the package exceeded the guideline for agricultural expenditure in 1986. If, on the other hand, the extra cost in 1986 was no greater than that envisaged under the suggestions put forward by the Presidency at the last Council (provisionally estimated,

on certain assumptions, by the Commission at about 270 million ecu) there would be no need to press for a Joint Council. In the event of that figure being exceeded, however, the Minister of Agriculture, Fisheries and Food would need to consult his colleagues on the line to take.

b. On cereals the United Kingdom should continue to work to isolate the Germans with the aim of forcing the issue of a suitably reduced cereals price to a vote, either on that proposal alone or on a wider package, provided this did not jeopardise the fulfilment of our negotiating objectives in other sectors. The preferred option would be to reduce the cereals price by voting the Germans down; it was possible that once the North Rhine Westphalia Land elections were over this might be acceptable to the German Agriculture Minister. If a vote could not be obtained, the Minister of Agriculture, Fisheries and Food should seek to establish that the Germans were invoking the Luxembourg Compromise. If so, there could be some political advantage to the United Kingdom since this would serve to strengthen the Compromise itself. It was noted, however, that some member states, notably Belgium and the Republic of Ireland, might not wish to see the Germans isolated on this issue.

c. An increase in the Irish milk quota would create major domestic political difficulties for the United Kingdom, especially in Wales and Northern Ireland. At the last Agriculture Council the United Kingdom had proposed that instead of giving in to Irish demands the matter should be resolved by the European Court of Justice under its accelerated procedure, with the Council issuing a declaration that it would abide by the Court's judgment. The United Kingdom should maintain this line, for which there was support from the French and the Danes. If, however, the Commission were to propose an increase, there could be advantage in forcing the issue to a vote; there was little hope of securing a majority against such a proposal, but there would be domestic political advantage in having been seen to have voted against it. However, this approach should not be followed if it endangered the United Kingdom's chances of securing other objectives, in particular an extension of the BVPS.

d. It was important to establish the budgetary cost of the suggestion by the Presidency that the collection of the milk supplementary levy might be postponed until the end of the year. It was noted that a Community-wide outgoers scheme for milk producers would be unattractive to the United Kingdom from a budgetary point of view, but that so far no proposal had been made.

THE FOREIGN AND COMMONWEALTH SECRETARY, summing up the discussion, said that the meeting endorsed the line which the Minister of Agriculture, Fisheries and Food was taking in the negotiations on the 1985-86 price-fixing proposals. In particular the United Kingdom should continue to work to isolate the Germans on cereals with the aim of forcing the issue to a vote, preferably on the cereals proposal alone but possibly on a wider package, provided this could be achieved without jeopardising our objectives in other sectors. If there were no vote because of German opposition, the United Kingdom should seek to make explicit that the Federal Republic of Germany had invoked the Luxembourg Compromise. The United Kingdom should also continue to resist any proposal to increase the Irish milk quota. For domestic political reasons there would be advantage in forcing this issue to a vote, even if there was no chance of overturning the proposal. However, this course should only be followed if there was no risk of provoking a vote on those aspects of a compromise package on which the United Kingdom was likely to be in a minority, in particular the extension of the BVPS. As regards the calling of a Joint Council of Finance and Agriculture Ministers it was agreed that this would be unnecessary if the extra cost of a Commission compromise package did not exceed that of the Presidency's latest proposals. If it appeared that this figure would be breached the Minister of Agriculture, Fisheries and Food would need to consult the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer on the line to take. A Joint Council would be necessary if the cost of a Commission package exceeded the financial guideline for 1986; if it implied an increase in 1985 budget costs which would require a higher figure than that already agreed by the Budget Council for the IGA. Finance Ministers would have to be consulted.

The Meeting -

1. Took note, with approval, of the Chairman's summing up of their discussion.
2. Invited the Minister of Agriculture, Fisheries and Food to be guided accordingly.

Cabinet Office  
9 May 1985

Distribution

See attached list

Distribution

PS/Foreign and Commonwealth Secretary  
PS/Chancellor of the Exchequer  
PS/Minister of Agriculture, Fisheries and Food  
PS/Secretary of State for Wales  
PS/Minister of State, Scottish Office  
PS/Parliamentary Under-Secretary of State, Northern Ireland Office  
PS/Sir Robert Armstrong  
Mr Powell (No 10)  
Mr Braithwaite (FCO)  
Mr Renwick (FCO)  
Mr Unwin (Treasury)  
Mr Andrews (MAFF)  
Mr Williamson (Cabinet Office)  
Mr Stapleton ( " " )  
Mr Jay ( " " )  
Mr Harding ( " " )  
Mr Anderson (UKREP)

- 9 MAY 1985

