

oio

ape

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



From the Minister

CONFIDENTIAL

~~AT~~ file
COO 17/5

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1

17 May 1985

Dear Secretary of State

AGRICULTURAL PRICE FIXING 1985

1. You will know that the Agriculture Council eventually reached agreement last evening on an agricultural prices package which excludes cereals and rapeseed.

2. Following the outcome of our discussions on 8 May, I sought throughout the extended meetings in Luxembourg on 13/15 May and in Brussels this week to isolate the Germans on the cereals issue. It was evident, however, that a number of other Member States, of which Belgium, Greece and Ireland were most vocal, were sympathetic to the German opposition to any significant price cut on cereals and there was reluctance among them to force the Germans into using the Luxembourg Compromise. In this situation, we were faced with a real risk of a move to isolate us, so long as the German Minister continued to avoid defining his position. The French Minister, Nallet, with whom I concerted tactics carefully at each stage, was very firm in his opposition to the Germans on cereals. But he was clearly prepared to stay with the Commission, wherever they moved. Andriessen's attitude was, therefore, critical. He was given a firm brief by his colleagues. But we knew that he had the latitude to move to a 1.8% cut in cereals in the context of an overall agreed package - and there was a suggestion that he might be able to move lower to a 1.6% cut.

3. The Presidency eventually came forward with their final compromise package, including a 1.8% cut for cereals and rapeseed with no move to meet the German demands for a higher milk price increase and no cut in the butter price.

4. At this stage the German Minister, Kiechle, returned to Bonn for consultations. He reported back to the Council - in a very carefully and cleverly worded statement - making clear that,

CONFIDENTIAL

although he had some room for manoeuvre, he could not accept the Presidency package and that he was looking for some form of compensation. He avoided, however, yet again making his position clear on voting. I therefore intervened to smoke him out. I said that I understood him to be indicating that the German Government envisaged that there were situations where the Council should not proceed to a vote and that this possibility existed for these negotiations. Kiechle did not dissent. Pandolfi, who throughout was seeking to use the Presidency to protect the Germans, announced that my statement was "not helpful".

5. We subsequently moved into a Ministers only meeting at which Pandolfi called for an indicative vote. This eventually forced Kiechle to refer to paragraph 1 of the Luxembourg Compromise, thus making it clear that he was not prepared to be out-voted on any package which did not contain his minimum demands on cereals - a cut not more than 0.9%, special intervention for German wheat and quicker payment to producers for cereals offered for intervention. Before the Council resumed, I discussed the situation with Pandolfi and emphasised that he had to ensure that Kiechle's position on the Luxembourg Compromise was brought out clearly in the Council.

6. In the subsequent Council session, Pandolfi stated that Kiechle had made it clear that he was invoking paragraph 1 of the Luxembourg Compromise. He then proposed splitting the package. The arguments for and against keeping the whole package together or settling for what was on the table on other products and continuing the argument on cereal, were finely balanced. It was clear that most delegations wanted to agree as much as possible there and then. Both Nallet and I eventually agreed to accept this course on the understanding that both we and the Commission would not therefore be committed to the Presidency proposal on cereals.

7. After lengthy discussions on how the split should be done and on a number of details, the package excluding the cereals and rapeseed proposals was voted through with Germany (over butter) and Greece abstaining. I sought and obtained from Andriessen's confirmation that it would be the Commission's intention to ensure that the final overall agreement including cereals and rape would still be covered by his earlier statement. On the financial consequences, a UK statement went into the minutes confirming our position.

8. I was, of course, concerned throughout to defend our interests on other parts of the package. You will have seen that the Beef Variable Premium Scheme continues for 1985/86 unchanged; the outcome on sheepmeat has avoided damage to our industry though we shall face continuing pressures from the Commission and the French for changes in the regime which would disadvantage us. On milk other Member States were prepared to meet the Irish demand on the basis of a text that gives them an additional 58,000 tonnes for each of the years 1984/85 and 1985/86.

9. Discussions on cereals and rapeseed will be resumed in Luxembourg on 11/12 June. In spite of the position of the French, the Commission and ourselves, it is very difficult (given the attitude of other Member States) to see an agreement being

CONFIDENTIAL

reached now on a bigger cut than 1.8%. Nor is it easy to see the Germans accepting even this figure without a scale of compensation which would be intolerable in market and budgetary terms. It was evident in the margins of the negotiation that the Commission could find no way of buying off the German demands without unacceptable financial consequences. So we are still some way from the end of this bruising and difficult negotiation.

10. I am sending copies of this letter to the Prime Minister, Members of OD(E), the other Agriculture Ministers and to Sir Robert Armstrong.

Yours Sincerely
C. H. J. J. J.

for MICHAEL JOPLING
(Approved by the Minister
and signed his absence)

17 MAY 1985

10 11 12 1
9 10 11 2
8 9 10 3
7 8 9 4
6 7 8 5