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Foreign and Commonwealth Office

London SW1A 2AH

27 November 1985

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Dear Charles,

Anglo-German Summit: CAP Reform

The Prime Minister mentioned her concerns over the CAP and the need for radical reform to both President Mitterrand and M. Santer. In the formal briefing for the Anglo-German Summit, we have concentrated on the main issue at the European Council, namely the Inter-Governmental Conference. However, the Foreign Secretary thinks that the Prime Minister might wish to take the opportunity of registering her concern about the CAP with Chancellor Kohl, not least because it was the attitude of the FRG which prevented the Council agreeing the price cuts needed for cereals this year.

The Foreign Secretary recommends that the Prime Minister might raise the CAP after she and the Chancellor have dealt with the IGC issues. The Prime Minister might refer to:

- (a) our recognition of the political importance of agriculture in the FRG, emphasising that it is important to us too, as it is to most other member states. But the growing problem of surpluses has to be dealt with. It is already the cause of major problems with our trading partners, notably the US.
- (b) the fact that with world patterns of cereals supply and demand changing, the prospect is for surpluses generally increasing at an alarming rate due to advances in technology while demand in third world (and even possibly Soviet) markets contracts as their production increases. This will make the disposal of EC surpluses even more difficult.
- (c) The indefensibility of the grain mountain of 18.2 million tonnes before public opinion and the waste of tax payers' resources, with the costs of intervention storage for all surpluses at £1860 million (7000 DM) and export refunds for their disposal at £3650 (13650 DM).

The Prime Minister might add that she hopes that the United Kingdom and the FRG can work together to remedy this

/ situation;

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situation; that she thinks it essential that she and Chancellor Kohl should remain in close touch about this; and that she hopes that the FRG Government will be able to support the price restraint needed for the effective curbing of surpluses.

I am copying this letter to the Private Secretaries to the Minister of Agriculture, Fisheries and Food, the Chancellor of the Exchequer and Sir Robert Armstrong.

*Yours ever,  
L V Appleyard*

(L V Appleyard)  
Private Secretary

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*from me  
per [unclear]*