



From the Minister

The Rt Hon Sir Geoffrey Howe QC MP  
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CAP 17/1

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Best Secretary of State

**COMMON AGRICULTURAL POLICY: THE 1986 PRICE PROPOSALS**

The Commission will shortly be considering their proposals for the 1986 price fixing and it is desirable that we should lobby the British Commissioners, the Agriculture Commissioner and the President of the Commission before conclusions are reached on the content of the proposals.

Officials have been considering the line which should be taken and have agreed on a generally tough line stressing the need for substantial price cuts for most commodities and the paramount need for the proposals to conform to the financial guideline for CAP expenditure.

Officials have not been able to agree on the line to take on discrimination in the CAP, an issue which will be one of our major concerns in the coming weeks.

The thinking which is emerging from the Commission on changes to the CAP show that there has been a conscious and considered decision to shift the focus of the available resources onto smaller and medium sized family farms. The beef and cereals sectors provide examples where this is the Commission's intention.

The consequences of the Commission's approach is to place the burden of adjustment on larger farms and to render less economic the agriculture industry of countries like the United Kingdom which have a more concentrated structure. This would be damaging to our national interest by reducing the benefits we get from our more efficient industry, as well as making it politically much more difficult for our farmers to accept the reforms needed to the CAP.

While we shall have to elaborate a detailed position once we have specific proposals, I see it as important to make clear now that we shall resist differentiation of support in ways which would strike at our industry because of its particular structure.

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The enclosed draft lobbying note does this and I hope that colleagues can agree that it should form the basis for lobbying the Commission in the immediate future.

I am sending copies of this letter to the Prime Minister, members of OD(E), the Secretaries of State for Northern Ireland, Scotland and Wales and Sir Robert Armstrong.

Yours Sincerely

C (Hurdyn)

for MICHAEL JOPLING

(Approved by the Minister  
and signed in his absence)

## 1986 CAP PRICE PROPOSALS

DRAFT LOBBYING NOTE FOR USE WITH BRITISH COMMISSIONERS,  
THE AGRICULTURE COMMISSIONER AND THE PRESIDENT OF THE COMMISSION

1. At the 1986 price fixing the Community faces a very serious situation in the CAP. Surplus agricultural production is creating major stocks which pose political and practical problems. The Community's international relations are adversely affected. There are growing problems in financing the CAP. And the continuing uncertainties about the future direction of policy create difficulties for farmers themselves. It is vital that the Commission makes proposals adequate to respond the challenge of this situation.

2. The financial guideline provides the overall limit on CAP guarantee expenditure. It is essential that the proposals for 1986/87 can operate within the guideline for 1986/ and 1987 and the Commission should present the necessary data to demonstrate that this is the case.

3. The main emphasis in the proposals must be on a tough long term price policy. Given the problems the Community faces substantial price cuts are appropriate for most commodities especially those in surplus or with expensive regimes. For example, for cereals a price cut of 5 percent should be made instead of imposing a coresponsibility levy and should be supplemented by measures to raise quality standards for intervention and to reduce the period during which intervention is available. The existence of milk quotas cannot justify excluding milk from a similar substantial price cut which can be made more tolerable by ending the coresponsibility levy and improved arrangements for quota transfer.

Price cuts are no less justified for Mediterranean commodities particularly given the scope for green rate devaluations.

4. Where there are threshold mechanisms they must be rigorously applied. They should also be extended, for example to the fresh fruit and vegetable sector for which it should at least be possible to reduce basic prices and to set all withdrawal prices in the range 40 to 45%.

5. The Commission has stressed the importance of long term price policy. In order to make a greater impact on producers' decisions the price proposals should cover several years.

6. The proposals must be balanced as between member states (eg by ensuring that Mediterranean commodities - the support cost of which has been rising very fast - are treated as rigorously as northern commodities) and must not discriminate on account of size. The only justification for discrimination should be natural handicaps in particular regions.

