

PRIME MINISTER

AGRICULTURE COUNCIL

There is some possibility that an attempt will be made to settle this year's agricultural price fixing in the European Community in the course of tonight in Luxembourg. There are three main problems for us:

- The Presidency compromise on the table does not maintain our Beef Variable Premium. This is a regular annual battle and we shall probably get it in the end.
- There is still provision for a co-responsibility levy for cereals which is unsatisfactory from our point of view (though not as bad as the original proposal). The levy would be applicable to all cereal producers but it would be paid back to small farmers (i.e. the Germans would benefit).
- There would be 2% devaluation in the green rate for animal products and 1% for cereals. This will create difficulties for the French who are demanding 4% and 2%.

If negotiations come to a head during the night, Mr. Jopling will have to consult the Chancellor urgently on a green rate devaluation. If they cannot agree there may be an appeal to you.

C.D.P.

(C.D. Powell)

23 April 1986

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