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PM/86/061

PRIME MINISTER

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You asked to be kept informed about this. It would be a great achievement if we could get agreement on reform of the beef regime during our Presidency.

EDP 29/9.

European Community Beef Regime

1. You have asked to be kept informed of the progress of discussions about the reform of the Community beef regime.
2. The Sub-Committee on European Questions of the Defence and Overseas Policy Committee discussed a paper from the Minister of Agriculture, Fisheries and Food at its last meeting. The Community is committed to reaching decisions on reform of the beef regime by the end of December. It is important both to our Presidency objectives and to the need to continue the process of CAP reform that we should make as much progress on beef as we possibly can. Beef is now the third most expensive sector of FEOGA guarantee expenditure: for 1986 the Community budget cost is forecast at 2.7 billion ecu (about 42% on intervention and 50% on export refunds). In August this year there was some 670,000 tonnes of beef in stock.
3. Although it is possible to argue that with the fall in the number of dairy cattle in the Community and the normal course of the beef cycle there will be a reduction both in intervention and in cost by the early 1990s, we remain convinced that some changes in the operation of the beef regime are essential. There is an urgent need to reduce expenditure on the beef regime and the level of stocks more quickly, to make the regime more market orientated and to bring production and consumption more

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into balance. We are all agreed that the Commission's proposals - which envisage an end to permanent intervention and the introduction of a new premium for specialist beef producers to offset the reduction in support through intervention - are on the right lines. But the Commission do not say by how much they expect to cut back intervention purchasing: we have agreed that we should urge on the Community the objective of a cut-back in intervention buying of at least 100,000 tonnes per annum. The importance of such an objective can be seen from the scale of purchases which are running at over 275,000 tonnes already in 1986.

4. The premium proposals present some difficulties. Such schemes do have attractions, if properly constructed, as a more sensible form of support than relying only on a rigid system of intervention and public purchasing, but most other member states have not had the same experience of operating premium schemes as we have had and will be somewhat sceptical of their value. There will, therefore, be differences of view in the negotiation. Furthermore, the Commission's proposal in its present form is for a new premium for specialist beef producers limited to 50 head per producer. We do not consider this form of limitation, which is unfavourable to larger herds, to be acceptable. We are agreed that we must resist the 50 headage limit or the limitation of a premium to male animals only. Producers and the meat trade in this country are very much attached to our existing form of variable slaughter premium, the Beef Variable Premium Scheme, and will expect us strongly to defend this type of premium in Community discussions. We shall do so and we are also

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agreed that we would only move from this if we had made the maximum use of our position to negotiate a fully acceptable alternative. It is not possible to say now whether or when the premium discussions will lead to any agreement within the Community.

5. Michael Jopling believes that he has a clear basis on which to negotiate in the Agriculture Council and intends to pursue the beef proposals vigorously in the remaining three Agriculture Councils of our Presidency. He will report back to OD(E), probably in November, as the outline of a package may develop and we shall have to judge then whether, while protecting the interests of our farmers, it goes far enough in the way of reform.

6. I am sending copies of this minute to members of OD(E) and Sir Robert Armstrong.

GEOFFREY HOWE

Foreign & Commonwealth Office  
29 September 1986

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