

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



Prime Minister

To note.

From the Minister

The Rt Hon Francis Pym MP
Secretary of State for Foreign
and Commonwealth Affairs
Downing Street
London
SW1

A.J.C. - $\frac{25}{6}$

*No less than
50,000 tonnes.
N.Z. has been
manipulating us
over the Falklands*

23 June 1982

NEW ZEALAND BUTTER

The Council are due to decide by 1 October the quantity of New Zealand butter which may be imported in 1983 under the present 3-year agreement.

We understand that the Commission could be faced with a draft proposal on this next week. The Commission Services are considering a figure of 90,000 tonnes for 1983. This would follow effective permitted levels of imports in 1981 of 94,000 tonnes and in 1982 of 92,000 tonnes. Given the reference to a "degressive" scale of imports in the preamble to the present regulation, there seems no prospect of securing a more favourable proposal than this. But there remains a real risk of a lower figure being proposed by the Commission. Even if the Commission Services decide to put 90,000 in their draft, a number of Commissioners are likely to be arguing for a more rapid depression in the New Zealand quantity.

The Commission are also likely to be considering a proposal for an increase in the New Zealand levy following the recent increase in the Community intervention price. Under the present agreement, New Zealand's "take home price" should be based on 75 per cent of the intervention price. Because the intervention price has been increased, they are able at present to secure more than 75 per cent and the Commission Services consider that a suitable adjustment must now be made.

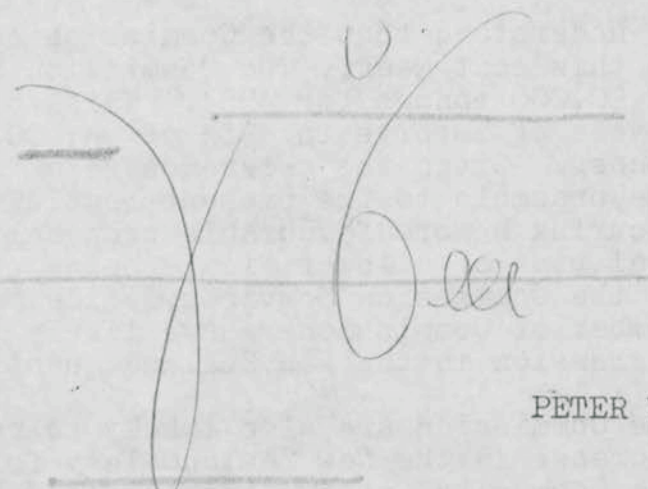
Both of these issues are for decision by the Council, a levy adjustment requiring a qualified majority and the quantity unanimity. I do not think we can logically argue about a change in the levy and I doubt if New Zealand will want to resist this. On the 1983

/quantity,

✓ quantity, we must clearly give New Zealand full support in securing a satisfactory deal. There is no doubt that we shall have a hard negotiation in the Agriculture Council over this. A number of other Member States will be out to cut back New Zealand's access. There are no obvious contexts this autumn in the Agriculture Council which will enable us to bring pressure to bear for a satisfactory settlement. Apart from the political argument, we shall have to point to the importance to the Community budget of continuing co-operation with New Zealand on the world market. I fear, as in the past, that the negotiations on this issue will drag out over a number of months and we may not be in a position to avoid this.

n But the essential first step is to get the right proposal out of the Commission. Subject to your views, I think that we must brief the British Commissioners to use their influence to secure a 90,000 tonnes figure in the proposal. I shall myself speak to Mr Dalsager when I see him next Monday and emphasise the political importance of this decision to the Community's credibility as a trading partner. I am consulting the New Zealand authorities to ensure that they are in agreement with the line we shall be taking on the quantity and on the levy adjustment.

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


PETER WALKER



10 DOWNING STREET

From the Private Secretary

28 June 1982

*See notes,*NEW ZEALAND BUTTER

The Prime Minister has seen Mr. Walker's letter of 23 June to the Foreign and Commonwealth Secretary.

She has commented that a figure less than 90,000 tonnes for the permitted level of imports of New Zealand butter in 1983 would not be acceptable. The Prime Minister has much in mind the exceptionally strong support given to us by New Zealand over the Falklands issue.

I am copying this letter to Francis Richards (Foreign and Commonwealth Office), John Rhodes (Department of Trade), Muir Russell (Scottish Office), Stephen Boys-Smith (Northern Ireland Office), Adam Peat (Welsh Office) and David Wright (Cabinet Office).

*John Rhodes**John Rhodes*

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food.



Euro Pol

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N.B.P.R.

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

A.J.C.Y.

New Zealand Butter

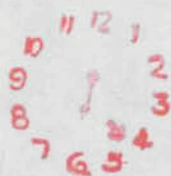
1. Thank you for your letter of 23 June about New Zealand's butter quota for 1983.
2. I agree that we must do everything possible to see that the New Zealanders get a satisfactory deal, and that our first priority is to ensure that the Commission's draft proposal contains a figure not lower than 90,000 tonnes. Instructions to this effect have now gone to Sir Michael Butler in Brussels.
3. I am copying this minute to the Prime Minister and to the other recipients of your letter.

(FRANCIS PYM)

Foreign and Commonwealth Office

1 July, 1982

30 JUN 1982





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

From the Minister

Mentioned to John Coles.

The Rt Hon Francis Pym MC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

16 September 1982

NEW ZEALAND BUTTER: 1983 IMPORT ENTITLEMENT AND SPECIAL LEVY

You will recall that I wrote to you on 23 June suggesting the line we should take on the determination of the import entitlement for New Zealand butter in 1983 and the special levy applicable to such imports. The Prime Minister took the view that an entitlement of anything less than 90,000 tonnes would be unacceptable, in view of the strong support given to us by New Zealand over the Falklands (John Coles' letter of 28 June). You agreed that we should do everything possible to persuade the Commission to put forward a proposal to the Agriculture Council for an entitlement of 90,000 tonnes and that we could not oppose any Commission proposal for an adjustment in the special levy which reflected the change in the intervention price of butter at the start of the 1982/3 milk year.

Mr Dalsager's proposal to the Commission would have met these requirements but it met with strong opposition from French, Belgian and Irish Commissioners, who succeeded in forcing through a proposal for an entitlement of 89,000 tonnes. This represents a 3,000 tonne reduction on the 1982 amount and is justified by the Commission as being equivalent to the 3.3% decline in Community butter consumption. An adjustment has however been proposed to the rate of special levy to provide New Zealand with total returns from the market at a level equivalent to what would have been obtained from an entitlement of 90,000 tonnes.

/Officials have

Officials have maintained the line that 90,000 tonnes is the right figure, as implied by the logic of degressivity in previous years. Indeed this is recognised by the Commission in the compensation they proposed through the levy for the loss of 1,000 tonnes of entitlement.

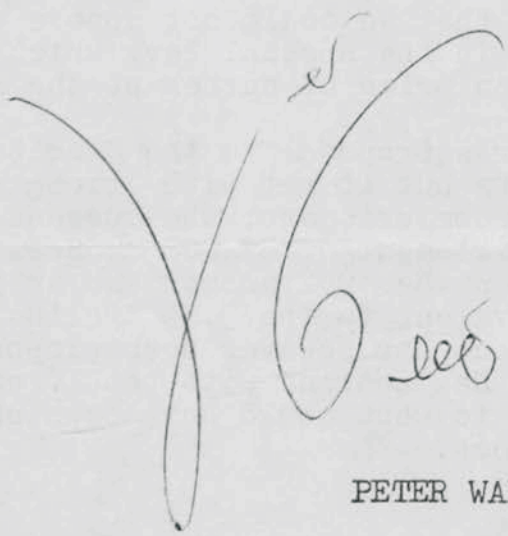
However, we have been alone in taking this view. Germany, the Netherlands, Luxembourg and Greece have all maintained their support for the Commission's proposal, while the line of Ireland, Denmark and France is that it is over-generous - pointing out that the decline in butter consumption on the UK market, where New Zealand butter has to be sold, is much more substantial.

In preparation for the Agriculture Council next week I have today discussed the negotiating prospects and New Zealand's needs with Mr Warren Cooper, New Zealand Minister for Overseas Trade. He accepts that there is no prospect of improving on the Commission's proposal of 89,000 tonnes. Indeed he has made it clear in his discussions in France and elsewhere that New Zealand would be content with the 89,000 tonnes. It is clear therefore that we cannot credibly argue for more than this.

I have told Mr Cooper my view that even an agreement on this figure is going to be hard to get given the attitude of the French and the Irish and the lack of leverage available to us.

I am, therefore, proposing to argue strongly for the Commission Proposal at next week's Council. I do not expect, however, that this issue will be resolved quickly and I have made this clear to Mr Cooper.

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

A large, stylized handwritten signature in dark ink, consisting of a large 'P' and 'W' intertwined, followed by the name 'Walker' in a cursive script.

PETER WALKER

Euro Pol, CAP, P410



FCS/82/134

MINISTER OF AGRICULTURE, FISHERIES AND FOOD

New Zealand Butter

1. Thank you for your letter of 16 September about the import entitlement for New Zealand butter for 1983 and associated special import levy.
2. I too saw Warren Cooper yesterday. He also made it clear to me that in his recent talks with the Commission and other Member States he had said that New Zealand could accept the 89,000 tonnes and levy adjustment proposed by the Commission. In the circumstances I entirely agree that we should no longer hold out for the 90,000 tonnes which we and the New Zealanders had originally envisaged and that you should argue in support of the Commission's proposals at next week's Agriculture Council.
3. It remains our policy on this issue to secure the best possible arrangement acceptable to the New Zealanders. We must therefore continue to consult them if, as you suspect, agreement cannot be reached next week on the basis of the Commission's proposals.
4. I am copying this minute to the Prime Minister, the members of OD(E) and to Sir Robert Armstrong.

Barro Pol
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(FRANCIS PYM)

Foreign and Commonwealth Office
17 September 1982

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

Prime Minister

From the Minister

A.S.C. 17/10.

CONFIDENTIAL

The Rt Hon Francis Pym MC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AL

18 October 1982

Dear Foreign Secretary,

NEW ZEALAND BUTTER: 1983 IMPORT ENTITLEMENT AND SPECIAL LEVY

When I wrote to you on 16 September I indicated that I did not expect that agreement would be reached easily on the Commission proposal for the import of New Zealand butter in 1983. In the event no agreement was reached at the Council on 20 September primarily because of the strong opposition from the French, who wanted subsidised exports of butter to Russia to be resumed, and from the Irish, who felt the quota should reflect the decline in butter consumption in the UK. In view of this opposition to the Commission's proposal, the Presidency has put forward a compromise figure of 87,000 tonnes, with a compensating reduction in the New Zealand levy (which would maintain the New Zealand return from the Community market).

The subject is on the agenda of the Agriculture Council on 18/19 October when there will also be discussion of problems in the Community butter market. I shall be meeting the New Zealand Ambassador to the Community immediately before the Council and arrangements will be made for him to be consulted during the Council as necessary. Given the other problems in the Community butter market I have no expectation that we will settle the issue next week. But if an unexpected opportunity should arise to settle it on reasonable terms it would be important to take it rather than run the risk of protracted negotiations which could well get enmeshed with the price fixing. I would propose therefore that, if it were possible to settle at a level around the Presidency compromise of 87,000 tonnes with satisfactory arrangements for the levy I should do so, provided that the arrangement was acceptable to New Zealand.

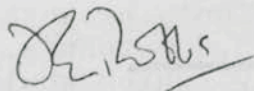
There is also expected to be a general discussion of measures to correct the imbalance which is developing in the Community butter market. Although the Commission have not yet tabled specific proposals, the discussion in the Council may be important in influencing the Commission's further deliberations on 20 October.

/It seems

It seems unlikely that any package of such measures will be agreed this side of the next price-fixing. For this reason, and on wider grounds, I shall resist any attempt by the French or others to involve the decision on the New Zealand 1983 quota in such a package. I shall also take the line that any package of measures to deal with the imbalance in the Community market must include, not just measures to stimulate Community consumption, but also measures to restrain Community production in conformity with the decision at the last price fixing to introduce a production threshold. I shall continue to resist strongly the French demand that the Community should resume subsidised butter sales to the USSR and, in any discussion of increasing the allocation of resources for subsidised butter disposals within the Community, I shall favour those steps, i.e. improvements in the general butter subsidy, which give the UK the best return. However, if we are to achieve our objectives for New Zealand and for effective restraint of Community production, it may not prove possible at the end of the day to resist some improvement to other schemes such as Christmas or social butter which are of less interest to us.

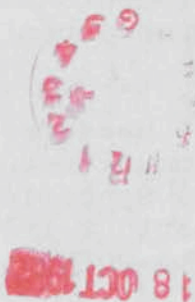
I am copying this letter to the Prime Minister, to members of OD(E) and to the Secretaries of State for Social Services, Northern Ireland, Scotland and Wales and to Sir Robert Armstrong.

Yours sincerely,



PP PETER WALKER

(Approved by the Minister and signed in his absence)



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Euro Pol: Cap



N. S. P. N.

FCS/82/163

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MINISTER FOR AGRICULTURE, FISHERIES AND FOOD

New Zealand Butter: 1983 Import Entitlement and Special Levy

1. Thank you for your letter of 18 October. I am content with your proposed line both on New Zealand butter (provided, as you say, any arrangement is acceptable to New Zealand), and on measures to deal with the Community's rising butter surplus.

2. I am copying this minute to the Prime Minister, the members of OD(E) and to Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office

20 October, 1982

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MINISTER OF AGRICULTURE, FISHERIES AND FOOD

EC: New Zealand Butter

1. Thank you for your letter of 22 October.
2. I entirely agree that we want no link between New Zealand butter and other butter issues. The personal views which my officials expressed to the New Zealand High Commission last week were based on this same objective. It was arguable that a row with the French on so high-profile an occasion as the Foreign Affairs Council, should they have chosen to block an A point and make the link in polemical terms (which Chandernagor probably would), would have been more damaging to our and New Zealand interests than letting the A point slip to the Research Council next week.
2. I should point out, for the record, that my officials agreed readily with yours once it was clear that your Department disagreed with the ideas which had been floated with the New Zealanders. I enclose a copy of the record which shows that this had been on an entirely personal and non-committal basis, specifically subject to MAFF views, and that it was the New Zealand High Commission which went off at half-cock on the subjects.
3. As it turns out, I see that the Danish Presidency do now propose to put the A point to the Research Council.

/We must

RESTRICTED



We must obviously do everything possible to ensure this decision is taken on 4 November, and to resist any linkage with butter sales to Russia.

JP

(FRANCIS PYM)

Foreign and Commonwealth Office

28 October 1982