



Ref. A083/1072

PRIME MINISTER

Cabinet: Community Affairs

The Minister of Agriculture, Fisheries and Food could report on his meeting on 13 April with Herr Kiechle, the new German Minister of Agriculture, and on the likely timetable and package for this year's Common Agricultural Policy (CAP) price fixing. If he does, the Chancellor of the Exchequer and the Foreign and Commonwealth Secretary may wish to comment.

2. Subject to what Herr Kiechle tells the Minister of Agriculture, it seems likely that negotiations on the price fixing will begin in earnest at the Agriculture Council on 18-19 April, though it is not yet clear whether there will be a serious attempt to reach agreement then. If not, a further meeting of the Agriculture Council might be held the following week.

3. The Commission's proposals in December 1982 were based on a "norm" increase of 5.5 per cent with less for some commodities and more for others giving a weighted average price increase for the Community as a whole of 4.4 per cent. The Commission have subsequently reduced the price increase proposed for milk from 3.2 per cent to 2.3 per cent with the result that the weighted average of their current proposals is 4.1 per cent to 4.2 per cent.

4. The cost of the Commission's present proposals could be such as to make the Community run up against the 1 per cent limit on VAT in 1984 and leave insufficient headroom for United Kingdom refunds in respect of 1983. The United Kingdom position has been to argue for no increase on common prices for products in structural surplus (cereals, sugar, milk and wine) and for a modest increase for other products. No other member state in the Agriculture Council has supported the Minister of Agriculture in seeking price increases lower than the Commission has proposed.

5. The final package for the price fixing seems likely to turn on what accommodation the French and the Germans are able to reach on the reduction in the German positive MCAs. France is insisting



on a big German revaluation following the recent EMS realignment. The Germans have resisted this so far, and would find it difficult to reduce their MCAs without a bigger increase in common prices. The Commission are thought to be likely to stick broadly to their present proposals, which include a small reduction in German and other positive MCAs.

6. If, as seems likely, the package goes beyond the position currently agreed by Ministers, the Minister of Agriculture, Fisheries and Food will need fresh authority before he can accept it. He will probably not raise this in Cabinet.

7. The Foreign and Commonwealth Secretary may wish to report on the President of the Commission's reported remarks to the European Parliament on 12 April on the relationship between the interim solution and the long-term solution to the budget problem. Monsieur Thorn is reported to have said that the Commission could consider the immediate and short-term problems only in the context of a long-term solution. On the other hand, work on the interim solution has been going forward in Brussels with the active support of the Commission with the aim of agreeing a framework for the interim at the 25-26 April Foreign Affairs Council. Monsieur Thorn, in making his remarks will have been motivated by a desire to appear to meet the wishes of the European Parliament whose support for further refunds will be essential; his remarks may therefore not represent a change of heart by the Commission. The position will become clear only at the discussion in the Committee of Permanent Representatives on 14 April. The Foreign and Commonwealth Office, in briefing the Press, have taken the line that the Commission are as bound as member states by the European Council's conclusions, and that the United Kingdom expects work to proceed in accordance with these conclusions.

8. The Foreign and Commonwealth Secretary may wish to report on the meeting between Foreign Ministers of the European Community and the Association of South-East Asian Nations (ASEAN) in Bangkok on 24-25 March, which he attended. The meeting, which for the Community participants was largely a public relations exercise, went well. The Commission and other Community representatives were in particular able successfully to rebut ASEAN charges of Community protectionism.



9. The main Community meetings over the next seven days are:
- i. An Agriculture Council on 18-19 April to discuss the CAP price fixing.
 - ii. A Finance Council on 18 April where the main subjects for discussion will be the Community's negotiating position on the revision of the OECD export credit consensus, the New Community Instrument and, possibly, the insurance services directive.
 - iii. An Energy Council on 21 April where the proposed Community solid fuels policy will be an important issue.

REA

ROBERT ARMSTRONG

13 April 1983

CONQUEROR

PRIME MINISTER

CABINET

Under Community Affairs, I understand that the Chancellor is likely to ask Mr. Walker, recalling your meeting of 20 December, whether next week (18/19 April) will see the last meeting in the CAP price fixing process; what was the outcome of his meeting today with his German counterpart Herr Kiechle; and whether the outcome of the price fixing is likely to be a price increase higher than that proposed by the Commission.

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13 April 1983

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For issue at 4.30 pm -

[Joint Announcement by the Agriculture Departments in the United Kingdom]

April 14, 1983

SUPPORT PRICES FOR THE 1983 POTATO CROP

In a Written Reply to a Question by Mr. Colin Shepherd, M.P., in the House of Commons today, asking if he would announce the support arrangements to apply for the 1983 potato crop, the Rt. Hon. Peter Walker, M.P., Minister of Agriculture, Fisheries and Food, said:

"The Government has decided that the guaranteed price for the 1983 potato crop should remain at the existing level of £44.64/ton (£43.94/tonne).

"In order to ensure stability in the market throughout the season, the Potato Marketing Board has again been asked to offer producers a contract for a proportion of their crop. The aim will be to place under contract up to 600,000 tonnes of potatoes so that they can be removed from the market in Great Britain, should this prove necessary.

"The prices offered will be increased by an average of £2.00 per tonne over the 1982 contract price, so creating a differential of £7.00 per tonne on average above the guaranteed price. In determining the contract price for each delivery period, the Potato Marketing Board will be asked to take account of the pattern of commercial contracting, and to give an incentive to longer term storage under proper conditions.

"Consideration will be given to the need for market support to Northern Ireland as necessary."