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

From the Minister

Mr ~~Bell~~
Mr Clement - For draft submission PF 30/11
Mr Fairweather ECD(I)

cc PS
PS / Mr Rifkind
Mr Renwick.

CR Budd 30/11

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State
Foreign and Commonwealth Office
Downing Street
LONDON
SW1A 2AL

29 November 1984

Dear Geoffrey

1985 COMMON AGRICULTURAL POLICY PRICE FIXING

I have been considering how best to register our ideas for next year's price fixing with the Commission and the other Member States. In particular if we are to make any impact on the Commission Services in the formative stages of their preparation for next year's price fixing we would need to get our ideas across to them as soon as possible.

It seems to me that we need to set out separately our main ideas for discussion with Ministerial colleagues and also to draw up detailed notes on individual commodities for lobbying the Commission Services. Notes on this basis which have been broadly agreed at official level (subject to one or two Departmental caveats) are attached to this letter. I must of course emphasise that a preliminary view only can be taken at this stage on some elements as conditions could change substantially between now and the price fixing; and of course we will wish to reassess our position in the light of what the Commission eventually proposes.

The 1985 price fixing will take place against tight budgetary limits and there is a particular need to ensure that the Commission's proposals are realistic and non-discriminatory. There is a danger that the emphasis on budgetary discipline may tempt the Commission to make economies in those areas where it expects least opposition from most Member States, which could hit our own particular interests. I therefore attach considerable importance to making it clear that the UK expects the Commission's proposals and the eventual outcome to strike a proper balance between the interests of the Member States and also between Northern and Mediterranean commodities.

/We will clearly ...

We will clearly not be able to contact the new Agricultural Commissioner until he is appointed. However it will be important that I seize all opportunities to influence the thinking of my agricultural colleagues over the coming months.

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

Yours Ever

Michael

MICHAEL JOPLING

**1985 CAP PRICE FIXING**

**VIEWS OF THE UNITED KINGDOM**

1. The 1985 price fixing will be especially important since it will be the first at which it will be possible to take account of the important decisions taken in the course of 1984 notably on budgetary issues.

2. In the view of the United Kingdom the principal considerations of the Commission and the Council of Ministers should be the following:-

(a) <u>to meet the terms of the financial guidelines for agriculture.</u> The Council of Ministers has now concluded in detail how the decisions of the European Council on budgetary discipline, and a financial guideline for agriculture in particular, should be applied. Clearly it will be for the Commission in framing their proposals, and for the Council of Ministers in reaching decisions, to ensure that the terms of the guideline are fully satisfied. In the UK view the Commission should pitch its original price fixing proposals well within the guideline both to allow some room for negotiation at the Agriculture Council and to provide for the possibility of adverse market developments. The UK Government and Parliament regard adherence to the financial guideline in 1985 price fixing as an essential part of the package of budgetary reforms agreed by the European Council at Fontainebleau;

(b) to maintain rigorous control on prices and uphold the decisions taken at the 1984 price fixing on guarantee thresholds. In March 1984 significant steps were taken to put the CAP on a more realistic basis both in relation to price levels and the need to reduce surpluses especially of milk. It will be essential in 1985 to ensure that the progress made in 1984 is not dissipated. As past experience has shown, over-generous price decisions that ignore market realities inevitably lead to painful cutting back at subsequent price fixing. This benefits no-one. In 1985 it will be essential to maintain a policy of price restraint across the board and to ensure that the milk superlevy works fairly throughout the Community and achieves its objectives of reducing the cost of the milk regime;

(c) <u>equality of treatment between producers in different member states.</u> There is no case for any specially generous treatment for any particular class of producer. Any differentiation of treatment between products should be justified by objective considerations such as the need to apply guarantee thresholds; according to the principles already agreed by the Council.

(d) <u>ensuring the effective operation of the existing guarantee thresholds and to introduce thresholds where appropriate for other products in line with the decisions taken in 1984</u>. The guarantee thresholds must not be undermined by devices such as agreeing artificially high "norm" prices in order to counter the effects of any abatement required to implement the thresholds already agreed. Clear signals must be given to producers of commodities subject to guarantee thresholds that if guarantee thresholds are exceeded there must be a cut back in price. This is an especially pertinent consideration for cereals in 1985.

3. These principles applied to the individual commodities regimes have the following major implications:-

(i) cereals The recent expansion in output represents a very large potential financial liability for the Community. It is essential that the abatement of 5 per cent in the price required by the guarantee threshold should be fully carried through in 1985/86 prices and that there should be no offsetting increase in "norm" prices for cereals. Producers can cope with a cut of this order given recent increases in cereals yields and productivity. Quotas and/or co-responsibility levies would be ineffective and are not appropriate for this sector.

(ii) milk The basic quota for 1985/86 has already been fixed by the Council and this decision should be maintained. The reserve should not be increased. Given the remaining surplus in this sector and its enormous cost there is no case for any price increase;

(iii) wine If final agreement has not been reached by the time of the price fixing on the reform package currently under consideration, the process should clearly be completed then. This is necessary to respect the Council's decision of March 1984 on guarantee thresholds.

(iv) other Mediterranean products These should be treated on their merits. In particular in sectors where expenditure has grown markedly in recent years (such as tobacco and fruit and vegetables) there is a need for a rigorous price policy and effective implementation of guarantee thresholds where these have already been agreed.

**BEEF**

1. FEOGA expenditure on beef has risen greatly in recent years. In 1984, boosted by increased cow slaughterings due to the milk superlevy, EC beef production is expected to exceed consumption by some 5% and imports (most of which enter under special arrangements) are forecast at about 6% of consumption. In the longer term, however, the effect of the superlevy will be to reduce beef production and it is forecast that, by 1986/87 EC self-sufficiency will fall to some 98 - 99% although, after allowing for third country import commitments, total supplies would still exceed Community consumption.

2. The current surplus would tend to suggest that no increase in common prices for beef would be justified. But account must also be taken of the expected longer term outlook and the need to achieve a better balance between arable and livestock production. On balance a price change in line with other commodities is indicated. The UK will continue to support equitable and cost-effective economy measures in the beef sector. This would not include production quotas which are impractical for beef because of the long production cycle and because increased production, in contrast to other sectors, often comes from a contraction in the cattle herd rather than an expansion.

3. Following the 1984 price-fixing, beef intervention has been based on the carcase classification grid and member states' buying-in prices are to be harmonised in three equal stages. This decision of the Council must be maintained; the second stage of the transition,

due at the start of the 1985/86 marketing year, must be properly introduced.

4. The UK Beef Variable Premium Scheme (BVPS) encourages consumption and saves FEOGA money since FEOGA funds only 40% of the scheme but 100% of intervention. Intervention intake would be greatly increased in the UK if the BVPS were abolished or further restricted. The scheme which is subject to annual review should be retained.

5. The calf premium should be abolished. It is costly, (about 50 mecu pa), is payable only in certain countries and is thus discriminate against the majority of producers, and is paid undiscriminately on dairy as well as on beef calves. On the suckler cow premium we agree that the basic premium should continue in its present form. This does not require a Council decision. However, the UK sees little justification for the continuation of the FEOGA funded supplement which is paid only to certain producers.

## CEREALS

1. Community policy must take account of the fact that Community production, aided by high increases in productivity, is expanding steadily, while human consumption is static and the downward trend in animal feed usage has been intensified by the introduction of milk quotas. The resulting increased surplus is leading to unacceptable problems in terms of cost (cereals support measures are budgeted to cost FEOGA 2672 mecu in 1985); friction with trading partners, leading already, for example, to the adoption of voluntary restraints on wheat exports; and an excessive burden on livestock producers.

2. The large 1984 harvest, resulting in an exportable surplus of over 40 million tonnes, has increased the urgency of finding solutions The unprecedented strength of the dollar has for a time reduced the cost of exporting; but the level of export refunds is now rising again and the cost of intervention purchases will inevitably be very high.

3. The Annex shows that, despite an apparently more rigorous price policy for cereals in recent years, the support per hectare was nearly 15% higher in real terms in 1984/85 than in 1979/80, after taking yields into account. Moreover there can be little doubt that, overall, productivity has increased by more than the increase in yields. Unless support is reduced by more than the increase in productivity, production and expenditure will not be brought under control. The Council should therefore commit itself to a "norm increase" of zero for this sector for not less than three years. For 1985/86, this would entail a reduction of 5% in cereal prices after taking account of the effect of the guarantee threshold.

4. Lower prices would not only reduce expenditure but would bring benefit to users of cereals including livestock producers. It would also help to reduce tension with trading partners.

5. The intervention price for wheat of minimum breadmaking quality, and the conditions under which it applies, are within the Commission's competence. The UK supports their intention to reduce the premium over the feedgrain intervention price from 7% to 5%.

6. Quota controls or coresponsibility levies are inappropriate to the cereals sector, and would in any case present insuperable administrative problems at least in most member states.

7. Although no substitute for a commitment to action on prices, tighter quality standards for intervention could make sense as part of a restrictive price policy, provided that they are not discriminatory, have a uniform effect, and make sense in commercial terms. The Commission's proposal last year - a maximum fibre content for barley - does not meet these criteria.

8. Export quality standards, although not formally part of the price fixing as they fall within Commission competence, make no sense. They would disrupt the Community's export trade and would probably increase FEOGA expenditure.

9. Without prejudice to its views on the eventual outcome of the current discussions in GATT, the UK consider that in principle new limitations on the import of cereals substitutes would harm the interests of farmers feeding livestock and would therefore be tolerable only in the context of lower Community feed grain prices.

10. While it makes sense to improve the competitive position of starch manufacturers whose output is used for industrial purposes,

The proposal for the immediate removal of the refunds on starch used in the manufactured of food and drink would cause serious problem These refunds were originally designed to compensate for the cost difference between EC and world-price grain. Since it is the Commission's policy to narrow or even remove this differential, it would be logical to phase out the refunds in line with the achievement of that objective.

11. The imbalance between the market support system for rice and commercial reality leads to a serious drain on Community resources. Policy should be developed on the lines already suggested by the UK.

ANNEX

Development of Cereal Prices

(1) Index of real support prices, adjusted for yields

| 1979/80 | 1980/81 | 1981/82 | 1982/83 | 1983/84 | 1984/85 |
|---|---|---|---|---|---|
| 100 | 104.6 | 99.2 | 106.5 | 101.8 | 114.7 |

(2) Index of real prices received by producers, adjusted for yields

| 1979 | 1980 | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|
| 100 | 102.4 | 101.6 | 106.9 | 104.1 | na |

These figures have been calculated by taking (1) support prices and (2) prices received by producers in each member state, deflating them by the implicit GDP deflator, adjusting for the increase in yields, and finally constructing an average for the Community as a whole according to the shares of each member state in cereals production.

**FRESH FRUIT AND VEGETABLES**

Expenditure in the sector has increased from 195 mecus in 1980 to an expected over 500 mecus in 1984. This is essentially because in recent years, institutional prices for fruit have consistently risen by more than the average increase in CAP support prices, and for most products by considerably more than market prices. As a consequence the proportion of EC production withdrawn has increased sharply for some crops.

This is especially true for peaches (FEOGA expenditure up from around 10 mecus before 1981 to an average of about 60 mecus in the last 3 years (with some 10 - 15% of total EC crop withdrawn)); lemons, - expenditure up from under 5 mecus to some 30 mecus (with some 10 - 12% of EC crop withdrawn) over the same period; apples, which is in an average year still one of the most expensive single products; and for apricots. For oranges and lemons processing aids have risen from about 20 mecus in the late 1970s to about 100 mecus now. (The problems with oranges will get worse with Spain's accession).

There is therefore a strong need to re-establish a reasonable relationship between institutional and market prices. This would suggest marked reductions in withdrawal compensation for all types of orchard fruit, especially oranges, apples, peaches and lemons. Independently of action on prices, there is scope for reducing citrus processing aids as the benefits of the restructuring programme are realised.

MILK

1.The UK objective in the milk sector is to achieve a better market balance between supply and demand and savings in FEOGA expenditure through lower prices and lower production. The immediate priority must be to consolidate the steps taken at the last price fixing to retrain milk production by freezing the milk price and by the introduction of a milk super levy.

2. A price freeze is again essential for 1985/86. A continuing policy of severe price restraint is necessary to help to contain FEOGA costs and to reduce the growth in surplus stocks of milk products by stimulating consumption. Any rise in the milk price would weaken the good effects of the super levy, give the wrong signal to producers and make it more difficult to end the system after 5 years.

3. For the milk superlevy system:

(i) There should be no attempt to disturb the level of global quotas for 1985/86 already agreed. They are set at a level 1% below 1984/85 with the exception of Ireland and Italy.

(ii) The quota reserve quantity, currently at 335,000 tonnes and intended to help Member States facing particular difficulties, must not be increased since this would add to the cost of the milk surplus.

(iii) There must be proper implementation of the superlevy system in all Member States. The Commission must be active in providing the resources and taking all the necessary action to ensure that this is the case.

(iv) Sufficient flexibility must be introduced into the superlevy system so that it does not prevent rational economic development. This must include flexibility between whole-sale and direct sale quota and some easing of quota transfer independently of the land.

4. For 1984/85 the balance between the intervention prices for butter and skimmed milk powder was adjusted to 50/50 so as to reduce the price for butter, where the surplus is more difficult to handle. A further shift in the fat/skim ratio to 45/55 would help to promote butter consumption in the Community while having a minimal effect on other consumer milk products. While milk is in over production in the Community there is a need to sustain butter consumption in the UK and the butter subsidy should be retained.

5. The coresponsibility levy has not proved an effective instrument in curbing the milk surplus. The ending of the extra 1% agreed for 1984 85 at the 1984 price fixing will help to make other tough measures in the milk sector acceptable to farmers and in the longer term the abolition of the remainder should take place before any price increase is considered.

DETAILED BRIEF

**OILSEEDS AND OLIVE OIL**

1. The only form of production restraint applied in the olive oil sector is the limitation of production aid to existing planted areas, and this is of limited effectiveness because of the provisions allowing restructuring projects, under which less productive olive groves can be replaced by new highly productive ones. Although the 1983/84 crop in Italy is likely to be relatively low, following the bumper crop the previous year, the general trend is for the existing Community to move towards a surplus and there is no serious doubt that, unless stringent measures are taken, the enlarged Community will be in structural surplus. It is also highly relevant that Community producer prices are double those currently applied in Spain. For all these reasons, severe price restraint is needed in this sector.

2. The financial control measures for olive oil agreed earlier this year have not yet been implemented. If the difficulties which have prevented this are not overcome the Commission should present proposals to simplify the olive oil production aid system.

3. Rapeseed production is running far above the guarantee threshold and will amply justify the maximum 5% price cut contained in the guaranteed threshold regulation. This cut should be applied in full and should not be offset by a "norm" price increase.

4. We have yet to hear the outcome of the research commissioned by the Council at the last price fixing into the problems of encouraging the development of '00' varieties of rapeseed. Oilseed crushers will, in their own interest, encourage growers to plant '00' seed

once suitable varieties are available; it would be a mistake to try to force this change to take place prematurely.

5. Sunflowerseed production has been rising even more rapidly than rapeseed production but because a guarantee threshold system was agreed later than the rapeseed threshold and at a generous level in relation to past production, it is unlikely to bite this year. Nevertheless, a 5% differential between the price change for rapeseed and that for sunflowerseed is undesirable particularly given the fact that sunflowerseed has been given much more generous price increases in the past, leading to higher subsidies per tonne. (Currently sunflowerseed subsidies are 50% higher than rapeseed subsidies showing that the Community's support system has take an exaggerated view of the market potential of sunflowerseed compared with rapeseed). So there should be some reduction in the sunflowerseed price this year.

**PEAS, BEANS AND LUPINS**

1. Given the Community's continuing deficit in proteins, some price increases could be granted to peas and beans, to encourage some switch into these crops from cereals. It would be prudent, however, not to increase the price for lupins, support for which was introduced at a level of 10% above the price for peas and beans at a very late stage of last year's price fixing and without detailed examination at technical level.

2. The Commission should present a report and if appropriate make proposals to deal with disposal problems for peas and beans which have been encountered this year. These appear to have been partly due to the fact that the aid calculation only takes account of soya meal prices and not of other competing feedstuffs. But it may also be relevant that the change in the activating price, which determines the rate of aid, agreed at last year's price fixing was not fully proportional to the change in the minimum price.

DETAILED BRIEF

**PIGMEAT**

1. Feedingstuffs account for some 75% of production costs. Reductions in cereals prices would be of considerable benefit to pig producers.

2. Any change in the basic price for pigmeat should be in line with changes for beef to avoid distortions in competition.

3. The Commission should make their traditional undertaking that they will endeavour to manage the pigmeat market so that market price levels are reasonable in relation to the basic price, and that in so doing, they will take regional disparities into account.

4. The UK pigmeat processing industry continues to suffer in relation to its competitors through lack of past investment. The special tranche of aid allocated in 1983 under Regulation 355/77 for the modernisation of UK plants was heavily over-subscribed. A further special allocation of aid is badly needed because, without this, few of the oustanding projects could be assisted.

DETAILED BRIEF

**SHEEPMEAT**

1. When the sheepmeat regime was introduced the desire to protect high cost French production from lower cost British exports was a major factor in the decision to establish a variable premium in the UK and to recover the amount of the premium through clawback on UK exports to other member states. In practice clawback has operated to isolate the British market from markets in the other member states for much of the time so that, at times of heavy supply, prices in the UK fall until the market clears. This is the main reason for the high share of premium expenditure in the UK. As one result it is the UK which has borne the main brunt of the cost-saving decisions made to the regime at the 1984 price-fixing (which should save some 95 mecu in a full year).

2. Although some cost-saving measures were adopted in 1984, certain of the Commission's other proposals made for the 1984 price-fixing remain on the table. Certain of these, and in particular the possibility of a co-responsibility mechanism to limit the amount of variable premium paid in any week, deserve further consideration. Naturally it would be unacceptable in principle that any changes would mean that producers in areas applying variable premium (ie Great Britain alone) would receive lower guaranteed returns than those elsewhere; this would be wholly inconsistent with the principles of the CAP.

3. The fairest and most effective way to contain expenditure is through a <u>cautious pricing policy</u>. Given the relative profitability of the sheepmeat sector throughout the Community, and the need to improve the balance between the profitability of beef and sheep, there seems to be <u>no justification for any common price increase</u>

for sheepmeat in 1985.

4. On a more technical level it will be important to secure minor adjustments to the seasonality of the scale of weekly guide prices to avoid disruption to marketings in Great Britain which occurred in June this year (and are expected to recur around the turn of the year) due to the excessively rapid changes in support prices at that season.

5. A further way to achieve savings, and a better distribution of expenditure throughout the Community, would be to abate the clawback charge and encourage export demand in Great Britain. This would raise prices and (provided expenditure in importing member states did not rise by an equal amount - which should not be the case) should lead to overall expenditure savings. A ceiling on variable premium and clawback (as mentioned in paragraph 2 above) would achieve this, but in an unpredictable way. A more stable marketing pattern might be achieved through some other abating mechanism. In any case, it is now clear that exports to third countries are possible only on the basis of the exemption from clawback which has been renewed annually at successive price fixings; the time has come for this exemption to be made permanent.

DETAILED BRIEF

**SUGAR**

1. Sugar production is restrained by quotas and the regime is designed to be self-financing. But it will be necessary to apply severe price restraint, because:-

(a) Export refund costs are in practice greatly exceeding the receipts from sugar production levies. The accumulated deficit in the three years ending in 1983/84 is estimated at 442 mecu.

(b) With quotas due for renegotiation in 1985/86 it is important to avoid letting sugar beet become much more profitable than cereals and oilseed rape, both of whose prices should be cut.

For these reasons, we would like to see a price freeze for sugar beet.

2. As consideration (b) does not apply to sugar beet processors, we could accept the need for a small increase in the price of sugar so that there could be some increase in the manufacturers' margin, which was frozen last year, to allow part of the increase in industrial costs to be recouped. The same increase should also be offered to the ACP countries, who guaranteed price for raw sugar supplied under the sugar protocol is normally kept in line with Community sugar prices.

3. Unless decisions are taken before then, the price fixing package should also include proposals the Commission have already tabled for supplying the chemical industry with world price sugar. It is vital, however, for these proposals, which currently relate only to non-quota sugar, to be widened to cover surplus quota sugar which could be switched from the export market to the chemical industry. This addition would not add to expenditure, because the refunds necessary to bring the cost of quota sugar to the chemical industry down to the world price would otherwise be paid out as export refunds. And it would serve the vitally important objective of allowing the chemical industry throughout the Community equal access to world price sugar and of cutting Community exports of quota sugar which will otherwise continue to rise because of the downward trend in demand.

4. A decision is needed on the future of the storage levy/refund system for ACP sugar, which was suspended for three years starting from the 1982/83 season. There has not, to our knowledge, been any adverse effect on the market of this suspension and we, therefore, see no reason to reintroduce the scheme. At the very least, the period of suspension should be extended for a year so that the issue can be considered in the context of the general review of the sugar regime which is due to take place in 1985/86.

DETAILED BRIEF

## TOBACCO

1. A guarantee threshold of 300,000 tonnes should be introduced for tobacco eligible for premia, account being taken in setting thresholds for individual varieties of the outlets for those varieties. The thresholds should be so set that the production of problem tobaccos would be discouraged. Any increase in Community production cannot be justified in view of the downward trend in the consumption of tobacco products.

2. The level of price increases should not be above the average proposed for other agricultural products. In the past few years tobacco has fared too well in receiving increases greater than the average for the agricultural sector as a whole and this has led to an increasingly expensive regime.

3. The granting of premia should be linked to the prior conclusion of a contract between the processor and the producer to ensure greater and more rapid conversion to varieties marketable within the Community. Over the years there has been a tendency for producers to grow tobacco purely for the premia regardless of whether there is a market for it.

4. Premia levels should be fixed on the basis of real processing etc, costs instead of, as in recent years merely affecting blanket levels of increase related to increases in tobacco prices generally.

5. Payment of flat-rate premia for individual varieties regardless of quality should be ended. At present the payment of premia is made according to variety only; some varieties have several quality grades, providing different degrees of marketability.

**WINE**

1. Measures must be taken to deal with the severe structural surplus of table wine (up to 30% of production) with rising production and falling consumption. Undoubtedly Spanish/Portuguese accession will exacerbate the situation. 1984 FEOGA costs of market support (1,200 mecu) double what they were in 1983.

2. The UK therefore supports the principle behind the Commission's current (Nov 1984) proposals to reform the regime by an effective guarantee threshold operated through price restraint and obligatory distillation combined with structural measures that represent value for money.

3. The elements to be decided at the 1985 price fixing depend on the decisions of the forthcoming European Council. However, it is clear that severe price restraint will be necessary.

SAVING TELEGRAM

FROM UKREP BRUSSELS

RESTRICTED

FRAME DEVELOPMENT/AGRICULTURE

TO FCO SAVING TEL NO 142 OF 14 NOVEMBER 1984

COUNCIL OF MINISTERS (AGRICULTURE): 13 NOVEMBER

FOOD AID

Summary

1. Despite doubts about the role of the Agriculture Council in food aid, a wide ranging discussion on the emergency food needs of Africa and how best to deploy Community food surpluses and financial resources to meet those needs in the short and long term. Discussion to be resumed at a future Agriculture Council.

Detail

2. Pisani (Commission), recalling the discussion in the Agriculture Council on 18/19 June (our tel no 171), appealed to Ministers to consider the role of food aid and the mechanisms for managing food aid separately from the current dramatic situation in certain African countries. The famine in the Sahel and Ethiopia was certainly extremely bad, but was linked to long term climatic degradation and poor agricultural policies. An important Community emergency aid effort had run up against problems of absorptive capacity, and lack of local administrative structures to ensure proper coordination and a reasonable time spread for deliveries. Politically, the public drew a link between such emergencies and the existence of food surpluses. While food aid could not of course justify the creation of surpluses there was a definite relationship. A recent Commission study of cost effectiveness had demonstrated that milk products were as cost effective as cereals and provided the necessary protein balance. A further study on vitamin enrichment of milk products would be available soon, and this could have profound implications for the management of the CAP. Following the recent emergency, the Commission was also studying the possibility of a security reserve of readily usable food for emergencies as well as a scheme, based on the UK's "send a tonne to Africa" scheme, for encouraging agricultural producers to donate part of their surpluses to famine areas by meeting from the food aid budget the costs of collection, storage and distribution.

3. In a wide ranging debate, discussion covered the following points:

(a) role of agriculture Council; Mr Jopling said that while the Agriculture Council could of course look at the Commission report, the Development Council was best placed to decide how to use



/food aid

food aid most effectively. Other Ministers agreed in principle, but nonetheless indicated their readiness to explore further the detailed points raised by Pisani. Pisani justified the need for such further discussion on the grounds that the concept of available agricultural products needed definition in the Lome context (he promised a Commission paper on this soon), that food aid had budgetary and management implications which were the province of Agriculture Ministers, and that the existence of structural deficits in the third world put the whole CAP into question.

(b) emergency aid; all speakers expressed their deep concern about the famine in Africa and agreed that emergency action was both justified and a legitimate use of food aid. Absorption and transport problems were real but every effort should be made to overcome them. Several speakers urged the need for greater coordination and close consultation with WFP and NGOs. Pisani's idea of a security reserve was welcomed by Denmark, Greece and Italy. Most delegations also expressed interest in a Community scheme for encouraging voluntary contributions from farmers, while warning that the responsibility for action was a collective one and not limited to the agricultural community.

(c) long term action; most speakers stressed that in the long term, encouragement of local food production was the only answer; efforts in this direction should not be neglected in favour of emergency aid. Reasonable producer prices was an important element in any long term strategy. Rocard (France) thought that GATT rules should be reviewed given the needs of developing countries. He also urged greater efforts to fight desertification and use of food aid counterpart funds.

(d) type of products; Denmark urged more use of high protein products. Greece mentioned dried fruit. Netherlands, France and Ireland expressed interest in vitaminised milk products. Pisani thought all these had a role.

4. Concluding, Deasy (Chairman) said that the Council was deeply concerned about the current famine in Africa and wanted to examine further the interface between the CAP and food aid/food strategies. Without wishing to impinge on the Development Council's leading role, the Council could not afford to be accused of lack of concern given the link in the public mind between food surpluses and the starving millions. The budgetary implications however could be considerable and could not be overlooked. The Council would come back to this whole problem at a future meeting.

BUTLER

FRAME DEVELOPEMENT/AGRICULTURE.
ECD(E)

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Harding, Cabinet Office
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