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Sir P Middleton
Mr Jittler
Mr Unwin
Mr Fitchew
Mr Hopkinson
Mr Mortimer
Mr Bostock
Mr Lovell
Mr Bonnev



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AT
12/12*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries and Food
Whitehall Place
London SW1

7 December 1984

Dear Minister,

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I don't think the
PT need see this
at this stage
CDP*

1985 CAP PRICE FIXING

Thank you for sending me a copy of your letter of 29 November to Geoffrey Howe. I am generally content with the line proposed subject to the following comments.

I am glad to see that compliance with the CAP financial guideline has been given pride of place in the main note. I am sure that this is right. I note your concern that undue emphasis on the guideline may tempt the Commission to propose economies in areas which could hit our own (agricultural) interests and I accept that you should press for equality of treatment between Member States. But we should be in no doubt that, if the Agriculture Council fails to agree on a price fixing settlement which can be shown to be consistent with the guideline, this would be a substantial reverse to our efforts on budgetary discipline over the past year and could cause us major political embarrassment.

Given the emphasis that we have all placed on effective budget discipline as an essential precondition for our agreement to increase Own Resources, there would be a real risk that Parliament might fail to approve the new Own Resources decision, if the guideline is breached in the first year that it is applied. I suggest that the main note should draw attention to this risk by adding a sentence at the end of paragraph 2(a) on the following lines:

"There is a real risk that Parliament might refuse to approve the new Own Resources decision, if the guideline is seen to be, or likely to be, breached in the first year of its application".

We should also make it clear to the Commission that we would give them our full support in calling for a joint meeting of

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Finance and Agriculture Ministers under the new budgetary discipline procedures, if this seems necessary to achieve a satisfactory settlement.

Subject to a number of detailed points still under discussion between our officials, I am content for the commodity briefs to be used as you suggest in lobbying Commission officials. But this must be on the clear understanding that our objectives on individual commodities are not subsidiary to the four main considerations listed in the main note.

One particular point in the commodity briefs on which we could have some difficulty is the retention in its present form of the Beef Variable Premium Scheme (BVPS). Although I am well aware of the practical sensitivities here, the fact is that the BVPS is a disproportionately expensive means of supporting the beef market in the UK (not least because of the limitation on FEOGA reimbursement). Moreover, it is not popular with other member states and agreement on its annual renewal tends to have to be bought at the price of expensive concessions to others.

I am glad to see, therefore, that the retention of the BVPS is not listed as a major UK objective and that it has been agreed by officials that it would be counterproductive to mount a major lobbying exercise to retain it. I suggest that we should now give active consideration to the conditions under which we might be prepared to end the scheme. The briefing note on beef suggests that Community production could fall significantly in the 1986-87 season. This suggests that there might be less need for the BVPS to support market prices in that year. I am sure that our negotiating position would be more comfortable if you were able to indicate willingness to end the scheme within the foreseeable future, perhaps in return for some specific changes to the normal Community support arrangements. I propose, therefore, that officials should consider this option and report back to us in time for us to have a collective discussion on our negotiating position on the BVPS early in the New Year.

Finally, I think that it would also be useful to add a supplementary brief to the lobbying material on the UK's medium term objectives for the CAP. I am sure that this would help in rebutting those who argue that the UK is more interested in wrecking the CAP than in its reform. No doubt our public line will be that policy should be based on strict application of the financial guideline, continued restraint on prices, and improvements in individual project regimes by the introduction of guarantee thresholds involving, wherever possible, automatic reductions in levels of support and, where appropriate, reductions in support prices during the course of the year.

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While I am sure that tough policy on prices is the correct strategic objective, it seems increasingly likely that we shall end up with further quantitative restrictions as a politically more acceptable way (to the farmers) of reducing the budgetary costs of agricultural support than making price cuts. I think it would be useful if officials could consider the practical limits and constraints on further quantitative restrictions and what alternative policies there might be. Is there, for example, any prospect of a more rational system of agricultural trade coming out of the current GATT review?

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

Yours sincerely,

Philip Wynn Owen

PP NIGEL LAWSON
(approved by the Chancellor and
signed in his absence)

Europ. Pol: CAP: FA 12

12 DEC 1984

