



Ref. A085/1345

PRIME MINISTER

Cabinet: Community Affairs

The Foreign and Commonwealth Secretary will report that in the European Parliament on 9 May the attempt by some members to transfer the United Kingdom's 1,000 million ecu abatement for 1984 from the revenue to the expenditure side of the budget had failed. The provision for abatement on the revenue side, in accordance with the Fontainebleau agreement, is now expected to go through as part of the 1985 budget. This does show how far opinion has moved towards our position as a result of our rigid insistence on the letter of the Fontainebleau agreement.

2. The Minister of Agriculture, Fisheries and Food will report on the Agriculture Council on 13-15 May which has not yet reached a farm price settlement for 1985-86 because of the intransigence of the Germans on cereal prices. The Commission put forward a final compromise package which, for the United Kingdom, was better than expected: in particular, it reinstated the beef variable premium unchanged for another year, did not add to budgetary expenditure in 1985 and added only an estimated 74 million ecu in 1986. On cereals the Commission proposed a cut of 2 per cent in support prices (compared to the Commission's original 3.6 per cent and the Presidency's 1.8 per cent), but added an adjustment of the monthly scale equivalent to another 0.5 per cent cut and the ending of the end-of-season carryover payment for cereals (an excellent proposal saving about 120 million ecu in 1985 and about 143 million ecu in 1986). On milk the proposal was basically unchanged but there would be an extra 58,000 tonnes milk quota for the Republic of Ireland in 1984/85 and 1985/86. There would be a small relaxation of the original proposals for fruit and tobacco. A



number of Ministers, including Mr Jopling, had reservations on particular points and a subsequent Presidency attempt to further modify the package fortunately attracted little enthusiasm. But in any event the Federal Republic of Germany totally rejected the cereal proposals and made clear that they were not prepared to be outvoted. Chancellor Kohl himself wrote to Monsieur Delors, President of the Commission, stating that very important German interests would be involved in any reduction in the price of cereals, rapeseed or butter. So far the Germans do seem to have fallen into the box of either being outvoted or being forced to invoke the Luxembourg compromise. Herr Kiechle, the German Agriculture Minister, has had to return to Bonn to consult his colleagues again before the Council resumes at 5.00 pm on 15 May. The tactical position therefore remains that considered by Cabinet on 9 May.

3. You are meeting Chancellor Kohl at Chequers on 18-19 May. The Foreign Affairs Council meets on 20-21 May, the Consumer Affairs Council on 21 May, the Budget Council on 22 May, the Transport Council on 22-23 May and the Development Council on 23-24 May. Monsieur Delors, the President of the Commission, is visiting you on 24 May. If farm prices are not agreed this week, there will be a further Agriculture Council on 20-21 May.

RTA

ROBERT ARMSTRONG

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