

ANGLO-FRENCH SUMMIT: PARIS 21 NOVEMBER 1986

NOTE OF A MEETING BETWEEN THE MINISTER OF AGRICULTURE,
FISHERIES AND FOOD AND THE FRENCH MINISTER OF AGRICULTURE

Present:

Minister	M Guillaume
Mr Andrews	M Gautier-Sauvagnac
Mr Llewelyn	(Directeur de Cabinet)
Miss Timms (Embassy)	M Vial (Directeur,
	Agricultural Commodities)
	M Toussain (Cabinet)

(M Guillaume was present for the second half of the meeting only)

SHEEPMEAT/AGRI-MONETARY

M Gautier-Sauvagnac asked why the UK Presidency had refused to countenance the splitting of the agri-monetary package proposed by the Commission at the Council earlier in the week. He did not see what the UK had gained by, in effect, refusing to allow the green rate devaluations for sheepmeat to go ahead, since there was every chance that the devaluations on beef would be obtained very shortly. The UK had behaved in a most unhelpful way; M Guillaume had been put in a very difficult position and had had to return from the Council with nothing on sheepmeat.

The Minister said that the Commission had proposed a package covering both sheepmeat and beef and had made it clear that they were not prepared to see it split up. Mr Andrews added that the package reflected the interests of both France and the UK. The Irish devaluation in the beef sector had had a greater impact on the UK than on France and a package which did not cover beef would have been politically most unattractive for the UK. Moreover, we had gained the clear impression from other delegations that their objections to the package centred on the proposed French devaluation for beef; there was a general understanding that, given the Irish devaluation, a similar devaluation for the UK was justified. M Vial commented that they had obtained a rather different impression; other delegations had made it clear to them that they did not believe that any devaluation for beef was justified and that they were opposed to green rate changes before the reform of the beef regime. M Gautier-Sauvagnac said that there was no point arguing further about the past. For the future, they accepted the Commission's package, including the proposed devaluations on beef; politically, however, it would be impossible for them to accept the UK devaluation without a French one. The Minister said that the UK also supported the package, together with the proposal for a further advanced payment of ewe premium and the idea of seasonalising the ewe premium.

[When M Guillaume joined the meeting, discussion reverted briefly to this issue. M Guillaume repeated that he had been disappointed at the UK Presidency's handling of this issue. He felt that the current problems in the sheepmeat sector were fundamentally different to those affecting beef as they were caused by the recent fall in sterling, which in turn was a consequence of the UK's refusal to join the EMS. He added that M Chirac was extremely angry about the sheepmeat situation, and was considering raising agri-monetary problems at the forthcoming European Council. The Minister replied that he could not accept that the fact the UK was not a member of the EMS was relevant. The sheepmeat regime had been agreed in 1981 by the Council, and it should not now be changed because difficulties had arisen in one member state.]

M Guillaume confirmed that France wanted the regime reviewed as soon as possible. They were not, however, questioning the way the regime operated in the UK; rather, they wanted to change the arrangements in France, to move closer to those in the UK. Seasonalising the ewe premium was the first step in this process. Mr Andrews pointed out that changing the system in France would be bound to have implications for the UK. However, it would be useful to discuss possible changes to the regime further at technical level. M Guillaume agreed.]

SOCIO-STRUCTURAL PROPOSALS

M Vial said that he did not believe that rapid progress was possible on these proposals, since each item seemed to be opposed by at least half the member states. France was in favour of the proposal on young farmers, as this was in line with traditional French policy. They opposed, in decreasing order of importance:

The pre-pension scheme, and, in particular, the proposal to freeze production on farms taking up the scheme. This was unacceptable;

Community financing for environmentally sensitive areas. They were not opposed to the policy here, but believed that expenditure on environmental objectives should not be charged to the agriculture budget;

Increasing the limits on payments in Less-Favoured Areas. Again, their concern here was primarily budgetary. They were, however, more ready to be open-minded on this point, provided that there were financial limits.

The Minister said that we would like to see these proposals agreed, but we accepted that other issues were more important. We also felt that the package should be more directed towards reducing production. We shared French doubts about the pre-pension scheme, though we were doubtful about the proposals on young farmers, which we felt would be open to abuse. We would be more ready to look favourably at the latter if it

could be shown that they would bring additional people into farming. We strongly supported the proposals on ESAs. So far as the LFAs were concerned, we did not favour extending the scope of the compensatory allowances and we were firmly opposed to ceilings on compensatory allowances.

[At this stage, M Guillaume joined the meeting.]

BEEF

The Minister asked M Guillaume whether the December Council would be more likely to reach agreement on beef or on milk. M Guillaume replied that, in his view, agreement was not possible on milk, given the forthcoming elections in Germany. The Germans would not want to move, and France did not wish to make life difficult for them.

Turning to beef, the Minister said that the principal difficulty, from the UK point of view, was in establishing the right balance between intervention and a premium system. The UK would find it impossible to agree to any arrangements that did not include a premium system.

M Guillaume said that they did not question the variable premium as it currently applied in the UK. But the system that the Commission was proposing was not the current UK system. They reckoned that, under the Commission proposals, producers in France would lose about 360 francs a carcass. This was not acceptable. The Minister replied that the support system for beef had to be weakened. Moreover, he did not understand France's opposition to premiums, given that they supported the suckler cow premium and the ewe premium and their producers now favoured a beef premium.

M Guillaume said that the sheep regime was an unfortunate mixture of two separate support systems, one based on classical intervention and the other on deficiency payments. As the Community was in deficit for sheepmeat, he would be prepared to accept much simpler arrangements, comprising import levies and a common price, with no premiums at all. Similarly, for beef they wanted producers to continue to obtain their returns from the market, and they were opposed to premiums because they saw these as a move away from the market.

The Minister replied that putting beef into intervention immediately reduced its value. This was why the UK preferred a premium system, which we regarded as a more effective mechanism for getting beef sold. M Guillaume commented that consumption of beef in the UK was no higher than in France, despite what he regarded as a consumer subsidy. There was a limit on how much consumption could be increased and it was not possible to escape reliance on the export market, unless quotas were introduced (which both France and the UK opposed). He agreed that the existing intervention system was too rigid and that it would be sensible to sell more beef fresh. Some

changes were needed, which should include reducing intervention price to the level of the market price. He suggested that such a system, with no premiums, should be tried for a year. On this basis, it would be possible to reach agreement at the next Council!

The Minister said that it would be impossible for him to accept such a package, and he believed that Germany would also find it very difficult. M Guillaume then commented that we would be unwise to imagine that Herr Kiechle shared our basic philosophy. He simply wanted to reduce production to the level of domestic consumption by means of quotas on all commodities, and then increase prices to farmers. Essentially, he wanted to stop spending money on exporting to foreigners and give it instead to his farmers. He was not interested in increasing competition, but in redistributing income from urban to rural areas.

Mr Andrews said that the Commission had now produced new proposals, which seemed to follow the French approach. How did they view the Commission's new ideas? M Gautier-Sauvagnac replied that they could not accept an intervention price set below their current market price. Intervention prices should be linked to national market prices.

MILK

The Minister said that it was clearly necessary to reach agreement to reduce quotas further. He had noted that France was apparently only ready to accept a total reduction of 3% next year, but he wondered whether they would be ready to accept a greater cut with compensation.

M Guillaume said that the Commission was over-dramatising the situation, although he acknowledged that there was a problem. Provided there was compensation, he was prepared to accelerate introduction of the cuts already agreed and so reduce quota by 3% in 1987/88. He was not, however, ready to agree now to reductions for 1988/89. His reluctance was only partly due to internal French politics; more significantly, he believed that it was necessary to consider the overall world position before agreeing further action in the Community. He did not wish to give a signal to the Community's principal overseas competitors - Australia, the United States and New Zealand - that the Community would reduce its production even if they did not. Instead, the Community should make it clear that if they were prepared to reduce production, we would be prepared to accept further cuts in quota in 1988/89. The Commission should, therefore, negotiate a general percentage reduction in milk production with third countries.

The Minister replied that we were ready to discuss this matter with third countries (who were already making significant efforts to reduce production), but given the current size of the Community's surplus and of intervention stocks, quotas could be reduced by more than 3% without there being any

effect on export levels. M Guillaume said that the Community must be in a position to exert pressure on third countries. At the next Council he was ready to agree to a 3% cut in quota next year. At the same time, the Commission should be told that they had a year in which to obtain a commitment to reduce production from third countries. Once this had been obtained, the Community could then reach decisions for the 1988/89 milk year. He added that France was ready to help the UK Presidency to reach a certain number of realistic decisions in December. However, he did not believe that the Commission's latest proposals were realistic. The trouble with the Commission was that they were bureaucrats and civil servants, not politicians or farmers. They tended to consider only balance sheets, whereas Ministers had to think of their constituents. Moreover he was sure that both he and Mr Jopling, as farmers, realised the advantages of a gradual, step by step approach.

Mr Andrews commented that such an approach would do little to deal with the Community's budgetary problems. Drastic action was necessary if these were to be resolved. M Guillaume replied that money could always be found somewhere. The Minister said that it would be a mistake to imagine that the UK would be ready to accept any increase in the 1.4% VAT ceiling.

CHK

C I LLEWELYN
24 November 1986

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