

CONFIDENTIAL

Ref. A0221

PRIME MINISTER

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Cabinet: Community Affairs

The Chancellor of the Exchequer may wish to report on the meeting of the Budget Council on Tuesday attended by the Financial Secretary. The meeting was to discuss the Community's draft budget for 1980 (which now has to be discussed with the European Parliament) but the Financial Secretary took the opportunity of underlining the seriousness of our budget contribution problem. This will be the main item for discussion at next Monday's meeting of the Finance Council, and the Chancellor may wish to outline the approach he intends to take as decided upon at OD.

2. There could be questions about the newspaper reports on further sales of butter to the USSR. The Minister of Agriculture will probably confirm that fresh butter (not the stockpile) is being exported with the aid of the Community's normal export refund and say that we do not have the power to stop it. But it does serve to underline the urgency of reducing the milk surplus in the Community. In the short run, it is one of the cheapest ways of reducing the surplus (current stockpile 342,000 tons of which 51,000 tons in the United Kingdom).

*J.H.*

JOHN HUNT

12th September, 1979

