

CONFIDENTIAL



From the Minister

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24 April 1980

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COUNCIL OF AGRICULTURE MINISTERS 21-24 APRIL

The Agriculture Council which ended at 3am this morning was a very tedious affair, but its outcome was very satisfactory from our point of view and I do not think it has done anything to prejudice your negotiations in the European Council.

Throughout the meeting the French pressed hard for the most precise indications of a likely settlement - particularly on prices and on the co-responsibility levy on milk, and if not from the Council as a whole then from the majority of delegations. They circulated a press release which reported Giscard's view that the Agriculture Council had to reach a degree of agreement which would simply require endorsement by the European Council, if that Council itself were to prove fruitful. This attempt at blackmail was much resented and they got nothing of substance from the Agriculture Council. Nor was this a question of eight against the UK. If any country seemed isolated it was France. But on most of the points we discussed there were as many different views as there were delegations. The agricultural negotiations are nowhere near the point at which they can be quickly resolved.

We spent the first two days differing from one another on the size and nature of co-responsibility levies on milk. Most of the rest of the time was then spent on agreeing a statement for the European Council on the principles which should govern a CAP settlement. It contains only three points of substance. On prices, it simply records that there is a large majority in favour of price increases larger than those proposed by the Commission. That, of course, was already common knowledge.

On co-responsibility levies it endorsed the principle that producers themselves should bear the cost of disposing of the extra milk produced in the Community compared with a base period. The two base periods cited as examples would give estimates of this cost as 346 MEUA or 515 MEUA. But when it came to defining the size and nature of the levies there was total disagreement. The Italians, with support from the Danes, made their acceptance of the principle conditional

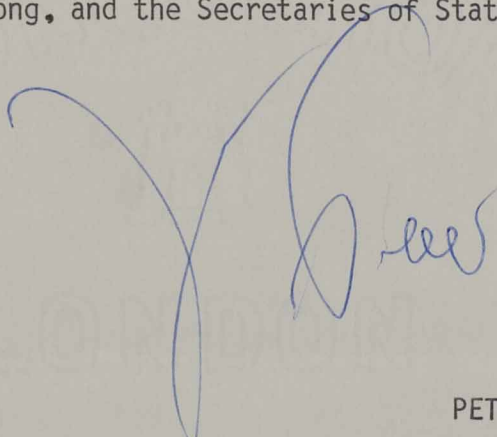
on the levy being charged on products sold into intervention, which was anathema to others. The French made theirs conditional on the levy being "progressive", ie discriminatory against the bigger or more intensive producer, which the Italians, Danes and Dutch joined us in rejecting. The Germans got very agitated about the figures generally, because they seemed to be pointing to a levy of over 3%, which Germany could not accept. Others made it clear that they would be looking for price increases that handsomely compensated for any levy. So the general endorsement of the principle of co-responsibility means, I fear, very little, though it is at least accepted that the flat rate levy should be of at least 1½%.

On the cost of a settlement, there was little disposition to endorse any particular figure. The Commission wanted it stated that the FEOGA Guarantee Section's cost for 1980, which would be about 11.8bn EUA if we simply went on as we are, should be reduced by 1bn EUA. We of course supported them. But others were clearly afraid that any clearly defined limit would place too severe a constraint on the eventual settlement, and in the end all they could agree on was a reference to the ECO/FIN resolution calling for substantial savings.

With this out of the way we turned at 3am this morning to sheepmeat. The Commission had circulated a modified version of the latest French proposals, but Mehaignerie said they would not do and circulated his own text. I circulated a counter-paper setting out our own views. There was no substantive discussion. We simply agreed that both papers should be studied.

Finally, after extending the marketing years to the end of May, the Council agreed to the Commission's temporary compromise on variable positive MCAs. The compromise runs until 30 June and is as I outlined it in my message to you. I accepted it only on the understanding that the whole issue will now be thoroughly studied in the coming weeks.

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



PETER WALKER

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