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149 Price H... To me.



*He says
this is
26/3/82*

MINISTER OF AGRICULTURE, FISHERIES & FOOD

[Handwritten signature]

f.a. 25/3

AGRICULTURE COUNCIL: 31 MARCH

We have discussed next week's Agriculture Council, and the difficult hand you will then have to play. You know my views on the main CAP price issues, and the importance of maintaining the line agreed in OD(E), ie that there should be no increases beyond the Commission's original proposals, and lower increases for certain cereals prices, milk, sugar, oil seeds and Mediterranean products. The purpose of this minute is to add a point about the green pound.

2. If at the end of the day we were obliged to consider price increases beyond the Commission's original proposals, we should need, in my view, to offset any excess above a 9% average by a one-for-one revaluation of the green pound. I quite see that you may be concerned at the risk that such a revaluation could be followed by a further EMS realignment, and a consequential devaluation of the green franc. But the essential criterion which should govern our own decision is that the level of the green pound must strike the right balance between the needs of consumers and of producers. I hope you won't mind my writing at this late stage to put on record once again my firm belief that a revaluation of the green pound to prevent any excess above a 9% increase in common prices will be sufficient to protect the position of producers, while enabling us to ensure that the impact on prices in the shops is kept within defensible limits.

3. I am sending copies of this minute to the Prime Minister, to OD(E) colleagues, and to Sir Robert Armstrong.

[Handwritten signature]

*Approved by me (Chancellor)
and signed in his absence. (G.H.)
26 March 1982*

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CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



From the Minister

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Parliament Street
London
SW1P 3AG

30 March 1982

R. Seabrook

AGRICULTURE COUNCIL: 31 MARCH

Thank you for your minute of the 26 March concerning the position of the green pound.

We have as you know agreed to discuss this and I note your views that there should be a re-valuation if there is an increase in excess of 9 per cent in common prices.

You will, of course, understand that we cannot make any firm decisions until the final settlement is known. To take an exaggerated view, if there was a settlement of 14 per cent on average, but with only a 6 per cent increase for cereals and milk, a 5 per cent re-valuation would be totally disastrous for British agriculture.

I would suspect that by the end of the week we will have some clearer vision of the type of package that is likely to emerge after agreement has been reached on the budget; and naturally, before final decisions, as previously requested, I will discuss this with colleagues.

One further feature which has of course emerged since we last discussed this, is the very large number of countries which are now going to enjoy increases above the final settlement. France, Belgium, Luxembourg, Denmark, Italy, Greece and Ireland are, in my view, all likely to have farm price increases above the average settlement. I think it would therefore be politically very damaging if, with an 11 per cent rate of inflation, and the past fall in farm incomes, we were seen to be doing very much worse than most of Europe.

I am sending copies of this to the Prime Minister, to OD(E) Colleagues, and to Sir Robert Armstrong.

Peter Walker

PETER WALKER

MINISTER'S MEETING WITH CHAIRMAN OF THE COUNCIL OF MINISTERS
(AGRICULTURE): 27 MARCH 1982

Present: Mr de Keersmaeker - Belgian Minister of Agriculture and European Affairs
 Minister Mr Andrews

Mr Van der Moortel } - Ministry of Agriculture
 Mr Dobbelaere }
 Mr Fricchionne - Council Secretariat

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1. Although this was the last stop on Mr de Keersmaeker's tour of Community capitals, he gave virtually no indication of the positions of other Member States. Nor did he give any indication, except in the most general terms, of the kind of price fixing package which he envisaged as being ultimately negotiable. He said that he thought that the price settlement would need to be at a level "moderately" higher than what the Commission were proposing, and that the package would need to go some way to meet the special demands made by several Member States, particularly the Greeks; the problem was to ensure that this special treatment was as limited as possible.
2. The Minister agreed to hand over the list of UK requirements which had already been passed to Mr Dalsager; I gave copies to Mr Van der Moortel and Mr Fricchionne after the meeting. As regards areas of particular concern to the Minister, the following points emerged.
 1. The Minister stressed that it was impossible to agree on a price settlement before it was known how it would be financed. Nor was it possible for him to accept the Commission's proposal for re-valuation of the green pound, which would leave UK farmers with a price increase substantially lower than the average, especially when so many other Member States were in a position to benefit from recent or imminent currency movements. He pointed out that it had never been the UK that had in the past resisted Member States' freedom to exploit the re-alignment of green currencies towards a neutral position.
 2. The Minister was particularly worried about proposals to give help to small dairy farmers through the co-responsibility system. He was ready to consider the case for a special aid, and a compromise settlement could involve agreement that funds should be made available but not through a market mechanism. Mr de Keersmaeker said no more in response and that he felt that the dairy problem was negotiable.

7 Mr de Keersmaecker said that he recognised the existence of the link between the price fixing and the Community budget. As regards the Mediterranean acquis, he said that there was no scope for an agreement on the whole of this problem because of the absence of proposals on olive oil. He took the Minister's point that it was unreasonable to expect Member States to agree to particular items in the Mediterranean package that would benefit certain Member States while ignoring others, but pointed out that the problem of the acquis was not institutionally related to the price fixing. Nevertheless something probably needed to be done in this area, perhaps by means of general guidelines which could be fleshed out later. The Minister said there were only two possible ways of handling the Mediterranean problem if it were to be linked with the price fixing. Either the whole package could be agreed so that a balance could be struck between the interests of the Member States, or a financial limit could be adopted as a framework for future agreement on those areas not finalised.

4. The Minister then had a short private discussion alone with Mr de Keersmaecker. I understand that Mr de Keersmaecker made it clear that he fully understood the UK's problem on the Community budget, but said that he regarded it as his duty to work towards agreement on an agricultural package at this week's Council meeting. The Minister said that, as he did the last time that the budget was at issue, he would have to reserve on the whole of the agricultural package pending a solution. Some of his reserves would be purely tactical, but others would be on points of real substance, which he had stressed at the meeting and which were described in our note. Nevertheless, he felt that if the meeting was carefully handled, it would not be impossible for agreement to be in sight by the end of this week. As regards the budget issue itself, the Minister stressed that an agreement would only be possible once the UK could see what it would mean in financial terms.
5. Neither the Minister nor Mr de Keersmaecker took seriously the threat of a majority vote on the agricultural package; this was not in the wider interest of the French, nor was it likely to be acceptable to several other Member States. The Minister said that he did not like the idea that the Agriculture Ministers should remain in session until the Foreign Ministers had concluded their meeting; in the event that an agreement was reached on the budget and good progress had been made on an agricultural package, there would be no problem about re-convening the Agriculture Ministers to finalise a settlement quickly. If there had not been good progress on the price fixing, then a couple of weeks breathing space would be necessary in any case.

Robert Lawson

Mr Redfern + 1

R LOWSON
29 March 1982

cc

Ms Nason

Mr Clements

Mr Lebrecht

Mr Robbs

Mr Andrews

Mr Stapleton

Mr Dixon

Mr Parkhouse

Mr Myers

Mr Dawes

Mr Pooley - UK Rep Brussels

Mr Coles - 10 Downing Street ✓

Mr Richards - PS/SOS/FCO

Mr Kerr - PS/Chancellor of the Exchequer

Mr Byrne - UK Embassy Brussels

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MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH



Prime Minister

From the Minister

A.S.L. 26.
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CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3AG

26 March 1982

Dear Sir Geoffrey

POSSIBLE FURTHER EMS REALIGNMENT: AGRI-MONETARY CONSEQUENCES

I thought it might be helpful if I followed up our discussion at the Prime Minister's briefing meeting on 24 March about the line we should take in the event of a French franc devaluation before the conclusion of the negotiations on the CAP price-fixing.

We agreed that, provided support was forthcoming from Germany and Netherlands at a realignment conference, you would seek to maintain the agreement reached at the February meeting that no green rate devaluations would be sought or proposed until the conclusion of the price-fixing negotiations. Although this cuts across our traditional position on negative MCAs - of which we obtained Council endorsement in May 1980 - we should justify this in the light of this year's particular circumstances.

If, on the other hand, the Germans and Dutch offer no support at the realignment conference, you will clearly not be in a position to insist on adherence to the February agreement. The countries interested in getting Green Rate devaluations through may indeed seek to have the previous agreement set aside. If so, we agreed at the Prime Minister's meeting that you would seek to get it on record that, if others are free to devalue when it suits them, we must be free not to revalue unless and until it suits us.

/I attach ...

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... I attach a possible form of words which could be included in the draft communique. The proviso about the Agreement of eight Member States of 6 March 1979 (the so-called Gentlemen's Agreement) has to be made, otherwise it would be claimed that we were trying to override it. But the point that we want to make is a valid one both for revaluations greater than those required by the Gentlemen's Agreement (including the Commission's current proposals for Germany and the Netherlands) and for revaluations for countries not party to the Gentlemen's Agreement. We should not, of course, want to agree to the first half of the proposed form of words without the second half.

If the weak currency countries do not ask for any reference to the question of Green Rate devaluations and if there is no support from Germany and Netherlands for a specific reference to maintaining the previous agreement, then you may prefer not to poke this issue up at any realignment conference. I would then rely on the February agreement to block the devaluations in the Agriculture Council, so long as the Germans and Dutch would support us.

/ I am sending copies of this letter to the Prime Minister, the Foreign and Commonwealth Secretary and Sir Robert Armstrong.

Yours sincerely

Robert Lacey

f PETER WALKER
(Approved by the
Minister and signed
in his absence)

POSSIBLE EMS REALIGNMENT CONFERENCE
DRAFT PASSAGE ON MCAS FOR COMMUNIQUE

It was agreed that, notwithstanding the agreements reached at the meeting of Ministers and Central Bank Governors on 21 February 1982, Member States with negative monetary compensatory amounts may at any time ask the Commission to propose changes in representative rates leading to the reduction or elimination of these amounts; and that correspondingly, without prejudice to the Agreement of eight Member States of 6 March 1979, Member States with positive monetary compensatory amounts may reject any proposal for changes in representative rates leading to the reduction or elimination of these amounts.