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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 April 1985

The Rt. Hon. Michael Jopling MP
Minister of Agriculture, Fisheries and Food

John Michael

CAP PRICE FIXING 1985

Thank you for sending me a copy of your minute to Geoffrey Howe reporting on last week's Agriculture Council and the prospects for the further negotiations. I have also seen Geoffrey's minute of 26 April.

Clearly it is a difficult negotiation and the prospects for securing the very rigorous settlement which market circumstances require does not look good. On the other hand you have managed to avoid becoming isolated and Kiechle is still in an isolated and difficult position on cereals himself. As Beregevoy confirmed when I spoke to him in Washington, our interests coincide with those of the French on some important points, and, as you report, the Danes and Dutch are not ready to capitulate to the Germans on cereals. I hope you will do your utmost to consolidate such alliances and, important though your concerns about the beef variable premium and sheepmeat regimes are, not allow these to distract you in the multi-lateral discussions from the pursuit of our main objective of a restrictive settlement.

You expressed some doubts about invoking a Joint Council in circumstances where the cost of the Commission's original proposals (19.85 becu) looked like being exceeded but remained below the financial guideline (20.65 becu). I acknowledge that there is some risk that a request for a Joint Council would be blocked in the Agriculture Council or that a Joint Council, if held, would be ineffectual. However, there are also political risks domestically in not pressing for a Joint Council in circumstances where significantly more expensive proposals seem likely to be accepted. There is a lot of interest in the House - much of it very sceptical - in the operation of the new budget discipline arrangements and we should certainly be asked to explain why we had not used them. Moreover, I do not accept that the involvement of Finance Ministers in the negotiations would not have some restraining influence, particularly given the outcome of the recent Budget Council.

Ian Stewart, in his letter to you of 21 March, recognised that it would not be appropriate to call for a Joint Council in response to a limited increase in the cost of the Commission's proposals. He therefore suggested a margin of 200 mecu. But, given that the headroom between the cost of the Commission's original proposals and the guideline is the very large sum of 800 mecu and that some headroom must be left for contingencies which arise between now and the end of 1986, I do not think it would be right to go beyond the sort of figure mentioned by Ian. If in the course of negotiations you conclude that more flexibility is desirable I should be grateful if you would consult me urgently in accordance with our agreement at Cabinet last week.



The Budget Council last week fixed the provision for FEOGA Guarantee in 1985 at 19.955 mecu. The Council embodied this figure in an Inter-Governmental Agreement, which has been announced to the House, and we regard this figure as final. You will need to remind your colleagues in the Agriculture Council and also the Commission that the financial consequences in 1985 of any settlement on prices will have to be accommodated within this figure.

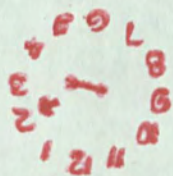
I am copying this letter to the Prime Minister, members of OD(E), the Secretaries of State for Wales, Scotland and Northern Ireland and Sir Robert Armstrong.

NIGEL LAWSON

Handwritten signature and initials in black ink, appearing to be "Nigel Lawson" and "N.L.". There is also a red circular stamp partially visible behind the signature.

20 MAR 1982

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CAP



30 APR 1985