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 FRAME AGRICULTURE
 DESKBY 060830Z

FM LUXEMBOURG 051910Z MAY 85
 TO IMMEDIATE F C O
 TELEGRAM NUMBER 107 OF 5 MAY,
 INFO BRUSSELS UKREP BRUSSELS COPENHAGEN THE HAGUE ROME PARIS
 DUBLIN BONN ATHENS LISBON MADRID WASHINGTON.

FROM UKREP BRUSSELS.

MY TELNOS.102, 104 AND 106:
 AGRICULTURE COUNCIL, 2/5 MAY 1985: THE FOURTH DAY.

SUMMARY

1. THE COUNCIL FAILED TO REACH A SETTLEMENT ON AGRICULTURAL PRICES FOR 1985/86 ALTHOUGH AFTER FOUR DAYS AND NIGHTS OF WORK IT HAS MOVED APPRECIABLY CLOSER TO AGREEMENT ON MANY POINTS. PRINCIPLE OUTSTANDING POINTS OF DIFFICULTY ARE CEREALS PRICES, SHEEP AND BEEF SUPPORT ARRANGEMENTS, ASPECTS OF THE MILK QUOTA ARRANGEMENTS AND A NUMBER OF MEDITERRANEAN DEMANDS.
2. THE CHAIR FOR THE FIRST TIME HINTED CLEARLY AT THE PROSPECT OF VOTING WHICH PROVOKED FURTHER NEO-LUXEMBOURG COMPROMISE LANGUAGE FROM GERMANY.
3. THE COUNCIL RESUMES ON MONDAY 13 MAY IN BRUSSELS WHEN, FOLLOWING INTENSIVE INTERIM BILATERAL ACTIVITY AND CONSULTATION BY ANDRIESSEN WITH HIS COLLEAGUES, IT IS HOPED THAT A FINAL COMMISSION COMPROMISE CAN BE TABLED AND A SETTLEMENT REACHED.
4. ROLL OVER OF ONE WEEK FOR MARKETING YEARS FOR DAIRY, BEEF, DRIED FODDER, CAULIFLOWERS AND SHEEPMEAT (WEEK 7).

DETAIL

5. A REVISED, AND LENGTHY, PRESIDENCY COMPROMISE WAS FINALLY TABLED JUST BEFORE MIDNIGHT ON 4 MAY (COPY BY HAND OF MRS ATTRIDGE, MAFF). THIS INCORPORATED MANY OF THE FEATURES OF THE PREVIOUS COMPROMISE AND EXPANDED ON IT ON A NUMBER OF POINTS, MANY OF DETAIL, DESIGNED TO MEET THE REQUESTS OF MEMBER STATES.
6. NEW POINTS OF PARTICULAR SIGNIFICANCE WERE A PROPOSAL THAT THE CEREALS PRICE REDUCTION, AFTER APPLICATION OF A MODIFIED ABATEMENT, WOULD BE 1.8%: THE MARKET ELEMENT FOR DURUM WHEAT TO BE ALIGNED WITH COMMON WHEAT (6.77%): AN ARRANGEMENT ON MILK TO ALLOW GERMANY FOR THE FIRST TWO QUOTA YEARS TO USE LEVIES COLLECTED TO FINANCE COMPENSATION FOR ABANDONMENT OF MILK PRODUCTION: A SHEEPMEAT PRICE INCREASE IN 1986 OF 1% AND A COMMISSION INTENTION TO TERMINATE THE SPECIAL EXPORT CERTIFICATION

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/SCHEME

SCHEME (SEC) UNLESS BY 1 OCTOBER 1985 A SATISFACTORY SOLUTION HAD BEEN FOUND TO REMEDY THE NEGATIVE EFFECTS OF THIS SCHEME ON THE MARKETS OF OTHER MEMBER STATES: SPECIAL ARRANGEMENTS

UNDER THE BEEF CLASSIFICATION GRID TO HELP ITALIAN "VITELLONI" PRODUCTION: A COMMISSION UNDERTAKING TO EXAMINE MARKET SUPPORT MEASURES FOR NECTARINES WITH PROPOSALS IF APPROPRIATE: AND TOTAL DISMANTLING OF NEGATIVE M.C.A.S FOR FRANCE, GREECE AND ITALY.

7. IN A FIRST TABLE ROUND STARTING AFTER MIDNIGHT, PANDOLFI (CHAIR) SAID THAT THE PRECISE CEREALS FIGURE NOW PROPOSED WAS IN CONFORMITY WITH HIS NEW RIGOROUS APPROACH (MY TELNO.106, PARA.13). HE WAS AWARE THAT THE COMMISSION WOULD NOT ACCEPT THIS FIGURE. THEREFORE THE ONLY WAY TO GET IT ADOPTED WOULD BE BY A UNANIMOUS VOTE OF THE COUNCIL. HE WARNED THAT IF SUCH A VOTE WERE FORTHCOMING, PRICES FOR OTHER COMMODITIES, NOTABLY MEDITERRANEAN PRODUCTS, WOULD RECEIVE A COMPARABLE INCREASE IN THE RATES PROPOSED BY THE COMMISSION TO PRESERVE BALANCE. HE CONSIDERED, WITHOUT BEING SPECIFIC, THAT ADEQUATE COMPENSATORY MEASURES COULD BE FOUND TO RAISE THE NECESSARY FINANCE.

8. AFTER NEARLY AN HOUR'S PAUSE FOR REFLECTION, MINISTERS GAVE INITIAL REACTIONS. MOST CONSIDERED THE DOCUMENT TO BE A FURTHER STEP TOWARDS COMPROMISE BUT, WITH VARYING DEGREES OF EMPHASIS, ALL WARNED THAT THEY HAD POINTS OF MAJOR IMPORTANCE WHICH WERE NOT YET ADEQUATELY COVERED AND SEVERAL RAISED OBJECTIONS TO MEASURES NOW PROPOSED FOR OTHER MEMBER STATES.

9. KOFOED (DENMARK) PARTICULARLY CRITICISED THE INCREASINGLY ITALIANATE FLAVOUR OF THE DOCUMENT CITING THE EVER-EXPANDING LIST OF POINTS FAVOURING HER. DE KEERSMAEKER (BELGIUM) CONSIDERED THE PAPER AN IMPROVEMENT BUT MORE WAS NEEDED TO MEET BELGIAN DEMANDS.

10. MR JOPLING (U.K) RETAINED SERIOUS DOUBTS AS TO WHETHER THE PAPER YET PROVIDED A BASIS FOR A BALANCED SETTLEMENT. A NUMBER OF POINTS OF IMPORTANCE TO THE U.K WERE STILL NOT SATISFACTORILY COVERED. MORE CLARITY WAS NEEDED ON THE FINANCIAL ASPECTS AND THE PROPOSED CEREALS PRICE REDUCTION WAS QUITE INADEQUATE.

11. BRAKS (NETHERLANDS) THOUGHT THE PAPER BETTER BALANCED AND A SOUND BASIS FOR DISCUSSION. BUT HE REJECTED THE CEREALS PROPOSAL AND REMAINED CONCERNED ABOUT ARRANGEMENTS FOR DIRECT/DAIRY SALES SWAPS, PREMIA IN THE BEEF SECTOR, AID FOR BELGIAN SLAUGHTERHOUSES AND FINANCE. FISCHBACH (LUXEMBOURG) ALSO THOUGHT THE PAPER A BASIS FOR A FINAL COMPROMISE BUT. STILL FELT THAT THE MILK PROVISIONS WERE OVER SEVERE.

12. MORONI (ITALY) REBUTTED ACCUSATIONS OF ITALIAN BIAS AND REPEATED DEMANDS ON POINTS STILL NOT ACCOMMODATED. DEASY (IRELAND) CONCENTRATED ON THE CONTINUED INADEQUACY OF THE ARRANGEMENTS FOR EXTRA IRISH MILK QUOTA. NALLET (FRANCE) COULD NOT AGREE A CEREALS FIGURE UNACCEPTABLE TO THE COMMISSION, SOUGHT FURTHER DETAILS ON FINANCE AND POINTED TO A NUMBER OF OUTSTANDING FRENCH REQUESTS ON MILK, SHEEP, BEEF AND WINE (PRICES AND SHORT-TERM STORAGE AID).

13. SIMITIS (GREECE) POINTED TO THE NUMBER OF CONCESSIONS ALREADY MADE BY GREECE, WELCOMED A POSSIBLE PRICE INCREASE ON MEDITERRANEAN PRODUCTS AND CALLED FOR FURTHER WORK TO MEET GREEK NEEDS ON TOMATO CONCENTRATE, TOBACCO, CEREALS AND GOATS. FLORIAN (GERMANY) THOUGHT THE BALANCE STILL NOT RIGHT. ITEMS WERE BEING ADDED WHICH FAVOURED MEDITERRANEAN COUNTRIES BUT THE CEREALS PROPOSAL WAS STILL INADEQUATE FOR GERMANY. GERMAN VIEWS ON MILK WERE ALSO INADEQUATELY CATERED FOR.

14. ANDRIESEN (COMMISSION) COMMENTED BRIEFLY THAT REACTIONS WERE ENCOURAGING BUT RESERVED FURTHER COMMENT UNTIL DELEGATIONS HAD COMMENTED IN MORE DETAIL.

15. THE COUNCIL THEN BROKE. WHEN IT RESUMED AT 10.30 A.M, MINISTERS ENLARGED ON THEIR ATTITUDES ON THE DETAIL WITHOUT ADDING SUBSTANTIALLY TO POINTS ALREADY MADE IN EARLIER SESSIONS THAN THE PRESENT ONE. NEITHER THE CHAIR NOR COMMISSION CONTRIBUTED AT ALL TO THIS ROUND AT THE END OF WHICH, PANDOLFI SAID HE WOULD CONSULT ANDRIESEN ON THE NEXT STEPS.

16. AFTER LUNCH, ANDRIESEN GAVE AN ON-THE-RECORD PRESS CONFERENCE (TEXT BY HAND OF MRS ATTRIDGE, MAFF). IN THIS, HE EMPHASISED THAT THE COMMISSION WAS NOT ENTIRELY ABLE TO SUBSCRIBE TO THE LATEST PRESIDENCY COMPROMISE ALTHOUGH HE NOTED THAT IN GENERAL IT WAS CLOSE TO THE ORIENTATION OF THE ORIGINAL COMMISSION PROPOSALS.

17. THE COMMISSION'S PRICE PROPOSALS HAD BEEN BROADLY CONFIRMED AND THE GENERAL PRINCIPLES OF THE GUARANTEE THRESHOLDS HAD NOT BEEN QUESTIONED. ONLY ON CEREALS HAD THERE BEEN A QUESTION OF A TEMPORARY MODIFICATION. THE AGREED ARRANGEMENTS FOR THE MILK QUOTA AND C.R.L IN 1985 WOULD BE RESPECTED AND THE OVERALL BALANCE BETWEEN NORTH AND SOUTH HAD NOT BEEN FUNDAMENTALLY CHANGED.

18. HE NOTED THAT THE EXTRA COSTS OF THE COMPROMISE (WHICH HE PUT AT 133.5 AND 270 MECU FOR 1985 AND 1986 RESPECTIVELY) WERE SIGNIFICANT BUT HE BELIEVED THAT THE COMMISSION COULD FIND COMPENSATING MEASURES TO ASSURE EFFECTIVE NEUTRALITY IN THE FINAL COST COMPARED WITH THE COMMISSION'S PROPOSALS.

19. HAVING SAID THIS, HE WENT ON TO CRITICISE DEVELOPMENTS^{MSU} ON CEREALS QUOTING THE COMMISSION POSITION AS ALREADY SET OUT IN REF TELS. HE PARTICULARLY CRITICISED MR KIECHLE'S NEGATIVE POSITION AS 'UNACCEPTABLE AND CONTRADICTORY TO THE PRINCIPLES PREVIOUSLY ESTABLISHED BY THE COUNCIL BOTH FOR THE CEREALS REGIME AND AS REGARDS BUDGETARY AFFAIRS'. THIS ATTITUDE PUT AT RISK NOT LEAST THE PREPARATIONS FOR A NEW GATT ROUND, AN EXERCISE PARTICULARLY SUPPORTED BY THE GERMAN GOVERNMENT.

20. IN REPLY TO QUESTIONS, HE EXPLICITLY REJECTED THE PRESIDENCY'S PROPOSALS FOR A CEREALS CUT OF 1.8% AS INADEQUATE.

21. THE COUNCIL RESUMED AT 4.00 P.M. IN AN ASSESSMENT OF THE WORK TO BE DONE, PANDOLFI MADE FOUR POINTS.

22. FIRST, ALL THE METICULOUS PREPARATORY WORK HAD NOW BEEN DONE. DELEGATIONS' POSITIONS WERE FIRMLY ON THE TABLE. THE COUNCIL WAS THEREFORE READY FOR THE LAST STEP NEEDED FOR A COMPROMISE - A COMMISSION COMPROMISE PROPOSAL.

23. SECOND, THE PRESIDENCY WISHED TO MAINTAIN THE IMPETUS NOW GENERATED AND FOR ITS OWN PART WAS READY TO CONTINUE WORKING FOR AS LONG AS NECESSARY TO ACHIEVE A SETTLEMENT.

24. THIRD, THE COMMISSION HAD MADE CLEAR THAT IT COULD ONLY ONCE PLAY THE CARD OF TABLING A FINAL COMPROMISE. IT COULD NOT THEREFORE DO SO UNTIL IT WAS CLEAR THAT THERE WAS A PROSPECT OF SETTLEMENT.

25. FINALLY, IF PROGRESS MADE SO FAR WAS NOT TO BE UNDONE, IT WAS VITAL TO KNOW WHETHER THERE WAS NOW A GREEN LIGHT FOR THE LAST PUSH TO A SETTLEMENT (A FURTHER VEILED REFERENCE TO THE POSSIBILITY OF VOTING).

26. ANDRIESSEN CONFIRMED THIS ANALYSIS STRESSING THE NEED TO AVOID PREMATURE TABLING OF A FINAL COMMISSION COMPROMISE AND HIS UNWILLINGNESS TO DO SO UNLESS THE CONDITIONS FOR A SETTLEMENT WERE CLEARLY PRESENT. HE ADDED THAT THE COMMISSION WOULD ACCEPT A CONSIDERABLE PART OF THE PRESIDENCY COMPROMISE BUT WOULD HAVE TO TAKE ACCOUNT OF WHAT HAD BEEN SAID ON IT AND ALSO OF ITS OWN RESPONSIBILITIES.

27. FOLLOWING FURTHER CONFSSIONALS WITH MEMBER STATES, PANDOLFI AND ANDRIESSEN CONCLUDED THAT WHILST THERE WAS A POLITICAL WILL TO PROCEED AS FAST AS POSSIBLE TO A SETTLEMENT, FACTORS BOTH POLITICAL AND OF SUBSTANCE MADE IT IMPOSSIBLE TO DO SO AT THE PRESENT MEETING. THERE WAS, HOWEVER, REASON TO BELIEVE THAT AFTER NECESSARY CONTACTS OVER THE NEXT WEEK, THE REQUISITE CLIMATE COULD BE CREATED.

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28. THE COUNCIL WILL ACCORDINGLY MEET AT 3.00 P.M IN BRUSSELS ON 13 MAY WITH A COMMISSION COMPROMISE PROPOSAL CIRCULATED A FEW HOURS BEFOREHAND (FOLLOWING CONSULTATION BETWEEN ANDRIESSEN AND HIS COLLEAGUES THIS WEEK). PRESIDENCY AND COMMISSION ARE PLEDGED TO SEEK A FINAL SETTLEMENT THEN.

29. IN THE MEANTIME MARKETING YEARS FOR DAIRY, BEEF, DRIED FODDER, CAULIFLOWERS AND SHEEPMEAT (WEEK 7 OF THE SEASONAL SCALE) HAVE BEEN AGREED FOR A FURTHER WEEK TO SUNDAY 19 MAY.

FCO ADVANCE TO:-

FCO - CLEMENTS.

CAB - WILLIAMSON.

MAFF - LOWSON, G.WILSON, WENTWORTH, MRS PICKERING, HUNTER,
MYERS, CANN, NASH.

TSY - BUTT.

UKREP DIST:ROBBS/BOSTOCK/WESTCOTT/SPENCER/AG/ECON/EXT.

MILES

(ADVANCED AS REQUESTED)

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