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 FRAME AGRICULTURE
 FM BONN

TO ROUTINE FCO
 TELNO 879

OF 121545Z SEPTEMBER 85

INFO SAVING OTHER EC POSTS, MADRID, LISBON, WASHINGTON

THE CAP: VIEWS OF FRG AGRICULTURE MINISTER KIECHLE

SUMMARY

1. KIECHLE REMAINS DETERMINED TO RESIST ANY CAP REFORMS WHICH WOULD IMPOSE HARDSHIP ON THE GERMAN FARMING COMMUNITY. HE OPTS INSTEAD FOR INCENTIVES TO FARMERS TO ABANDON PRODUCTION OR SWITCH TO NEW CROPS, PLUS QUANTATIVE CONTROLS WHERE NECESSARY AND PRACTICABLE. IN THE LONG TERM HE SEES A MAJOR ROLE FOR AGRICULTURE AS A PROVIDER OF ENERGY.

2. KIECHLE'S MEETING WITH BLOCK IN JULY HAS IMPRESSED ON HIM THE RESOLVE OF THE UNITED STATES TO RETAIN AND IN SOME CASES REGAIN AGRICULTURAL EXPORT MARKETS.

DETAIL

3. I CALLED TODAY ON THE FEDERAL MINISTER FOR AGRICULTURE. AFTER A SAD EXCHANGE ON THE RECENT WINE SCANDAL I ASKED ABOUT GERMAN IDEAS ON HOW TO REFORM THE CAP. COULD KIECHLE ELABORATE ON A REMARK WHICH HE MADE IN A RECENT SPEECH: QUOTE YES TO STRUCTURAL CHANGE, BUT ACHIEVED VOLUNTARILY AND BY MEANS OF INCENTIVES, NOT BY PRICE REDUCTIONS AND ENFORCED BANKRUPTCY UNQUOTE?

4. KIECHLE REITERATED THAT HE WOULD NOT GO ALONG WITH A HARDSHIP POLICY AIMED AT FORCING PEOPLE OUT OF FARMING. NOT ONLY WAS THIS MORALLY INCONCEIVABLE FOR HIS GOVERNMENT: IT WAS ALSO IMPORTANT TO REMEMBER THE ROLE OF THE FARMERS AS A BULWARK AGAINST 'SOCIALISM'. A POLICY OF PRICE REDUCTIONS MIGHT INCREASE AVERAGE FARM SIZE, BUT IT WOULD NOT REDUCE OVERALL PRODUCTIVE CAPACITY: PROBABLY THE REVERSE.

5. IN KIECHLE'S VIEWS THE RIGHT WAY TO PROCEED WAS TO OFFER EARLY PENSIONS TO THOSE FARMERS (HE THOUGHT THERE WERE QUITE A NUMBER OF THEM) WHO WERE AGED FIFTY OR OVER AND HAD NO HEIRS OR NONE WISHING TO TAKE OVER: TO INTRODUCE A VOLUNTARY SET-ASIDE SCHEME: TO MAKE IT POSSIBLE FOR MORE FARMERS TO GO OVER TO PART-TIME ACTIVITY, SINCE THEY THEN GENERALLY FARMED LESS INTENSIVELY: TO ENCOURAGE SWITCHING OUT OF CEREALS INTO LESS CONVENTIONAL CROPS, FOR WHICH THE NECESSARY RESEARCH AND SEED DEVELOPMENT SHOULD BE PRESSED AHEAD AND TO CONSIDER QUOTAS FOR SOME PRODUCTS. HE DID NOT CONSIDER IT IMPOSSIBLE TO DEVISE A QUOTA SCHEME FOR CEREALS, ALTHOUGH THIS WOULD NOT TAKE THE SAME FORM AS IN THE MILK SECTOR. IF GERMANY WERE FREE TO INTRODUCE A NATIONAL SCHEME, SHE COULD QUITE QUICKLY DO SO, BUT THE

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PROBLEM WAS TO DEVISE SOMETHING WORKABLE FOR THE COMMUNITY AS A WHOLE. HE SAID WITH EMPHASIS THAT HE WAS NOT GOING TO INTRODUCE SOCIAL OR OTHER MEASURES WHICH WOULD REDUCE PRODUCTION IN GERMANY WITHOUT PARALLEL ACTION IN OTHER MEMBER STATES: THE LATTER WOULD THEN SIMPLY TAKE OVER THE FRG'S MARKETS. COMMUNITY SCHEMES WERE NEEDED.

6. KIECHLE SPOKE EARNESTLY ABOUT THE WARNINGS HE HAD RECEIVED FROM THE US TRADE SECRETARY ABOUT AMERICAN DETERMINATION TO REGAIN THEIR LOST SHARE OF WORLD AGRICULTURAL EXPORT MARKETS, WITH THE USE OF SUBSIDIES IF NECESSARY. EUROPE WOULD BE UNWISE TO IGNORE THESE WARNINGS. THE AMERICAN ATTITUDE UNDERMINED THE COMMISSION'S ARGUMENTS FOR REDUCING PRICES TOWARDS WORLD LEVELS IN ORDER TO BOOST EXPORTS.

7. ON CEREALS, KIECHLE ARGUED THAT PER TONNE SET-ASIDE MUST BE CHEAPER THAN EXPORT REFUNDS AT PRESENT LEVELS. ANY SCHEME MUST HOWEVER BE VOLUNTARY. IT WAS ALSO IMPORTANT TO LIMIT IMPORTS OF CEREALS SUBSTITUTES: INCREASING EC PRODUCTION OF PROTEIN CROPS WOULD HELP. IN THE LONGER TERM HE SAW GREAT POTENTIAL FOR THE USE OF AGRICULTURAL PRODUCTS AS AN ENERGY SOURCE, IT BEING OBVIOUSLY ONLY A MATTER OF TIME BEFORE THE SUPPLY OF NON-RENEWABLE FUELS DRIED UP.

8. COMMENT WILL FOLLOW.

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