

RMAFF

Encl.

26 May 1982

The Prime Minister has asked me to thank you for your letter of 12 May about the delay in fixing farm prices. There have, of course, been important developments since you wrote, which the Minister of Agriculture described in his statement to the House of Commons on 19 May. In the light of this, you will not now be expecting a substantive reply to your letter. But the Prime Minister has asked me to say that she is grateful for the Union's backing and your own efforts on the budget, and also for your support over the Falklands crisis.

AJC

The Hon. Sir Richard Butler, D.L.

So



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

GR
PPS ?
c/f

From the Minister's
Private Office

John Coles Esq
Private Secretary
10 Downing Street
London SW1

24 May 1982

Type letter pl.

Dear John.

APL 26/5

EC AGRICULTURAL PRICES/MANDATE

I refer to your letter of 12 May enclosing a copy of a manuscript letter to the Prime Minister from Sir Richard Butler.

... A draft reply for your signature is enclosed.

Yours sincerely
Robert Lawson

ROBERT LOWSON
Private Secretary

DRAFT LETTER FOR SIGNATURE BY THE
PRIME MINISTER'S PRIVATE SECRETARY

The Hon Sir Richard Butler DL
President
The National Farmers' Union
Agriculture House
Knightsbridge
London SW1X 7NJ

The Prime Minister has asked me to thank you for your letter of 12 May about the delay in fixing farm prices. There have, of course, been important developments since you wrote, which the Minister of Agriculture described in his statement to the House of Commons on 19 May. In the light of this, ~~I imagine~~ you will not now be expecting a substantive reply to your letter. ^{but} The Prime Minister has, ~~however~~, asked me to say that she is grateful for the Union's backing and your own efforts on the budget, and also for your support over the Falklands crisis.

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25 MAY 1962

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Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

M Pattison Esq
Prime Minister's Office
10 Downing Street
London SW1

19 May 1982

Dear Mike M.P.

COUNCIL OF AGRICULTURE MINISTERS: 17-18 MAY 1982

I attach a copy of the statement which Mr Walker hopes to make in the House today. A meeting between the Chancellor of the Exchequer, my Minister, and the Minister of State for Foreign and Commonwealth Affairs this morning discussed the line to be taken.

I am copying this letter to Bernard Ingham; David Heyhoe (Leader of the House's Office); Murdo Maclean (Whip's Office, Commons); Michael Pownall (Whip's Office, Lords); David Wright (Cabinet Office); Keith Long (Chancellor of the Duchy of Lancaster's Office), to private secretaries of the other Agriculture Ministers and members of the OD(E), and to David Hancock (Cabinet Office).

Yours sincerely

Robert Lawson

ROBERT LOWSON
Private Secretary

Together with my Rt Hon Friend the Minister of State I attended a meeting of the Agriculture Council which met in Brussels on 17 and 18 May.

Since January at eight meetings of the Council of Agriculture Ministers we have been negotiating this year's price fixing arrangements. During these meetings Member States had by negotiation obtained unanimity on many of the questions involved. Britain had retained specific reserves on a number of agricultural issues and a general reserve on the entire package. The purpose of the general reserve was to ensure that the agreement entered into by all Member States in considering the May 30 Mandate that the budget and agricultural matters should be dealt with in parallel should be complied with.

We therefore expected that at the meeting this week we would continue to negotiate on those remaining questions where unanimity had not been obtained. If by the time of the completion of our meeting there was no agreement upon the budget measures we would retain our general reserve.

Together with Denmark and Greece we strongly protested when the Presidency, encouraged by the Commission, announced that for the first time since 1966 the principle of obtaining unanimity where a very important national interest was involved was to be violated and that a decision was to be taken in accordance with the Treaty arrangements for majority voting.

I made a firm statement to the Council dissociating the British Government from the procedure and declaring that the Council had violated an accepted convention under which all previous price fixings had been adopted. I stated that the Government considered that, as ^{important} national interests were involved in accordance

with the established practice of the Community, discussions should have continued in this Council until a unanimous agreement had been reached. I pointed out that the decisions that were being taken could place a further financial burden on the United Kingdom, that there was clearly a direct and organic link between the price fixing decision and the budget negotiations and that this link had been recognised by all Member States in their agreement that the three Chapters of the 30 May Mandate should proceed in parallel. I placed on record that I considered the conduct of the Presidency of the Commission and the Member States who had joined in this procedure had created a very sad and damaging day in the Community's history and that the Council had chosen to fundamentally alter the established working practices based on the agreement reached in 1966.

A majority decision was therefore taken on all of the Regulations in accordance with what had been negotiated and agreed on by 9 Member States in the meetings prior to this week's Council. Under the Treaty these Regulations become Community law with effect from tomorrow.

Had the normal process of negotiating continued and had not the Presidency of the Commission and 7 Member States violated the normal traditions, we would have endeavoured to obtain some further improvements in the clawback arrangements on lamb, an even larger reduction in the co-responsibility levy, whilst at the same time reducing the price increase for milk. We would have sought lower price increases in a number of cereals and in the prices of a range of Mediterranean products.

Many of the Regulations were of course in accordance with the package that had emerged from the negotiations that had taken place in previous meetings of the Council. In those previous meetings the UK had achieved a number of important objectives to the benefit of consumers and producers, and these will now be implemented.

We successfully resisted pressures from the Commission and all other Member States to revalue the green pound.

We obtained a half per cent reduction in the milk co-responsibility levy which will be worth around £10 million to UK producers in 1982/83.

The Commission were made to withdraw their proposal for a progressive co-responsibility levy which would have been damaging to the interests of our industry.

Improvements were made in the provisions and aid for school milk. The Community subsidy was increased and this should lead to an increased up-take by local authorities.

We succeeded in obtaining an increase of two-thirds in the maximum beef premium payments and an increase in the Community contribution from the 25 per cent negotiated by our predecessors to 40 per cent.

We obtained a firm Commission declaration ensuring that the sale of wine distillates will not threaten the alcohol industry in this country.

We resisted the Commission proposals for a large reduction in the United Kingdom butter subsidy, and the subsidy will continue at around 13 pence per pound.

The result of the total package that has now been agreed on farm support prices in the United Kingdom is an increase of 10.2 per cent. The effect of this on the retail price index over a full year will be a quarter of one per cent and on the food price index over a full year one and a quarter per cent.

The consumer benefit of the beef premium scheme, sheepmeat regime and the continuation of the butter subsidy will be worth some hundreds of millions of pounds, depending on the market situation.

The Commission estimate that the settlement increases the budgetary cost of the common agricultural policy by around 1500 million ECUs or over £900 million in a full year. They also calculate that the increase is well within that of the Community's own resources. We estimate that the extra budgetary cost to the United Kingdom is about £120 million in a full year. This emphasises the importance of agreement on the adjustment of our budgetary contribution, which Member States had previously agreed should be decided in parallel with the agricultural decisions.

Separately from the price-fixing, the Commission announced that a satisfactory solution had been reached to the problem of Dutch horticultural gas prices, which should be of benefit to United Kingdom producers.

It is wrong that for the first time in 16 years a number of Member States should have changed the rules of procedure to suit their immediate requirements and it must be noted that 3 of the 4 Member States that have joined the Community strongly protested at the violation of the normal procedures that took place yesterday, for they had joined the Community in the knowledge that these were the procedures of the Community.

The Government will be urgently considering the implications of what was done yesterday, and what action it will take.

Business of the House

3.30 pm

The Lord President of the Council and Leader of the House of Commons (Mr. John Biffen): With permission, Mr. Speaker, I should like to make a short business statement.

The business for tomorrow will now be a debate on the Falkland Islands, on a motion for the Adjournment of the House.

The business originally set down for that day will be taken on another occasion.

Mr. John Stokes (Halesowen and Stourbridge) *rose*—

Mr. Michael Foot (Ebbw Vale): I thank the right hon. Gentleman and the Government for arranging a debate. I presume that the debate will open with a statement by the Government giving the fullest possible account, from the Government's point of view, of the stage that has been reached in the peace discussions and the attempts to secure a peaceful settlement. Will the debate start with a description of the present stage of such discussions?

Mr. Biffen: That is the intention.

Mr. Stokes *rose*—

Mr. David Winnick (Walsall, North) *rose*—

Mr. Speaker: Order. I shall call both hon. Members and then move to the second statement.

Mr. Stokes: Is my right hon. Friend aware that during the whole of the battle of El Alamein during the last war the House was not once recalled, nor was there a single statement? Can my right hon. Friend say what good he thinks tomorrow's debate will do and what good the fifth debate did last week?

Mr. Biffen: I do not share my hon. Friend's view about the constructive role that the House is able to play in this matter. There, I fear, the matter must rest.

Mr. Winnick: As the country is fortunately not involved in a world war—as implied by the hon. Member for Halesowen and Stourbridge (Mr. Stokes)—will the Leader of the House assure us that, before any military invasion of the Falkland Islands the House will be informed and a debate will take place?

Mr. Biffen: That is precisely the kind of point that should be made in tomorrow's debate.

Agriculture Council

The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker): Together with my right hon. Friend the Minister of State I attended a meeting of the Agriculture Council which met in Brussels on 17 and 18 May.

Since January at eight meetings of the Council of Agriculture Ministers we have been negotiating this year's price fixing arrangements. During these meetings member States had by negotiation obtained unanimity on many of the questions involved. Britain had retained specific reserves on a number of agricultural issues and a general reserve on the entire package. The purpose of the general reserve was to ensure that the position adopted at last November's European Council meeting in London by all member States in considering the 30 May mandate, that the budget and agricultural matters should be dealt with in parallel, should be complied with.

We therefore expected that at the meeting this week we would continue to negotiate on those remaining questions where unanimity had not been obtained. If by the time of the completion of our meeting there was no agreement upon the budget measures we would retain our general reserve.

Together with Denmark and Greece we strongly protested when the Presidency, encouraged by the Commission, announced that for the first time since 1966 the principle of obtaining unanimity where a very important national interest had been invoked was to be violated—[HON. MEMBERS: "Shame."]—and that a decision was to be taken in accordance with the treaty arrangements for majority voting.

I made a firm statement to the Council contesting the procedure and declaring that the Council had violated an accepted convention under which all previous price fixings had been adopted. I stated that the Government considered that, as important national interests were involved, in accordance with the established practice of the Community, discussions should have continued in this Council until a unanimous agreement had been reached. I pointed out that the decisions that were being taken would place a further financial burden on the United Kingdom, that there was clearly a direct and organic link between the price-fixing decision and the budget negotiations and that this link had been recognised by all member States in their agreement that the three chapters of the 30 May mandate should proceed in parallel. I placed it on record that I considered that the conduct of the Presidency of the Commission and the member States who had joined in this procedure had created a very sad and damaging day in the Community's history—[HON. MEMBERS: "Hear, hear."]—and that the Council had quite unjustifiably chosen to depart from the established working practices based on the agreement reached in 1966.

A majority decision was, therefore, taken on all of the regulations in accordance with what had been negotiated and agreed by nine member States in the meetings prior to this week's Council. Under the treaty these regulations become Community law with effect from tomorrow.

Had the normal process of negotiating continued and had not the Presidency, the Commission and seven member States violated the normal traditions, we would have endeavoured to obtain some further improvements in

[Mr. Peter Walker]

the clawback arrangements on lamb, and even larger reductions in the co-responsibility levy, whilst at the same time reducing the price increase for milk. We would also have sought lower increases in the prices of a number of cereals and in the prices of a range of Mediterranean products.

Many of the regulations were of course in accordance with the package that had emerged from the negotiations that had taken place in previous meetings of the Council. In those previous meetings the United Kingdom had achieved a number of important objectives to the benefit of consumers and producers, and these will now be implemented.

We successfully resisted pressures from the Commission and all other member States to revalue the green pound. We obtained a ½ per cent. reduction in the milk co-responsibility levy which will be worth around £10 million a year to United Kingdom producers. The Commission was made to withdraw its proposal for a progressive co-responsibility levy which would have been damaging to the interests of our industry. Improvements were made in the provision of aid for school milk. The Community subsidy was increased and this should lead to an increased up-take by local authorities.

We succeeded in obtaining an increase of two-thirds in the maximum beef premium payments and an increase in the Community contribution from the 25 per cent. negotiated by our predecessors to 40 per cent. We obtained a firm Commission declaration ensuring that the sale of wine distillates will not threaten the alcohol industry in this country. We resisted the Commission proposals for a large reduction in the United Kingdom butter subsidy, and the subsidy will continue at around 13p per pound.

The result of the total package that has now been agreed on farms support prices in the United Kingdom is an increase of 10·2 per cent. The effect of this on the retail price index over a full year will be ¼ per cent. and on the food price index over a full year 1¼ per cent. The consumer benefit of the beef premium scheme, the sheepmeat regime and the continuation of the butter subsidy will be worth some hundreds of millions of pounds, depending on the market situation.

The Commission estimates that the settlement increases the budgetary cost of the common agricultural policy by around 1,500 million ECUs or over £900 million in a full year. It also calculates that the increase is well within that of the Community's own resources. We estimate that the extra budgetary cost to the United Kingdom is about £120 million in a full year. This emphasises the importance of agreement on the adjustment of our budgetary contribution, which member States had previously agreed should be decided in parallel with the agricultural decisions.

Separately from the price-fixing, the Commission announced that a satisfactory solution had been reached to the problem of Dutch horticultural gas prices, which should be of benefit to United Kingdom horticulturists.

It is wrong that for the first time in 16 years a number of member States should have changed the rules of procedure to suit their immediate requirements and it must be noted that three of the four member States that have joined the Community strongly protested at the violation

of the normal procedures that took place yesterday; they had joined the Community in the knowledge that these were the procedures of the Community.

The Government will be urgently considering the implications of what was done yesterday, and what action they will take. I am sure that the House will wish to debate this matter further. My right hon. Friend the Leader of the House is arranging through the usual channels for a debate.

Mr. Norman Buchan (Renfrewshire, West): We face a serious and grave situation and we had a not too serious a statement in response to it. Clearly, there are implications that go well beyond the mere matter of agriculture price-fixing. There are many future implications for Britain's international role and its role in relation to the Common Market. We shall have a look at some of those.

May we have a little clarity? The Minister said that in previous meetings the United Kingdom had "achieved a number of important objectives to the benefit of consumers and producers"—

I have no doubts about the benefits to the consumers—and these will now be implemented."

However, the right hon. Gentleman also said that the regulations agreed yesterday will

"become Community law with effect from tomorrow."

What does that mean? Does the right hon. Gentleman intend to implement only those matters that he has already agreed, or will he have to implement the entire burden of the decisions made yesterday? I understand that the Ministry has today issued instructions for the implementation of the regulations in accordance with Community law and I want from the Minister a denial that he has given such instructions or that his Ministry is proceeding to implement the matters on which he did not agree.

Quite apart from the international impact, there will be wide internal implications, not only for farmers but for consumers. We are extremely sceptical about the figures quoted by the right hon. Gentleman. For example, the European Consumer Organisation estimates that the decisions will involve an additional cost of £1·50 a week for the average family with two children. Most estimates in reputable journals, including *Agra Europe*, suggest increased costs of between £1·20 and £1·50—and that is against the background of a compulsory wage ceiling for large sectors of our people of between 4 per cent. and 6 per cent.

There are major implications for the future. The common fisheries policy falls within the Minister's responsibility. The sands of time are running out and we have only a few more months in which to reach a settlement. Is the veto to be available for use from now on, or will our waters be open—up to the beaches—for every fisherman in Western Europe? What protection do we have for our fishing communities and our waters if the CFP is also to be decided by majority vote? It was clear yesterday and from the philosophy of some of the right hon. Gentleman's response that such an objective is in the minds of not only the Commission, but many members of the Council of Ministers.

The total budget on which the right hon. Gentleman says that he has been raising his resistance is one of the problems, as the right hon. Gentleman told the Eurofanatics on the SDP and Liberal Benches who wanted to force a settlement even before we knew the total of the budget. What effect will yesterday's decisions have on the total budget and on the share that we shall have to pay for

HL

Sir Richard BUTLER
26/5

12 May 1982

EC Agricultural Prices/Mandate

I enclose a copy of a manuscript letter which the Prime Minister has received from Sir Richard Butler. This in turn encloses a copy of a letter sent by the President of COPA to the Belgian Prime Minister.

I should be grateful if you could provide a draft reply for my signature on behalf of the Prime Minister.

JOHN COLES

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries and Food.

DSJ

MR COLLS

AGRICULTURE HOUSE · KNIGHTSBRIDGE · LONDON SW1X 7NJ

01-235 5077



THE
NATIONAL FARMERS'
UNION

FROM THE PRESIDENT
SIR RICHARD BUTLER

May 12th

Dear Prime Minister,

I enclose a copy of
a letter which has been sent
to M^r Martens of Belgium in his
capacity as Chairman of the EEC
Council. As members of COPA
- the Farm Organisations of the
EEC - we support this letter
and would like to see decisions
made on farm prices for 1982/83
without further delay.

We do however fully understand

and support the need to obtain
a satisfactory outcome of your
negotiations for an equitable and
longstanding agreement on the UK
contribution to the EEC Budget.
We have asked all the farm
organisations in COPA to put
pressure on their Governments to
resolve this matter. I shall
again make this clear when
I am in Brussels later this week.

Last and by no means least
we appreciate some of the problems
of the Falklands crisis and strongly
support the stand which you
are taking.

Yours sincerely

Richard Butler

TO THE PRESIDENT

DEAR SIR

THE DELAY IN THE SETTLEMENT OF FARM PRICES OF THE 1982/83 CAMPAIGN, WHICH FOR MILK, BEEF AND SHEEPMEAT SHOULD HAVE COME INTO EFFECT ON 1 APRIL LAST, IS CAUSING A CONSIDERABLE LOSS OF RETURNS FOR ALL THE COMMUNITY'S FARMERS AND PARTICULARLY LIVESTOCK FARMERS.

THIS IS WHY WE ARE MAKING A VERY URGENT APPEAL TO THE EEC COUNCIL TO ADOPT OFFICIALLY, THE COMPROMISE REACHED AT THE LAST COUNCIL MTG IN LUXEMBOURG AFTER HAVING IMPROVED IT IN ACCORDANCE WITH THE FULLY JUSTIFIED DEMANDS OF COPA AND COGECA, SO THAT THE FARM PRICES OF THE NEW CAMPAIGN CAN COME INTO EFFECT IMMEDIATELY.

FURTHERMORE, WE ARE DEMANDING THAT THE COUNCIL SHLD DECIDE EITHER TO ABOLISH THE CORESPONSIBILITY LEVY IN THE DAIRY SECTOR AS FROM 1 APRIL LAST, OR TO REDUCE ITS LEVEL DURING THE 1982/83 CAMPAIGN FOR AS LONG AS NECESSARY TO COMPENSATE PRODUCERS FULLY FOR THE LOSS INCURRED BY THE DELAY IN THE SETTLEMENT OF PRICES OF THE NEW CAMPAIGN.

IN THE HOPE THAT YOU WILL INFORM MEMBERS OF THE EEC COUNCIL OF OUR DEMANDS, WE REMAIN,

YOURS FAITHEUYLLY

J ARBUCKLE CBE
PRESIDENT OF COGECA

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PRESIDENT OF COPA

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