

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



Prime Minister

To note.

From the Minister

The Rt Hon Francis Pym MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
Downing Street  
London  
SW1

A.J.C. -  $\frac{25}{6}$

*No less than  
50,000 tonnes.  
N.Z. has been  
manipulating us  
over the Falklands*

23 June 1982

NEW ZEALAND BUTTER

The Council are due to decide by 1 October the quantity of New Zealand butter which may be imported in 1983 under the present 3-year agreement.

We understand that the Commission could be faced with a draft proposal on this next week. The Commission Services are considering a figure of 90,000 tonnes for 1983. This would follow effective permitted levels of imports in 1981 of 94,000 tonnes and in 1982 of 92,000 tonnes. Given the reference to a "degressive" scale of imports in the preamble to the present regulation, there seems no prospect of securing a more favourable proposal than this. But there remains a real risk of a lower figure being proposed by the Commission. Even if the Commission Services decide to put 90,000 in their draft, a number of Commissioners are likely to be arguing for a more rapid depression in the New Zealand quantity.

The Commission are also likely to be considering a proposal for an increase in the New Zealand levy following the recent increase in the Community intervention price. Under the present agreement, New Zealand's "take home price" should be based on 75 per cent of the intervention price. Because the intervention price has been increased, they are able at present to secure more than 75 per cent and the Commission Services consider that a suitable adjustment must now be made.

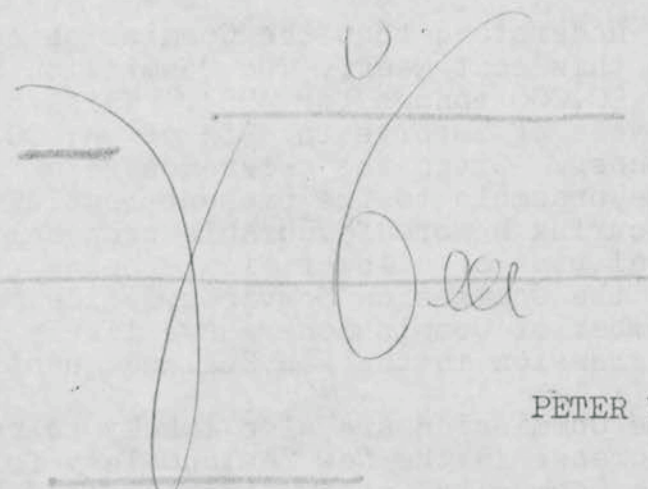
Both of these issues are for decision by the Council, a levy adjustment requiring a qualified majority and the quantity unanimity. I do not think we can logically argue about a change in the levy and I doubt if New Zealand will want to resist this. On the 1983

/quantity, .....

✓ quantity, we must clearly give New Zealand full support in securing a satisfactory deal. There is no doubt that we shall have a hard negotiation in the Agriculture Council over this. A number of other Member States will be out to cut back New Zealand's access. There are no obvious contexts this autumn in the Agriculture Council which will enable us to bring pressure to bear for a satisfactory settlement. Apart from the political argument, we shall have to point to the importance to the Community budget of continuing co-operation with New Zealand on the world market. I fear, as in the past, that the negotiations on this issue will drag out over a number of months and we may not be in a position to avoid this.

n But the essential first step is to get the right proposal out of the Commission. Subject to your views, I think that we must brief the British Commissioners to use their influence to secure a 90,000 tonnes figure in the proposal. I shall myself speak to Mr Dalsager when I see him next Monday and emphasise the political importance of this decision to the Community's credibility as a trading partner. I am consulting the New Zealand authorities to ensure that they are in agreement with the line we shall be taking on the quantity and on the levy adjustment.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Trade, Scotland, Northern Ireland and Wales and Sir Robert Armstrong.

  
PETER WALKER