

CONFIDENTIAL



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Env. Pol. RU

10 DOWNING STREET

From the Private Secretary

18 April, 1983

CAP PRICE SETTLEMENT

Robin Butler wrote to you on 14 April describing a brief discussion which took place between the Chancellor of the Exchequer and the Minister of Agriculture after Cabinet that day.

The Prime Minister has considered over the weekend the arrangement which Mr. Walker suggests might be put to the French, involving a settlement based on no increase to the Commission's current proposals, apart from an increase in the assistance to small dairy farmers from 1.20 m ecus last year to 150 m ecus this year. In return for this concession we would seek a substantial increase in the butter subsidy.

The Prime Minister is prepared to accept these ideas but wishes it to be clearly understood that, the concession to small dairy farmers apart, all proposals to increase prices above the level originally proposed by the Commission should be resisted and there should be no question of accepting any of them until there has been a chance for Ministers to consider the matter collectively.

The Prime Minister has further observed that the aid to small dairy farmers originated at the same European Council (at Lancaster House) which required a budget settlement as a counterpart to this concession. She notes that the small farmers have obtained their part of the bargain but that we have not obtained ours.

I should be grateful if the Prime Minister's views could be brought urgently to the attention of the Chancellor of the Exchequer and the Minister of Agriculture in view of today's meetings in Luxembourg.

I am sending a copy of this letter to Roger Bone (Foreign and Commonwealth Office), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

A. J. COLES

J. Kerr, Esq.,
HM Treasury

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PRIME MINISTER

CAP Price Fixing

Following the Cabinet discussion on Thursday, Mr. Walker told the Chancellor that he thought it was realistic to assume that the best outcome for us at this year's price fixing was that the Commission's current proposals should not be increased. He believed that the French might be induced to accept such an outcome if they were offered an increase in the assistance to small dairy farmers from 120 ecus last year to 150 ecus this year. In return we would try to secure a substantial increase in the butter subsidy.

The Chancellor is disposed to accept this on the ground that he, too, does not believe that a settlement can be obtained at prices lower than those proposed by the Commission and because the cost to us of the concession on small ~~dairy~~ farmers should be more than compensated by the increase in the butter subsidy. He is therefore inclined to tell Mr. Walker, when they are both in Luxembourg on Monday, that he has no objection to these suggestions.

I should be surprised if there was a settlement this week but David Hancock tells me that he thinks there is a 40 per cent chance that there will be. We therefore need to be absolutely clear about the instructions under which Mr. Walker is operating. I am inclined to think that we should say that you have considered

/the above

the above ideas and are prepared to accept them but it must be clearly understood that, the concession to small dairy farmers apart, all proposals to increase prices above the level originally proposed by the Commission should be resisted and there should be no question of accepting any of them until there has been a chance for Ministers to consider the matter collectively.

It would not be necessary to state this if, following the pattern of previous years, the negotiations were likely to last for several weeks. But the outside chance of a settlement this week makes something of the sort necessary, since there have been no recent Ministerial conclusions as to policy.

Agree that the above be conveyed to the Chancellor and Mr. Walker?

Yes - but the small dairy farmers aid came from the same Chancellor - A.J.C. have million which returned a budget settlement or a counterpoll I note - the small farmers for part of the budget - we haven't got our part - we haven't

15 April 1983

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10 DOWNING STREET

CCS FCO
MAFF
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From the Principal Private Secretary

14 April 1983

Dear John,

CAP PRICE SETTLEMENT

The Chancellor of the Exchequer and the Minister of Agriculture had a brief word after Cabinet this morning about British objectives for the CAP price settlement.

Mr Walker said that the best realistic outcome was that the Commission's proposals should not be increased. The French Minister of Agriculture might be induced to accept such an outcome if he was offered an increase in the assistance to small dairy farmers from 120 m. ecus last year to 150 m. ecus this year. In return there could come a moment at which the British could obtain a substantial increase in the butter subsidy.

The Chancellor said that he would like to consider Mr Walker's suggestions: while he recognised the case for some concession to the French, the combination of measures proposed by Mr Walker would increase the overall budget problem and he would need to consider them in that context. He said that he would let Mr Walker know his reaction as soon as possible.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), Robert Lawson (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

Yours ever,

Robin Butler

John Kerr Esq.,
HM Treasury.

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