

B.P.
PRIME MINISTER

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Agriculture Council:Mr. Walker's Statement

Mr. Walker's statement went off very quietly and occasionally seemed more like an extension of Agriculture Questions. He received general support for his defences of the British consumer from Government backbenchers and the general view on the Government side was that our approach was correctly balanced between the interests of the producer and the consumer. Norman Buchan for the Opposition referred to the crisis in the Community over agricultural expenditure but concentrated on a number of detailed points arising out of Mr. Walker's statement. Opposition backbenchers made few contributions but concentrated their attacks upon the CAP. The principal worry on the Government side was the position of pig producers but backbenchers were generally pleased by the announcements of help for the pig industry which Mr. Walker had been able to make during Questions which took most of the sting out of their comments. wd

The statement concluded with vigorous exchanges between Eric Deakin and Mr. Walker in which Mr. Walker was able to make effective use of the difference between the Labour and Conservative records on food prices.

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21 April, 1983

[Mr. Biffen]

immediately thereafter. I should like to apologise to the hon. Gentleman for the fact that he was not informed and, more generally to the House, for the fact that the normal conventions have not been followed.

Mr. Doug Hoyle (Warrington): Will the Leader of the House ensure that a copy of the report on design cost in the PSA is placed in the Library as it has been on the desk of the Secretary of State for the Environment for three months and for a month before that on the desk of his predecessor? Is the reason for the delay the fact that the report shows that it is cheaper to do the work within the PSA than to go outside to the private sector?

Mr. Biffen: I shall look into that matter and be in touch with the hon. Gentleman.

Mr. David Winnick (Walsall, North): In view of the unsatisfactory way in which the case of the Romanian was treated before he was sent back to Romania a few weeks ago, may we be promised a statement so that if that person, having been thrown out of Romania and now having left Austria, applies to come to this country and is refused entry by the Home Office we can hear from the Home Secretary the reasons for the refusal?

Mr. Biffen: The hon. Gentleman raises a hypothetical case but, none the less, one that I know commands the interest of the House. I shall certainly refer his point to my right hon. Friend the Home Secretary.

Mr. George Foulkes (South Ayrshire): Will the Leader of the House consider making time available for a debate on the report of the Select Committee on Foreign Affairs on the Caribbean and Central America?

Mr. Biffen: I know that it is an important subject, but I fear that I cannot promise an early debate upon it in Government time.

Mr. Bob Cryer (Keighley): As the Secretary of State for Defence and the Prime Minister seem incapable of being able to present the case outside the House for massive expenditure on nuclear weapons of mass extermination, is it possible that a debate on disarmament will be held in the near future and that it will be spread over two days so that all those who want to participate may have an opportunity to do so?

Mr. Biffen: As I said to the hon. Member for Farnworth (Mr. Roper), I hope that the debate will take place in the reasonably near future.

Council of Agriculture Ministers

3.47 pm

The Minister of Agriculture, Fisheries and Food (Mr. Peter Walker): With permission, Mr. Speaker, I should like to make a statement on the Council of Agriculture Ministers held in Luxembourg on 18-20 April. I represented the United Kingdom, accompanied by my right hon. Friend the Minister of State.

The meeting continued the negotiations for the 1983-84 price fixing. It started with a statement by the Commission on current trends in the 1983-84 expenditure.

The Commission informed the Council that an increase on the budgeted figure would be required in 1983. This contrasted with the position in 1982 when the outturn was less than budgeted, and resulted from a combination of factors including the monetary changes of 21 March, substantial increases in the production of major products, and trends in world prices.

The Commission also informed the Council that its previous estimate of the budget provision likely to be required for 1984 had to be revised upwards by 6 per cent. The Commission stated that its price proposals for 1983-84, which had been criticised by the majority of member states as being inadequate and substantially below current rates of inflation in Europe, would need to be adhered to. In discussion, seven of the 10 member states argued strongly that there was a need to improve upon the Commission's price proposals. Only one other member state argued with us that there should be no increases in the Commission's price proposals. The majority of member states strongly opposed the Commission proposal to reduce its original price increase for milk to an increase of only 2.3 per cent.

The meeting was adjourned to enable the Commission to consider its position. Following a meeting of the Commission held on Wednesday, it came forward with a revised package of measures upon which it hoped to complete the price fixing. The Commission reported that it had decided that it would not put forward any proposals for any further price increases on any of the major commodities. It further declared that it had unanimously decided that, irrespective of what the Council of Ministers itself should suggest, the Commission would not be making any proposals for further increases on the major commodities during this price fixing. I welcomed this statement.

In discussion of the package proposed by the Commission, while many member states still expressed a desire for further price increases, it was clear that the majority would, albeit reluctantly, come to a conclusion on the basis of the Commission's paper.

A major difficulty remained for Germany. The proposals made by the Commission for the revaluation of the German green currency would mean an increase in prices for Germany of the order of only 1 per cent. overall and no increase on the major commodities, milk and cereals. The German Minister could not accept this.

Primarily to allow further consideration to be given to this issue, the meeting of the Council was adjourned until next Wednesday, when an attempt will be made to conclude the price fixing on the basis of the Commission's current proposals.

The proposals, if accepted, would result in an increase of prices for the agricultural marketing year 1983-84 for

Mr. Robert C. Brown (Newcastle upon Tyne, West): Has the Leader of the House seen the list of Queen's awards for export achievement, which includes an award to A. and P. Appledore International, a Newcastle firm? Its achievement involves the export of British management skills and expertise to start up two South Korean shipyards. That amounts to exporting British workers' jobs and will result in the dumping of Korean-made ships in Great Britain. Does this not debase the Queen's award, and will the right hon. Gentleman arrange for the Secretary of State for Industry to make a statement next week?

Mr. Biffen: It does not debase the Queen's award on exports because once this country began to disparage the export of services and goods which were related to development overseas—and which had a consequence for British manufacturing in this country—rather than merely the export of goods from this country, we should be showing a very narrow concept of our historic trading role. I cannot guarantee that there will be a statement on the subject next week.

Mr. John Roper (Farnworth): Can the Leader of the House explain why, once again, there is no reference to the debate on arms control and disarmament which we have been promised? Are we likely to have the debate during the first four years of the present Administration's life?

Mr. Biffen: I very much hope so.

Mr. John Stokes (Halesowen and Stourbridge): Is my right hon. Friend aware of the controversy that has broken out throughout the country and elsewhere about the film "Ghandi"? Will he therefore arrange for the Minister for Trade to come to the House next week to make a statement about how much British taxpayers' money was involved in the film and what the Indian Government's financial contribution was?

Mr. Biffen: My hon. Friend should use his ingenuity during trade questions on Monday.

Mr. John Home Robertson (Berwick and East Lothian): Is the Leader of the House aware of early-day motion 451, signed by 91 hon. Members, about the report in *The Guardian* today alleging that there has been a Rayner proposal calling for savage cuts in the coastguard rescue service?

[That this House rejects any further cuts in H.M. Coastguard's rescue stations, equipment, telecommunications, manpower and responsibilities as recommended in the recent Rayner report commissioned by the Department Trade; and calls on Her Majesty's Government to abandon any intention to force a change upon those rescued or assisted by the Coastguard Service and to wind up the departmental committee now investigating its practicality.]

In view of the urgent need for vigilance to protect seafarers off our coasts, and in view of some of the alarming evidence coming to light in the Penlee inquiry, will he arrange for an urgent ministerial statement to be made on the subject?

Mr. Biffen: I understand that no decision has been taken by the Department of Trade on the Rayner proposals. In view of what the hon. Gentleman says, I shall refer the matter to the Secretary of State for Trade. Meanwhile, I

suspect that the hon. Gentleman will use his imagination to raise the matter when trade questions are before the House on Monday.

Mr. Patrick Cormack (Staffordshire, South-West): Will my right hon. Friend make arrangements for a debate on the third report of the Select Committee on House of Commons (Services) on the new Parliament building?

Mr. Biffen: Yes. I hope that it can be debated reasonably soon. I realise that there is general interest in the matter.

Mr. Robert Kilroy-Silk (Ormskirk): Is the Leader of the House aware that we have now had two major annual reports from Her Majesty's chief inspector of prisons both of which are highly critical of the appalling conditions in many of our prisons? We have had several other reports on individual establishments which point to the appalling conditions in which prisoners and staff have to live. May we have a debate on the report which was presented to Parliament and, if so, when?

Mr. Biffen: I recognise the importance of the topic. I cannot offer the prospect of an early debate in Government time, but I shall draw to the attention of my right hon. Friend the Home Secretary the point that the hon. Gentleman makes.

Mr. Ian Lloyd (Havant and Waterloo): The Leader of the House will recall that in recent weeks I have sought an assurance from him that we would have an early opportunity to debate, first, the House of Lords' report on engineering research and development and, secondly, the ALVI report on the fifth generation computer project. These subjects are important and, in the second case, urgent. Will it be possible in the near future to debate both under a common heading?

Mr. Biffen: While I have sympathy with my hon. Friend, harsh realism tells me that it is unlikely that Government time will be available for such topics. However, I am certain that the problems that give rise to the reports have a fiscal consequence and, therefore, I should have thought that, with just a little imagination, possibly they could be raised on one of the days on which we shall be discussing the Finance Bill in Committee.

Mr. Christopher Price (Lewisham, West): Will the Leader of the House comment upon the propriety of bringing forward on Wednesday next the Education (Fees and Awards) Bill when it has not even had its First Reading? Such a date flouts all the conventions of the House about the proper time lag between First and Second Reading. Although he may have consulted through his usual channels, does not he think that it would have been courteous for the Secretary of State for Education and Science, if he wanted to rush the Bill through, to consult the Select Committee on Education, Science and Arts which has already made recommendations on this issue to him? Rushing the Bill forward in this way without such consultation might be dangerously counter-productive.

Mr. Biffen: It is a matter of regret to me that the normal courtesies of allowing two weekends to elapse between the introduction of a Bill and Second Reading have not been observed in this instance. There was a desire to remove the uncertainty about the problem dealt with by the Bill by proceeding with it as speedily as possible. The Bill will be presented today after the statement and will be available

the United Kingdom of 2.3 per cent. on milk, 3 per cent. on cereals and 3.8 per cent. over all products. For the Community the overall increase would be 4 per cent., substantially below the anticipated inflation rate for the Community of 9 per cent.

In the United Kingdom, the effect on food prices would, over a full year, add 0.5 per cent. to the food price index and 0.1 per cent. to the retail price index.

We would retain the beef premium scheme and the sheep premium scheme. There would be a small improvement in the butter subsidy. These consumer subsidies would be worth between £200 and £300 million.

The school milk subsidy would be improved from 10.9p per pint to 12.4p per pint. The scheme would last for five years and the total benefit next year is likely to be of the order of £16 million. For Northern Ireland the various schemes assisting the beef producers would be extended and are anticipated to be of £11 to £12 million benefit to the Northern Ireland producers. The Commission has also proposed to move around 75,000 tonnes of cereals from intervention into Northern Ireland.

The proposals include a number of measures of benefit to our pig and poultry producers. First, these sectors would benefit from low cereals price increases. Secondly, the Commission would undertake to take account of regional difficulties in its management of the pigmeat market; this would mean, for example, that if market conditions warranted it the advantages of private storage facilities financed by the Community could be continued in the United Kingdom even if there were no need for such facilities in other parts of the Community. Thirdly, following the strong representations we have made, the Commission proposes to press ahead with a scheme to make available from intervention stocks cereals for use in animal feed. This would involve 2 to 3 million tonnes.

I hope that negotiations can be brought to a satisfactory conclusion as quickly as possible.

Mr. Norman Buchan (Refrewshire, West): I must congratulate the Minister on, as always, producing the kind of bland statement that conceals the crisis that at present faces us and the Common Market in relation to the continuing escalating agricultural cost on the budget of the EC. That is best exemplified by two sentences on the last page of his statement, in which he says:

"The proposals include a number of measures of benefit to our pig and poultry producers. First, these sectors would benefit from low cereals price increases."

They would have benefited a great deal more if there had been no price increases.

This has been referred to as an interim statement. Is it an interim statement, or is it merely awaiting the German-French situation for clarification? May we take it that the prices referred to here are the final and complete prices?

Secondly, on the much-heralded argument on the incorporation scheme in order to help, at long last, our pig producers, can the right hon. Gentleman tell us when this scheme will start? Is it, as *Agra Europe* has described it, a scheme mainly to benefit cereal producers or is it intended immediately, or at any rate quickly, to benefit our pig producers? Perhaps the right hon. Gentleman will tell us at what rate the grain will be released from store for our pig producers? That is a glaring omission from the statement.

On the question of Northern Ireland, we welcome what the right hon. Gentleman said about beef, but what is meant by the statement:

"The Commission has also proposed to move around 75,000 tonnes of cereals from intervention into Northern Ireland"? Is this an incorporation scheme? Is it to help the livestock producers and, again, at what rate will it be released?

The Minister will agree that expenditure is now running at 330 million ecus per month over last year's costs. That means that there is an increased annual rate of cost of about £2 billion. [*Interruption.*] If the hon. Gentleman cannot multiply 330 million ecus by 12, someone will do it for him. This is what the Commissioner meant, is it not, when he said that the budget was getting out of control and that EC expenditure was endangering the EC itself.

It is not just a question of the price increase; the massive increase in production and at the same time the drop in world prices have meant that the cost will escalate even further. So we need some clarification on how it is proposed to deal with that.

The Minister has accepted that the budget will go bust, that the forecast of the amount of money needed to be paid by British and other Common Market consumers and by British and other Common Market taxpayers will be exceeded, and that an additional budgetary amount of 6 per cent. will be put in. How does the 6 per cent. tie up with the escalation figure of £2 billion that I have mentioned? The 6 per cent. cannot meet that. Therefore, we are likely to have a deficit on the budget of about £1 to £1.2 billion by the end of the year. That in itself, in the cost to Britain, would make the much vaunted rebate pretty small beer.

The important point—and this should have been dealt with in the statement—is that, if we have this kind of deficit, or any major deficit, and if it is accepted, how will we pay for it?

The two methods of paying for it—and there are only two at the moment—are the 1 per cent. of VAT and the cost of import levies. Does the right hon. Gentleman intend to increase VAT for the British taxpayer? Does he intend to increase import levies and therefore put up food prices for the British consumer? Is that perhaps why the Government are flirting with the idea of a June election—because of the double imposition on the already hard-pressed average British consumer, with a family of four, paying about £5 a week in additional food costs because of our presence in the EC?

Mr. Walker: How?

Mr. Buchan: If the right hon. Gentleman wants the references, I can easily give them to him, but I am supposed to be asking questions. Three years ago the permanent secretary in his own Ministry gave the extra cost as £2.25 billion in relation to world prices because we were in the EC; and Lloyds bank—one can refer to no purer Tory bible than that bank—said that it was £3 billion extra to the British consumer because of Common Market prices.

May I ask the right hon. Gentleman how the figures that we have here stand in regard to the promises that he gave not only at the time of the election but only a month ago? He claims a victory for having stuck to the Commission's proposals and not allowed any increase, but in March of this year he told us:

"I still believe that a freeze on cereal prices this year would be far more sensible. We shall certainly press for that in the negotiations."—[*Official Report*, 3 March 1983; Vol. 38, c. 388.]

Did he press for a freeze on cereal prices, because in this statement he has claimed that only one other member

[Mr. Buchan]

argued with us that there should be no increase on the Commission's price proposals. The Commission's price proposals, however, were 4 per cent. above his "no increase". He had better come clean with the House in relation to that.

It is some victory that the right hon. Gentleman has had — like a boxer getting hammered all over the ring, getting beaten on points and claiming a victory because he was not knocked out. The right hon. Gentleman must do better by us.

The Government have had the benefit of an Opposition who did not continually sell the pass as the Conservative party did throughout our long fight to protect the British consumer and taxpayer from the worst excesses of the Common Market.

Mr. Walker: May I say how flattered I am that I have the one Shadow Minister who always asks questions that are longer than my statements.

In reply to the hon. Gentleman's general remarks about the effect on food prices, just as an interesting throw-away comment, may I point out that the total food price increase of these proposals over a year is almost identical to the average increase in food prices per week during the period of office of the last Labour Government. As the right hon. Member for Deptford (Mr. Silkin) made clear about two weeks before the last general election, nearly all those price increases were due to the Labour Government and not to the Common Market.

I dispute quite a few of the budget figures that the hon. Gentleman quoted. He knows full well that the upturn this year follows the reduction by 1.3 billion ecus from what was estimated under the budget in 1982. As a result last year there was a substantial reduction in the budgetary expenditure. This year there has been a change in world prices and also a considerable range of devaluations of green currencies, which are costly to the budget. They were in a number of countries that hold political views similar to those of the hon. Gentleman.

Of course, one is concerned about the present estimates, but they are being affected by a number of events — partly by revaluations of currencies and substantially by the outstanding production throughout the whole of western Europe last year.

Mr. J. Grimond (Orkney and Shetland): Is the Minister aware that the division between the pig farmers on good land and the smaller farmers in less favourable circumstances is growing more apparent? The difficulty for my farmers and many others is that they are heavily in debt. The only hope for them is to increase their net income either by reducing costs or by increasing their gross income. Can the right hon. Gentleman give us any idea—I suppose that it can be only a general idea—of the effect on farm incomes if the proposals, which are still to be negotiated, are put into effect?

Mr. Walker: I think that the right hon. Gentleman will agree that one of the major improvements that has taken place during the lifetime of the Government in farming in the part of the country in which the right hon. Gentleman is interested is the considerable success of the sheep scheme. The price increases on the sheep scheme this year are substantially above those for cereals and milk.

Likewise, during the lifetime of the Government, we have increased the hill farm subsidies more than ever in the past, and we have also assisted that form of farming.

Mr. Robin Maxwell-Hyslop (Tiverton): Can my right hon. Friend give us any idea of the likely net financial effect on the hard-pressed pig producers of the measures that he announced today? Does he envisage that there will be a release of dyed grain or grain in some way made unsuitable for human consumption? Would not that help to solve both the problem of excess grain in store and the high cost of food for our pig producers?

Mr. Walker: As my hon. Friend will recognise, there are considerable difficulties in releasing grain on to a market at a lower price than the general price. The details of the scheme are now being worked out by the management committee of the Commission. It has assured me that it will complete the work as quickly as possible. I guess that the 2 million to 3 million tonnes of cereals available to the Community through intervention will be available during the summer. I cannot say what the financial impact will be until I know the details of the scheme. The combination in the past few months of providing subsidised private storage, substantial export restitutions, eradicating the veterinary costs on exports and the schemes that I have announced has had a considerable impact.

Mr. Robert MacIennan (Caithness and Sutherland): How can the Minister claim today that he was making strong representations to the Commission for the incorporation scheme when only a few weeks ago he told the House that it would be too costly to pursue it? Does not that mean either that the scheme that has been agreed will not make the difference to the pig producers that they need or that his earlier statement was wrong? The right hon. Gentleman has mentioned the sheep premium scheme, but has not mentioned whether he has attempted to negotiate the most disadvantageous aspects of it—the clawback arrangements. Does he believe that the measures that he has outlined will do anything to arrest the decline in the beef breeding herd?

Mr. Walker: In the comments that we made on the incorporation scheme, we made it clear that there was immense difficulty in providing feed for a specific type of livestock producer at subsidised costs without affecting the costs in the whole market. We have always made it clear that we were endeavouring to negotiate with the Commission a method by which that could be done.

The hon. Gentleman's comments on the effect on the farmers and the provision of feed come ill from someone who taunted me only a few weeks ago, saying that what I was seeking in the price fixing was way below what the farmers required—the 7 per cent. proposed by the farmers in the Community, which included substantial increases in cereal prices.

Sir Peter Mills (Devon, West): I congratulate my right hon. Friend on the firm stand that he has taken. If he had not taken it, the prices would be considerably higher. Does he agree that surpluses will still continue and that it is the disposal of those surpluses that is so worrying? Is it not sad that a trade war could develop between the Community and America to the disadvantage of all? Will he turn his attention to that, because it would be sad and unprofitable?

Mr. Walker: Yes, Sir; that is an important aspect. As my hon. Friend knows, recently I went to Washington to speak to the American Administration about it. I am glad to say that the talks that have taken place more recently between the Commission and the American Government have not only been welcomed by both sides but both sides consider that important progress has been made. I hope that there will be a final agreement.

Mr. James Molyneux (Antrim, South): Is the Minister aware that there will be a warm welcome in Northern Ireland for the movement of 75,000 tonnes of cereals from intervention? Will he do all in his power to ensure that it is made available at all possible speed to assist the hard-pressed pig and poultry sectors in Northern Ireland? Is he aware that we shall fully support him in his efforts to press for an early implementation of the larger scheme to which he referred at the end of his statement?

Mr. Walker: When the 75,000 tonnes is released out of intervention, the problem is that the transport costs are so burdensome to Northern Ireland producers. We shall urge that it is made available as quickly as possible. It is important that it is being made available not only to pig producers but to poultry producers. It involves barley as well as wheat, which is important for Northern Ireland. We strongly resisted proposals that there should be a clawback on the beef premium scheme, which the Government of the Irish Republic were demanding throughout the negotiations.

Mr. D. N. Campbell-Savours (Workington): Does the Secretary of State recognise that the growing hostility in Britain to the Common Market has nothing to do with the excellent principle of European union but has everything to do with the shambles of the common agricultural policy and the fact that annually the British people have to witness the spectacle of greedy agriculture Ministers in Europe going for higher and higher prices for their agricultural producers? Will he say to his colleagues in Europe that if they persist in those ludicrous and greedy demands for higher prices all that will happen is that the CAP will be bankrupted and the whole of European public opinion will turn against the institutions of the European Community?

Mr. Walker: Those were extraordinary remarks from the hon. Gentleman after a year in which, for example, food prices in this country have increased by only 1.6 per cent., which is the lowest increase for years. They were extraordinary remarks to make to a Minister under whom the price increases this year are basically half the average price increases during the period of office of the Labour Government. It will be interesting if the Labour party goes into the election saying that farm prices in Britain should be substantially slashed.

Sir Peter Emery (Honiton): Will my right hon. Friend accept the congratulations of many hon. Members that he has nearly achieved the impossible, in providing something that is immensely acceptable to the farmers at the same time as protecting domestic prices? It is a major achievement. Will he turn again to the subject of pigs? Can he tell me—it is not clear to me from the statement—whether the grain that is released will be for use in the whole Community? If that is the case, how much would be available in Britain? Secondly, would he still be able to negotiate an open-ended arrangement so that if the

problems of feedstuffs for pig producers continue and a proper case could be made to agriculture Ministers, a greater release could be made?

Mr. Walker: The 2 to 3 million tonnes is for the Community as a whole. The allocation of that to various countries will be related to the requirements of each country and to the proportion of the total European livestock industry that it possesses.

In regard to future negotiations, obviously we will watch the details of the scheme to see how it operates and how effective it is, and to consider whether it is required in future. One of the most important parts of the agreement on pigs was that we obtained a declaration from the Commission that in future, instead of applying a policy on pig marketing over the whole Community, it would consider regional problems, for example, the problems of the United Kingdom, in isolation to find ways of helping.

Mr. Douglas Jay (Battersea, North): In general, is it not clear that, because of low world food prices, far from there being any genuine reform of the common agricultural policy, the total costs of the policy and the economic burden on the United Kingdom are bound to increase still further?

Mr. Walker: As the right hon. Gentleman knows full well, what he refers to as the world price is the price of the volume that is available at that time. If agricultural production in Europe is eradicated, world prices would become very high. I for one rejoice that Europe has stability and security of food supplies.

Mr. John Townend (Bridlington): As I have made clear to my right hon. Friend, a number of specialist pig producers in my constituency are in a desperate financial position. Does he think that the measures he has announced, which are much welcomed, will be sufficient and that they will become effective in time to prevent a large number of imminent bankruptcies?

Mr. Walker: One of the problems of the immediate future is the substantial increase that has taken place during the past year in pig production. As my hon. Friend knows, with his knowledge of the pig industry, at the beginning of 1982 pig producers were doing exceedingly well. There was then a massive increase in production which has affected current market conditions, added to which there has not been a tradition of exporting. I hope that the range of measures that we have taken in the past few weeks will ensure that in future not only a national but an international market is available to pig producers.

Mr. Colin Shepherd (Hereford): Is my right hon. Friend aware that the poultry industry is under every bit as much pressure because of the cost of feedstuffs? Do I understand correctly that the feed incorporation scheme is designed to help the poultry industry as well as the pig industry, on the lines he has referred to for Northern Ireland?

Mr. Walker: Yes.

Mr. Tony Marlow (Northampton, North): May I congratulate my right hon. Friend on his strong stand on behalf of the British consumer? Can my right hon. Friend confirm the statements in the press today that he effectively has a veto over any further increases in food prices and that he will apply that veto if necessary? What proportion of the EC budget will the common agricultural

[Mr. Tony Marlow]

policy take up this year? Will he confirm that, whatever may happen to the common agricultural policy, we will get any refund that is negotiated for the United Kingdom?

Mr. Walker: On the veto, the most important declaration of the Commission was that it had decided unanimously that, irrespective of any representations made by the Council of Ministers, it would make no further proposals for price increases in this price fixing. Other than on a Commission proposal, the only way that there could be a price increase under the rules of the Community would be by a unanimous decision of the Council of Ministers.

Mr. John Silkin (Deptford): Just the same as before.

Mr. Walker: No, that is not the same as before. This is an important difference. What the right hon. Gentleman has said refers to the majority voting last year. The difference is that on a Commission proposal, majority voting can, under the rules of the Community, apply. In the absence of a Commission proposal, there has to be a unanimous decision of the Council of Ministers. Therefore, with the declaration that in this price fixing the Commission would refuse to make any further price proposals, the only way there could be an increase would be by a unanimous decision of the Council of Ministers. Obviously that would not take place, because I would veto it.

Mr. Robert Hicks (Bodmin): In view of the anxiety that has been expressed about the growing imbalance between the livestock and cereal sectors, does my right hon. Friend take the view that the tentative arrangements he has announced show a sufficiently favourable price differential for the livestock sector which will reverse the trend?

Mr. Walker: Taking the livestock sector in this country as opposed to the Community as a whole, during the period of this Government the position of the sheep producer has improved substantially. Dairy farming is in a healthy condition and is expanding. The decline in the beef industry has virtually halted. The improvements in the hill farm subsidy, the introduction of the sheep meat regime and the substantial improvement in the beef premium have helped the success of the livestock industry. The pig industry has had considerable difficulties. The measures that the Government have provided in the last few weeks should assist.

Mr. Eric Deakins (Waltham Forest): In regard to the record of the Labour Government, is the Minister aware that a large part of the food price increases in those years resulted from the transitional steps towards the common agricultural policy which were introduced and supported by him and the Government of which he was a member? Further, is he aware that between 1974 and 1977 every

price review reported to the House by my right hon. Friends as Ministers of Agriculture, Fisheries and Food were supported by him and his hon. Friends? Does he agree that on the one occasion in 1978 when the right hon. Member for Yeovil (Mr. Peyton) opposed the price increase, the difference between the two sides was 0.35 per cent? The right hon. Gentleman made some earlier bold statements in the House and outside about price freezes on products in structural surplus. He has obviously made no attempt to argue in Brussels for nil price increases. Has he not retreated from Brussels, bought off with a share of the booty?

Is it not the case that what the right hon. Gentleman has given the pig industry on the one hand he has taken away with the other? Is the right hon. Gentleman not emerging as an exponent of a new type of Tory economics: that an extra cost to pig producers is a benefit to them? [HON. MEMBERS: "No".]

I invite hon. Members to read the Minister's statement. Can he tell us why the Common Market has not followed the example of the United States which for the past two years has put a price freeze on dairy products and in the past year has announced a 10 per cent. reduction in cereal acreage? The United States is doing its best to avoid a trade war. What is the Common Market doing to avoid a trade war, which in the opinion of many people has already begun?

Finally, will the Minister confirm that the settlement means still higher surpluses for cereals, sugar and milk products? Does it not mean a still larger burden for the Community budget and for the United Kingdom taxpayer?

Mr. Walker: Before the hon. Gentleman makes such remarks, he should check the figures. If he would like the Community to come in line with the policy of the United States Government on dairy products, we would have to increase the price of Community dairy products by 20 per cent. to reach current levels in the United States. He should not ask us to do as the Americans are doing on dairy products when their dairy prices are higher than ours.

As for cereals, before the hon. Gentleman uses that example, he should consider what the Americans are doing. They are providing their farmers with a handout of cereals from stores on exceedingly advantageous financial terms for one year only. The result will be that at the end of that year American cereal farmers will be in a better financial position and will be able the year after to increase substantially the production of American cereals. Again, before he makes such remarks, he should examine what is happening.

As for the rest of the hon. Gentleman's remarks, I can only refer to a parliamentary reply given by the then Minister of Agriculture who, when asked how much of the 110 or 120 per cent. increase in food prices during the period of the Labour Government had been the responsibility of the common agricultural policy, said 10 or 11 per cent.

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From the Minister's Private Office

W Rickett Esq
Prime Minister's Office
10 Downing Street
LONDON
SW1

21 April 1983

Dear Willie

COUNCIL OF AGRICULTURE MINISTERS: 18-20 APRIL 1983

... I attach a copy of the statement which Mr Walker hopes to make in the House today. I would be grateful for immediate clearance.

/ 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) and to Private Secretaries of the other Agriculture Ministers and members of the OD(E).

Yours sincerely
Robert Lawson

ROBERT LOWSON
Private Secretary

P S I apologise for the extremely short notice, but we did not return to the UK until 5 o'clock this morning.

COUNCIL OF AGRICULTURE MINISTERS 18-20 APRIL 1983
DRAFT STATEMENT

Mr Speaker,
With permission/I should like to make a statement on the Council of Agriculture Ministers held in Luxembourg on 18-20 April. I represented the United Kingdom, accompanied by my rt hon friend the Minister of State.

The meeting continued the negotiations for the 1983/84 price fixing. It started with a statement by the Commission on current trends in the 1983/84 expenditure.

The Commission informed the Council that an increase on the budgetted figure would be required in 1983. This contrasted with the position in 1982 when the out-turn was less than budgetted, and resulted from a combination of factors including the monetary changes of 21 March, substantial increases in the production of major products, and trends in world prices.

They also informed the Council that their previous estimate of the budget provision likely to be required for 1984 had to be revised upwards by 6 per cent. The Commission stated that their price proposals for 1983/84, which had been criticised by the majority of member states as being inadequate and substantially below current rates of inflation in Europe, would need to be adhered to. In discussion, 7 of the 10 member states argued strongly that there was a need to improve upon the price proposals of the Commission. Only one other member state argued, with us, that there should be no increases in the Commission's price proposals. The majority of member states strongly opposed the Commission proposal to reduce their original price increase for milk to an increase of only 2.3%.

The meeting was adjourned to enable the Commission to consider their position. Following a meeting of the Commission held on Wednesday they came forward with a revised package of measures upon which they hoped to complete the price fixing. The Commission reported that they had decided that they would not put forward any proposals for any further price increases on any of the major commodities. They further declared that they had unanimously decided that, irrespective of what the Council of Ministers themselves should suggest, the Commission would not be making any proposals for further increases on the major commodities during this price fixing. I

welcomed this statement.

In discussion of the package proposed by the Commission, while many member states still expressed a desire for further price increases, it was clear that the majority would, albeit reluctantly, come to a conclusion on the basis of the Commission's paper.

A major difficulty remained for Germany. The proposals made by the Commission for the re-valuation of the German green currency would mean an increase in prices for Germany of the order of only 1% overall and no increase on the major commodities, milk and cereals. The German Minister could not accept this.

Primarily to allow further consideration to be given to this issue, the meeting of the Council was adjourned until next Wednesday, when an attempt will be made to conclude the price fixing on the basis of the Commission's current proposals.

The proposals, if accepted, would result in an increase of prices for the agricultural marketing year 1983/84 for the United Kingdom of 2.3% on milk, 3% on cereals and 3.8% over all products. For the Community, the over all increase would be 4%, substantially below the anticipated inflation rate for the Community of 9%.

In the United Kingdom, the effect on food prices would, over a full year, add one half of 1% to the food price index and one tenth of 1% to the retail price index.

We would retain the beef premium scheme and the sheep premium scheme. There would be a small improvement in the butter subsidy. These consumer subsidies would be worth between £200-£300 million.

The school milk subsidy would be improved from 10.9 pence per pint to 12.4 pence per pint. The Scheme would last for 5 years and the total benefit next year is likely to be of the order of £16 million. For Northern Ireland the various schemes assisting the beef producers would be extended and are anticipated to be of £11-£12 million benefit to the Northern Ireland producers. The Commission have also proposed to move around 75,000 tonnes of cereals from intervention into Northern Ireland.

The proposals include a number of measures of benefit to our pig and poultry producers. Firstly, these sectors would benefit from low cereals price increases. Second, the Commission would undertake to take account of regional difficulties in its management of the pigmeat market; this would for example mean that, if market conditions warranted it, the advantages of private storage facilities financed by the Community could be continued in the United Kingdom even if there were no need for such facilities in other parts of the Community. And thirdly, following the strong representations we have made, the Commission propose to press ahead with a scheme to make available from intervention stocks cereals for use in animal feed. This could involve 2-3 million tonnes.

I hope that negotiations can be brought to a satisfactory conclusion as quickly as possible.