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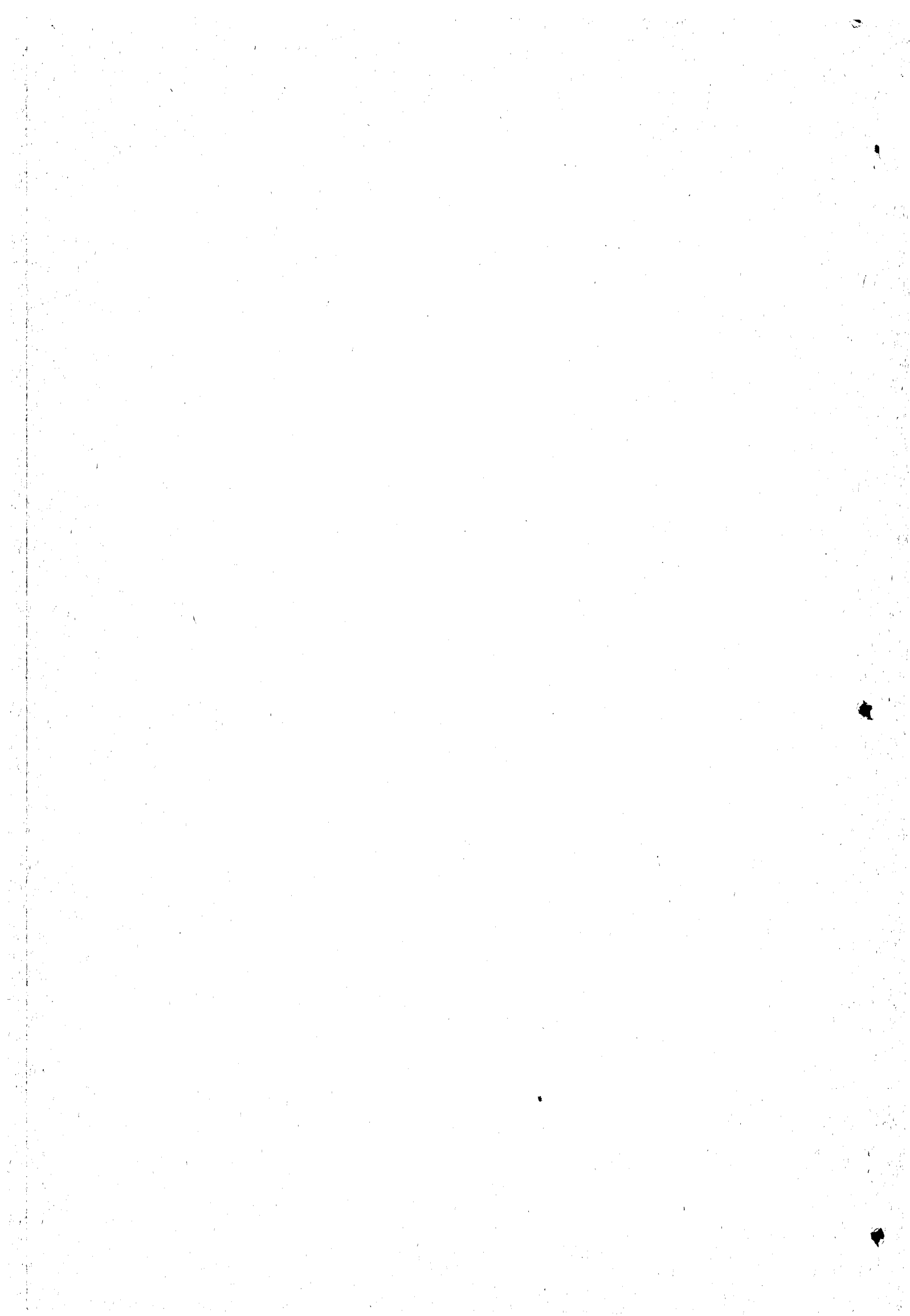
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CONCERNING URGENT FOOD AID IN CEREALS

TO THE REPUBLIC OF INDIA



COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
CONCERNING PROPOSED FOOD AID IN CEREALS TO THE
REPUBLIC OF INDIA

1. INTRODUCTION

The purpose of this document is to draw the attention of the Council to an urgent request for food aid in cereals attached to this document received from the Republic of India.

The Commission wishes to emphasize the urgency of this request, since the period of shortage is already beginning.

2. FOOD SITUATION

Production of all cereals in India for 1973/74 is now expected (according to FAO) to reach 105-106 million tonnes, compared with the 1970/71 peak level of 108.4 million tonnes and in the face of the large population increase since that year.

Assuming the level of requirements per capita to be comparable to level of availabilities during the last two years for which full data are available (i.e. 535 gm per head per day), then the total needs for 1973/74 can be assessed at approximately 115 million tonnes, which was in fact the official production target for the year.

An overall deficit therefore of as much as 9-10 million tonnes can be envisaged. (This is compatible with information communicated by the IWC, that imports required to cover the shortfall could amount to 8-10 million tonnes).

3. To fill part of this gap the Indian government proposes to make commercial imports during 1974 to the extent of three million tonnes, in addition to the two million tonnes of wheat loaned by the USSR and already delivered. No arrangements have been made for imports on non-commercial terms apart from a grant of 30,000 tonnes from the United Kingdom.

There remains therefore a deficit of several million tonnes this year, which India will have great difficulties in filling. The most urgent need will be for supplies during the period July to October 1974 before arrival of the monsoon crop, in order to support the public distribution system of retail sales in urban areas.

4. ECONOMIC AND FINANCIAL SITUATION

India is in fact one of the countries most affected by the current world economic situation. One example of the country's present difficulties is the increase in the cost of petroleum imports from \$ 500 million in 1973 to \$ 1,500 million in 1974. India's general economic position and the heavy demand on her foreign exchange resources mean that further commercial imports on a large scale are likely to place intolerable strains upon the economy.

5. ACTION PROPOSED

In view of the above, and of the quantities available to the Community at this time, the Commission proposes the immediate grant to India of 30,000 tonnes of cereals, drawn from the reserve of 54,500 tonnes established by the Council under the 1973/74 scheme.

It is proposed that delivery should be on the normal fob terms adopted by the Community for the 1973/74 cereals program. However, in view of the urgency with which the quantities are required, authority is requested to commence arrangements for delivery as soon as negotiations on the text of the supply agreement have been completed between the Commission and the Government of India.



AVENUE MOLIÈRE 121
1180 BRUXELLES

May 31, 1974. X B⁴

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Indian Mission to the European Economic Community presents its compliments to the Directorate General of Development and Cooperation of the Commission of the EEC and has the honour to bring the following for their favourable consideration.

2. The Community is well aware of the food situation in India. However, a few facts bear recalling. Production of foodgrains in India, which had reached a peak figure of 108.4 million tonnes in 1970-71 (July-June), declined to 105.2 million tonnes in 1971-72 and to 95.2 million tonnes in 1972-73. To provide food at reasonable prices for vulnerable sections of the population and to give relief to drought-affected areas, the public distribution (i.e. retail sales) system had to be enlarged and widened. The quantity made available through this system increased from 7.8 million tonnes in 1971 to 10.5 million tonnes in 1972 and further to 11.4 million tonnes in 1973. This was made possible by supplies obtained through internal procurement, running down of Government stocks and some commercial imports. Thus, during the year 1973, Government stocks of foodgrains were drawn down by 0.7 million tonnes and imports amounted to 3.6 million tonnes. In spite of

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these measures, per capita availability of foodgrains during 1973 was substantially lower than in 1971 and 1972, resulting in increased pressure on the prices of foodgrains and consequential hardship for low-income groups of the country's population.

3. Total production of foodgrains in 1973-74 is currently estimated by the FAO at about 105-106 million tonnes. While this estimate of foodgrains production is better than in the previous year, it has not been commensurate with the increase in population which has risen by more than 30 million since 1971. The imbalance between supply and demand is therefore expected to continue through 1974. The gap between production and consumption is estimated to run into several millions of tonnes.

4. The existence of this gap has reflected in the persisting trend of rising prices. Market arrivals of foodgrains have been lower than desired, partly because of the consequences of two drought years in succession. In a democratic system like India's, procurement of grains by Government agencies and private trade depends on the voluntary sale by millions of farmers. At the same time, the Government is expected to carry adequate stocks to provision the public distribution (i.e. retail sales) system with a view to meeting the needs of deficit areas and vulnerable sections of population and to influence the market situation in the direction of stabilisation of foodgrains prices. The strain on the public distribution (i.e. retail sales) system is particularly heavy in the lean months of July-October before the arrival of the new

crop in November-December which accounts for nearly two-thirds of annual harvest in India.

5. A substantial gap is therefore foreseen between the quantities likely to be needed for the public distribution (i.e. retail sales) system and those that can be procured domestically. The gap is proposed to be bridged by importing more than three million tonnes of foodgrains from abroad during the year 1974. Of this, a quantity of 1.3 million tonnes of foodgrains was imported into the country during the first quarter of 1974.

6. For some years past, the Government of India have been making every effort to bridge the gap in the requirement, caused by the unfavourable course of the season, by effecting commercial imports. This is the reason why no request has been addressed in the recent past to the Community, in the context of its membership of the Food Aid Convention. Unfortunately, a combination of factors is making this course increasingly impracticable: this includes (a) running down of domestic foodgrain reserves because of continuous drought, (b) heavy demand on foreign exchange reserves because of the increase in import prices of many essential items, and (c) the increase in world price of foodgrains.

7. As the Community is aware, India's foreign exchange situation has been subjected to an exceptional strain because of the extraordinary increase in the prices of its normal imports and a very marginal increase in the prices of its export products. For instance, petroleum imports which cost about \$ 500 million in 1973 are likely to cost

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\$ 1.5 billion in 1974. Similarly, the import bill of fertilizers which was \$ 225 million in 1973 may rise to more than double this amount. If the volume of imports of these essential items is curtailed, the consequential gap in the availability of foodgrains will be higher. It is in these circumstances that the Government of India feels obliged to explore possibilities of non-commercial imports of foodgrains from abroad.

8. In view of the foregoing, the Indian Mission to the EEC requests the Commission of the EEC to give urgent and favourable consideration to the allotment to India of a sizeable quantity of foodgrains under the Community's Food Aid Programme for developing countries. The Indian Mission is aware of the Community's procedures in this regard and is conscious of their inherent limitations for meeting requests for urgent shipments. Nevertheless, the Mission trusts that having regard to India's self-restraint in the past and the needs likely to arise during the course of the coming summer months, the Commission will find it possible to take appropriate action to reinforce the Indian capability to meet the anticipated requirements of its public distribution (i.e. retail sales) system.

9. The Indian Mission to the EEC avails itself of this opportunity to renew to the Directorate General of Development and Cooperation of the Commission of the EEC the assurances of its highest consideration.

Bruxelles,
May 31, 1974.

Directorate General of Development
and Cooperation,
Commission of the EEC,
Bruxelles.

