

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 74 final

Brussels, 8 March 1978

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

The supply of certain Community agricultural products
to the ACP States

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Communication from the Commission to the Council

Subject : The supply of certain Community agricultural products to the ACP States.

1. In their note of 28 March 1977 (see annex A) the ACP States asked the Community to set up a programme for the supply of surplus food products. Such a programme would essentially be aimed at establishing conditions as to price and quantity leading to greater stability for ACP imports.

During their meeting on 13-14th April 1977 the ACP-EEC Council of Ministers instructed the Ambassadors' Committee to examine this request.

2. The problem of a more stable supply of food products raised by the ACP States is substantial. In addition, during the last two years, more than 13 % of the total Community exports of food products went to ACP countries. Approximately 2/3 of these exports were made up of cereals, dairy products and sugar for which the Community has, in varying degrees, been in market surplus.

3. The Community has, in the past, used with encouraging results, the facilities available within the administrative framework of the CAP to meet comparable situations. It is for this reason that the Commission considers that it should be possible to tackle the problems raised by the ACP countries by using appropriate mechanisms, such as export refunds, whilst at the same time respecting the general price structure of the world market. Depending on the product, this would entail in some cases, adjustments to certain measures or procedures. For example, it might involve tenders specifically for ACP States, extending the validity of export certificates, limiting certain refunds to geographical zones covering the countries in question, or re-defining, if necessary, these zones in order to make better provision for the interests of the ACP States.

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4. This type of measure is an integral part of the agricultural market management, but its use in the manner indicated above as well as the adjustments referred to in para. 3 could not be justified unless there were concrete economic advantages. For this reason, traders who might be in a position to benefit from this arrangement should be required to show the existence of a contract at a certain point in time involving reciprocal obligations such that the importer of the ACP country be required to take delivery of the quantities of the product concerned and for the Community exporter to maintain the price at the agreed level for the entire length of the commitment.

5. In practical terms and considering market trends, the Community's available supplies, and the current state of measures being applied within the framework of the agricultural market organisations, products which might be considered are common wheat and flour, malt, dairy products and, to a certain extent, white sugar.

6. In conclusion, it is suggested that a reply along the lines of annex B be given by the Community to the ACP States.

ACP - EEC CONVENTION OF LOME

EUROPEAN COMMUNITIES
The Council

ACP-CEE/52/77

AFRICAN, CARIBBEAN AND
PACIFIC GROUP OF STATES

ACP/N.575/77 (Amb.) rev. 1

Brussels, 28 March 1977
(29.03)

NOTE

Subject: Note submitted by the ACP States ⁽¹⁾ on the supply of EEC surplus agricultural products to the ACP States

In recent years, the EEC has offered many ACP States considerable quantities of agricultural products in the form of food aid. This action by the Community, motivated by humanitarian sentiments and justified by the disastrous effect of droughts, floods or cyclones, on our production potential, has been especially welcome and has contributed to relieving our peoples' suffering.

Today, although there is practically no further evidence of drought, its repercussions still affect the production capacity of certain ACP countries who have not yet been able to achieve a normal level of production. This continuing production deficit affects not only supplies of staple food products in the States concerned but also their exporting capacity and, consequently, the level of their foreign exchange earnings. Thus as a consequence of an accumulation of misfortunes, the countries which have been victims of natural disasters now face difficulties both as regards the supply of agricultural products and the balance of payments.

(¹) Note distributed at the 2nd meeting of the ACP-EEC Committee of Ambassadors on 28 March 1977

All these problems, which are serious enough in themselves, are now compounded by the effects of world-wide inflation. In all the ACP States, this has led to a staggering rise in prices of staple products and a sharp fall in purchasing power, and has made it increasingly difficult for governments to maintain a fair balance between prices and incomes. It has also meant that all the States have experienced great social tensions as a result of high and still-rising prices. In an effort to remedy this exceptional situation, some Governments have channelled enormous resources to support prices, placing a heavy burden on public expenditure, while others have had to resign themselves to letting prices rise freely, thereby causing discontent in the population and stagnation in business.

All these problems have combined to create a climate which is unfavourable to development, insofar as all our efforts towards efficient management are constantly thwarted by external factors outside our control.

This inventory of the problems resulting from the effects of natural disasters and world-wide inflation naturally leads us to the question of how the EEC might in future help to solve the problems facing the ACP States as regards the supply of essential foodstuffs.

Consideration might be given to the idea of a multiannual supply programme being devised jointly by the Community and the ACP.

This programme should have as its main objectives:

- to guarantee the availability and delivery by the Community, at preferential prices and over an agreed fixed period, of regular and substantial supplies of staple foodstuffs to the ACP States concerned;
- to guarantee against rises in the prices of the foodstuffs supplied under the programme throughout the agreed period;
- to establish a system of payments for those supplies that will put the least strain on the foreign exchange reserves of the ACP States concerned.

This programme would cover a range of products available within the Community and consonant with the needs of the various ACP countries. The qualities and quantities of products available for that purpose would be specified in the programme.

With a view to meeting its supply commitments, the Community might draw the necessary amounts from its surplus agricultural products, and in so doing reduce the stocks which it is obliged to finance in the context of its policy of supporting agricultural incomes and prices.

For their part, the ACP States which participate in the programme would give a commitment to purchase, at the agreed preferential prices and for the agreed period, fixed minimum quantities of the available programmed supplies.

It will be remembered that a similar idea was advanced by Mr CHEYSSON, Member of the Commission, at the "Mini-Summit". His view was that rather than confine ourselves to the short term by distributing food aid we might seek a new approach together. Mr CHEYSSON took the view that this new approach could consist of devising a long-term supply programme combined with machinery for stabilizing prices for at least one marketing year. It is along these lines that we would like the Council of Ministers to adopt a position of principle which would be put into practice by our experts.

These experts could pay particular attention to:

- the devising of a system of diversified payment arrangements to take account of difficulties that certain ACP States might experience in connection with payment for the products they obtain under the programme;
- the preparation of a representative list of products and their quantities available within the Community and of interest to the ACP States;
- the establishment of machinery for preventing price increases in the products that would be available under the programme, either in the medium term or, at the very least, for the duration of the marketing year.

The system proposed would, we believe, have a stabilizing influence on import prices; and by also guaranteeing supply, would serve to complement the Stabex system established under the Convention.

There would be no question of abolishing the Community's present system of action in the form of food aid, which has brought much benefit to the peoples of several of our States and which is much appreciated. This system should be maintained not only to mitigate the effects of natural calamities, but also to ensure a particular treatment for the benefit of land-locked countries. However, we have to extend our efforts beyond charity towards greater justice and greater equity.

Outline reply from the Community to the ACP States

1. The Community is aware of problems in the supply of food products encountered by certain ACP States and of the desirability of finding ways to increase the security and stability of supplies of basic food products to these countries.

2. It is for this reason that, within the framework of the administration of the common agricultural policy, the Community is ready to put into effect the mechanisms at its disposal which would permit traders from the Community and the ACP States to contract sales of certain basic food products under terms which should result in greater stability of supply, whilst honouring the general price conditions of the world market.

3. Where this requires certain adjustments of existing management procedures, these would be justified only in cases where well defined and concrete trading interests can be indicated. In order to benefit from these conditions, the interested traders should be able to prove, at some point in time, that a contract exists in which there are reciprocal obligations concerning the purchase of the agreed quantities and the maintenance of the agreed price for the period the contract is in force.

4. The transactions should involve quantities in keeping with the needs of the recipient countries and should be kept within the bounds of stocks available in the Community of the products in question.

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5. Neither the Community authorities nor the Governments of the ACP States, would be expected to undertake quantitative commitments for delivery or purchase. It would be the responsibility of the importer and exporter themselves to agree a private contract for the operation concerned within the framework of the administrative measures enacted by the Community for the management of the markets.

6. In this context, a system of diversified payment which would depend on the currency resources of the ACP States concerned, is inappropriate.

7. In the current state of availability, the Community considers that the products involved could be common wheat and flour, dairy products and, to a certain extent, white sugar.

8. The Community would keep the ACP States periodically informed in the framework of the ACP-CEE institutions, of the results obtained under this scheme.