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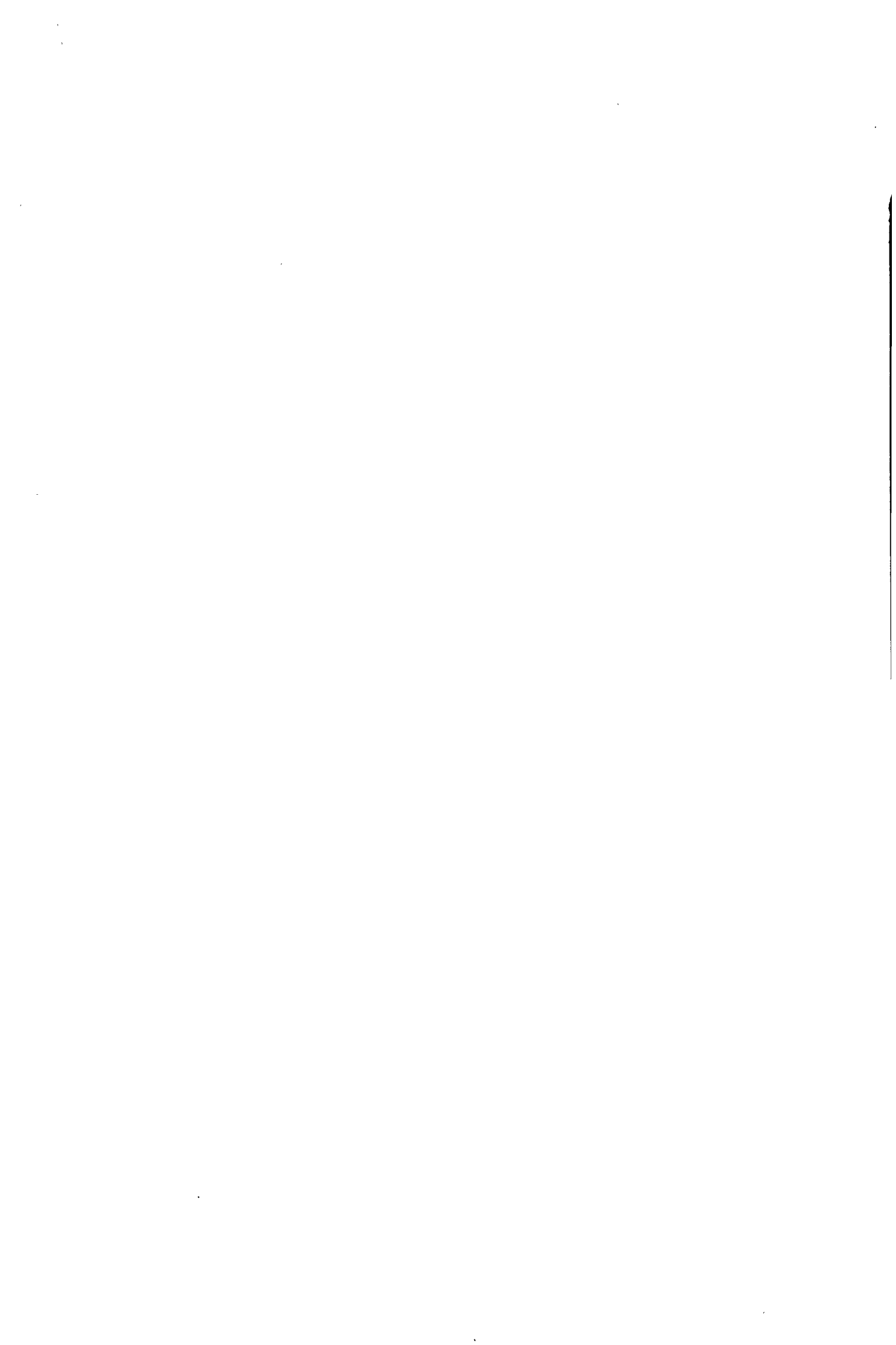
drawn up on behalf of the Committee on Development and Cooperation

on the communications from the Commission of the European Communities to the Council (Docs. 383/77 and 399/77) concerning the 1978 programmes for food aid in cereals, skimmed milk powder and butteroil and the nutritional and developmental perspectives for dairy products in the third world

Rapporteur: Mr H. AIGNER

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PE 51.677/fin.



By letter of 9 November 1977 and 16 November 1977, the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the communications from the Commission to the Council concerning the 1978 programmes for food aid in cereals, skimmed milk powder and butteroil (Doc. 383/77) and the nutritional and developmental perspectives for dairy products in the Third World (Doc. 399/77).

On 14 November 1977 and 2 December 1977 the President of the European Parliament referred these communications to the Committee on Development and Cooperation as the committee responsible and the Committee on Budgets and the Committee on Agriculture for their opinions.

On 24 November 1977 the Committee on Development and Cooperation appointed Mr Aigner rapporteur.

It considered the draft report at its meeting of 16 January 1978. After a full discussion the Committee adopted the motion for a resolution and explanatory statement by eight votes to none with two abstentions.

Present: Miss Flesch, chairman; Mr Aigner, rapporteur; Mr Bouquerel (deputizing for Mr Kaspereit), Lord Castle, Mr Deschamps, Mr Dondelinger, Mr Flämig, Mr Martinelli, Mr Nyborg and Lord Reay.

The opinions of the Committee on Budgets and the Committee on Agriculture are attached.

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The Committee on Development and Cooperation hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinions of the European Parliament on the communications from the Commission of the European Communities to the Council concerning the 1978 programmes for food aid in cereals, skimmed milk powder and butteroil and the nutritional and developmental perspectives for dairy products in the Third World

The European Parliament,

- having regard to the communications from the Commission of the European Communities to the Council (COM(77) 512 final and 540 final),
 - having been consulted by the Council (Doc. 383/77 and Doc. 399/77),
 - having regard to the report of the Committee on Development and Cooperation and the opinions of the Committee on Budgets and the Committee on Agriculture (Doc. 492/77),
1. Approves the Commission's proposals for the 1978 food aid programme and welcomes in particular the fact that the Commission has for the first time incorporated the three Community food aid programmes in a single communication;
 2. Takes the view that the Community's food aid will only be effective if the basic principles are laid down within the framework of a long-term development strategy and policy;
 3. Calls in particular upon the Council to switch over to multi-annual commitments in order to make it possible to include food aid measures in development programmes (project aid);
 4. Advocates, in view of the mounting requirements of the developing countries and for political and moral reasons, that Community food aid should be increased independently of any surpluses from the European Agricultural Policy;
 5. Considers that, in view of the Community's skimmed milk powder mountain, the supply of 150,000 t of milk powder represents a minimum programme and therefore calls for an increase to 200,000 t; reminds the Council, moreover, that the 14 million u.a. for the second instalment of the 1977 programme have still not been released;

6. Hopes that, in this connection, the Commission will finally give a clear answer to the question of how much it costs to store 1 t of skimmed milk powder and then use it as an addition in cattle fodder;
7. Would also welcome information on the organization of those Commission departments which deal with food aid and agricultural surpluses;
8. Considers it particularly important for commitments to supply skimmed milk powder to be made on a multi-annual basis in order to ensure that the other developing countries are not placed at a disadvantage by the implementation of 'Operation Flood II' in India and because milk powder, with its very high protein content, represents an almost ideal food;
9. Welcomes, therefore, the Commission's separate communication on the use of dairy products for nutritional and developmental purposes in the third world, which represents a logical supplement to the food aid programme;
10. Considers it important that skimmed milk powder should be enriched with vitamins in order to increase its nutritional value and prevent possible damage to health; calls on the Community at the same time to make appropriate technical facilities available to ensure that the milk powder can be hygienically reconstituted;
11. Supports the Commission's proposed mode of distribution, whereby the majority of the aid will be placed at the disposal of the poorest developing countries; agrees therefore also that financing should cover delivery at destination so that the aid does in fact reach the poorest sections of the population in the poorest countries;
12. Hopes that, after a certain period, the Commission will provide information on whether the distribution system has operated satisfactorily both in the case of products supplied direct and in the case of products distributed through international organizations;
13. Welcomes the Commission's intention to give preference, in the distribution of food aid, to development projects, since in the short term such assistance will serve to alleviate the critical nutritional situation and in the long term will contribute to economic and social development and in particular to rural structural improvement in the recipient countries, thus ultimately making food aid superfluous.

14. Considers it desirable in principle that a tendering procedure should be introduced in respect of aid so that deliveries can be made at favourable prices, but also believes that a non-bureaucratic and flexible approach should be adopted in the event of catastrophes;
15. Considers the previous supervision of financial aid in respect of food to be inadequate and therefore calls on the Commission to make fundamental improvements in the control procedure;
16. Takes the view that food aid does not represent a final solution but only fulfils a bridging function, although for the time being, in view of the starvation in the world, it has a crucial role to play;
17. Draws express attention to the fact that, in the context of development policy, priority must be given first and foremost to the development of the agricultural sector, because agriculture must ultimately make the transition from production for self-supply to production for market supply and because, from the point of view of employment policy and thus of development policy, crucial importance attaches to rural areas; supports, moreover, all measures for sensible and responsible family planning;
18. Proposes that, when providing food aid, preference should be given in particular to those developing countries which themselves make the necessary effort to improve agricultural structures and takes the view that a supranational institution, for example the World Food Council, could assume responsibility for the necessary monitoring of progress.

EXPLANATORY STATEMENT

1. The subject of the Commission's communication to the Council is the establishment of the cereals, skimmed milk powder and butteroil food aid programmes for 1978. The Commission's document, which is very comprehensive and detailed, describes the criteria for the allocation of aid, analyses requests and needs, sets out the priority objectives, and provides a breakdown of the distribution of aid to individual geographical areas. Moreover, this is the first time the Commission has incorporated all three programmes for European food aid in a single document. Our committee sees this as a very positive move as it facilitates an overall assessment and makes it easier to see food aid in its wider context. The committee also acknowledges that, by issuing a single document, the Commission has adopted an approach long advocated by the European Parliament.

In a further communication to the Council, the Commission gives details of the nutritional and developmental prospects for dairy products in the Third World. Since this document concerns an important area of food aid, the committee thought it logical to deal with both communications in a single report.

2. In view of the hunger in the world, the Community has a moral as well as political duty to provide varied and generous food aid. Parliament must therefore insist that it should make the fight against hunger and malnutrition one of its main priorities. The fact is that in many developing countries the situation is still extremely serious because food supplies are neither quantitatively nor qualitatively adequate. According to the latest World Bank statistics, about 1,300 million people are at present suffering from serious calorie deficiencies and entire generations are threatened by acute danger to health because children in the areas at risk cannot be fed either adequately or properly. In Asia more than 60% of the rural population have to manage on an annual per capita income of less than \$75, in many Asian countries real incomes are falling and in Latin America the earnings of more than 50% of the entire population are below the minimum subsistence level. In the latter area agricultural productivity declined between 1960 and 1970 and only three out of a total of seventeen countries registered increases. In Brazil, for example, malnutrition has increased in the majority of the population both in agricultural areas and in industrialized regions.

3. The catastrophic nutritional situation in many parts of the world prompts a number of very provoking questions. Must people go hungry in precisely those areas where most of the working population derive their incomes from agriculture?

Must rural unemployment and migration to the towns increase and must yields per hectare decrease in countries afflicted with starvation? Why do large tracks of land lie fallow when elsewhere the overexploitation of a few areas and deforestation continue unchecked? Why is it that the agrarian countries import relatively large quantities of vital foodstuffs (often accounting for more than half their balances of payments) when at the same time they are exporting more agricultural products to the rich countries? And why is it that every year millions of people face death from starvation when in many parts of the world food is destroyed to maintain market equilibrium?

4. We clearly cannot here give a full answer to all these questions. However, an attempt will be made to deal briefly with a number of the crucial factors responsible for the appalling food situation in many areas of the world.

5. One of the reasons is the enormous population explosion of recent years coupled with the stagnation of agricultural production structures. The present population of the world stands at about 4,000 million. According to the UN's calculations it will reach 8 to 11,000 million between the years 2000 and 2020. However, these figures should be treated with caution. Although they cannot be faulted from the statistical point of view, they do not seem very realistic when countertrends are taken into consideration.

6. The initial motive force behind population growth was in fact an improvement in food supplies due to agricultural progress. The industrial revolution gave a further boost to the rise in the world's population because many industrial techniques led to the further development and expansion of agriculture. Medical knowledge has contributed considerably to the fight against illness, as a result of which many more people survive the first critical years of their childhood and life expectation continues to increase. In the first 1500 years of the Christian era, the world's population rose by 2 to 5% per century. The present growth rate in some countries now stands at between 3 and 4% per year. Thus, it does not take very long for the population of the earth to increase by 1000 million. Thus, it is clear that if present socio-political structures are maintained a 3% population growth is bound to lead to insoluble problems. One of the main difficulties is that the population is growing particularly quickly in pre-industrialized societies, i.e. in the poor countries.

For example, Mexico contributes more to the population explosion than the USA. The population of Brazil increases by 2.9 million every year and that of the Soviet Union by only 2.3 million. The following table throws some light on the situation:

Annual contribution to world population growth (most densely populated countries)

Country	Increase or decrease in 1975	Country	Increase or decrease in 1975
China	9,050,000	FRG	- 148,000
India	11,962,000	Mexico	1,925,000
Soviet Union	2,289,000	United Kingdom	34,000
United States	1,239,000	Italy	273,000
Indonesia	2,738,000	France	265,000
Japan	1,220,000	Philippines	1,190,000
Brazil	2,893,000	Thailand	1,089,000
Bangladesh	1,836,000	Turkey	1,019,000
Pakistan	2,038,000	Egypt	856,000
Nigeria	1,699,000	Spain	358,000

These factors result in a vicious circle of population growth, hunger and poverty. The greater the population explosion, the smaller the opportunity for improving incomes and the greater the increase in unemployment and hunger; the greater the distress, the more rapid the rise in population. All population and nutrition analyses show that only as prosperity increases does the population growth level off or decline so that the food problem can be brought within normal limits.

7. The question of nutrition is the most serious of all the problems caused by population growth. However, other aspects, which are often overlooked, are also of considerable importance. Leaving aside ecological considerations (the biological maximum has already been reached in many regions), population growth is a crucial factor in inflation and unemployment. Inflation occurs because important supplies and foodstuffs become scarce; unemployment arises because it is impossible to create enough jobs for the increased numbers of people looking for work. When economic growth fails to keep pace with the increase in population, per capita incomes decline. Moreover, population growth reduces the effectiveness of measures to combat illiteracy and undermines efforts to provide better accommodation and health care. It is depressing to think that 500 years after Caxton a third of the world's population still cannot read. Because of the increasing numbers of children of school age

many governments in the poor countries quietly abandon the idea of compulsory education. Overcrowding also has pathological consequences and may lead to violence. These problems cannot be taken separately because they influence and intensify each other.

8. Population growth has often impeded the provision of foodstuffs and other goods but we have now reached the stage where it is creating increased demand while at the same time reducing supplies. This applies to fisheries, forestry and agriculture. Provided the demand for fish does not exceed the maximum sustainable yield from the sea, population growth has no influence on production. However, if it goes beyond the limit, population growth begins to erode the source of supply, which curtails production. With biological systems, the situation could become so bad that the source of supply was itself destroyed, i.e. it could result in the extinction of fish or the total disappearance of forests. Population growth causes an increase in demand not only for foodstuffs and arable land but also for land for other purposes such as building, roads, leisure areas etc. These problems cannot here be dealt with in greater detail. They do however, show that population growth makes it more difficult to satisfy elementary human needs.

9. The advent of the seventies saw an increase in death rates in many poor countries. This was due not to epidemics or wars but to starvation and malnutrition. As a result of crop failures and after the world's cereal reserves had been exhausted, food prices rose and shortages occurred in many poor and underdeveloped countries. No one knows precisely how many millions of people died of starvation during this period because no exact figures have been published. Science is capable of putting space capsules into orbit and determining exactly where they will land but only vague figures are available on the millions of deaths that occur each year from starvation. When aviation accidents or terrorist attacks occur the exact number of victims is known and broadcast all over the world. Everyone talks about them and shows sympathy, but the exact numbers of deaths from hunger or of people suffering from starvation no one knows. They are merely estimated roughly, noted and forgotten. We have almost become used to the fact that millions of people have to die because they do not get enough to eat.

10. The effects have been particularly serious in Bangladesh. As a result of adverse weather conditions in 1971/72 and 1974/75 (massive flooding - the worst in the country's history - as a result of deforestation in the most important watershed areas) the rice harvest failed to satisfy minimum requirements. The consequences were also catastrophic in India. This country used up of its reserves on refugees from Bangladesh and then, in summer 1972, the monsoon failed. Since it was not possible to obtain

adequate food supplies from abroad, the government was forced to look on, powerless to act. It is reported that more than a million people died of starvation during that period. In the countries bordering on the Sahara, the fragile ecological system of the desert, which was visibly degenerating as a result of the continuing drought in the southern area of the Sahel zone came under increasing pressure from the population. The most badly affected countries were Senegal, Mauritania, Niger, Upper Volta, Chad and Mali. The exact number of deaths will never be known but estimates put the figure at a quarter of a million. Further East a no less catastrophic situation developed in Ethiopia which claimed more than 200,000 victims.

This situation stood in stark contrast to the previous years of food and production capacity surpluses. When, in 1966 and 1967, India was threatened by famine as a result of the failure of two monsoons, the USA supplied her with a fifth of its wheat harvest for two consecutive years. Now the United States reserves are exhausted and it can no longer mount such massive aid programmes without inflationary effects on foodstuffs at home.

11. After the crisis at the beginning of the 1970's the danger of food production falling short of the increasing requirements throughout the world can no longer be discounted. If an absolute deficit of this type occurred the food reserves physically available would no longer be adequate even to maintain the present precarious nutritional situation - and this applies without taking purchasing power or available currency into account. This had not so far happened because the deficits in some countries have always been counterbalanced by surpluses in others. Anyone with purchasing power and able to pay the higher prices, managed to come through the crisis relatively unscathed. A long-term crisis, i.e. one involving an overall food deficit which could not be alleviated by international distribution systems, would probably lead to famines of varying duration and intensity, perhaps with catastrophic results. At all events, the beginning of the 70's marked a situation in which, for the first time in modern history, none of the crucial agricultural requirements - land, water, energy, fertilizers - was available in sufficient quantities.

12. The latest scientific investigations show that population growth has now slowed down somewhat. Having reached an absolute maximum of 1.9% at the beginning of the 70's it now stands at 1.64%. The reduction in population growth in East Asia has been particularly striking. Under the influence of China's efforts to curb the birth rate, the growth rate in this region dropped from 1.85% in 1970 to 1.18% in 1975.

In the other two subregions of Asia, i. e. Southern Asia (including the Indian subcontinent) and South-East Asia (from Burma to the Philippines including Indonesia), growth rates have also declined slightly. No clear analysis can yet be made of population trends on the Latin American continent.

13. Although population growth is declining in a number of areas the danger of catastrophic famines has still by no means been eliminated. In addition to responsible family planning, therefore, the most important aim in this connection is to make a particular effort systematically and consistently to promote the productive and developmental potential of the individual and the family.

14. The present slight improvement in the world food situation is due not to any basic change in agricultural policy but simply to more favourable climatic conditions since 1975. Food production in the developing countries has admittedly shown an average overall rise of 3% over the last two years, but this figure tends to hide the considerable imbalances between the individual developing countries and takes no account of population growth. Calculations based on per capita production put the growth rate in some cases at less than 1%; according to FAO the 24 poorest countries of Africa even showed a negative rate of 3.3%.

15. In view of the lack of adequate food in many parts of the world, food aid must not only be maintained but extended still further. However, food aid should not be allowed to become permanent. Instead it should fulfil a bridging function and only be used in the event of catastrophes. Account should also be taken of possible detrimental effects (reduction in the efforts made by the recipient countries themselves, undesirable changes in eating habits, market disturbances and the disruption of production in the countries concerned). Many countries, whose basic food previously consisted mainly of rice or indigenous cereals and root vegetables, have appreciably changed their eating habits after becoming accustomed to food aid over a number of decades. Because of the prospect of food aid, many developing countries, including some of those with major food problems, for many years neglected to improve their own agriculture and this might well have bitter consequences. Indeed, instead of developing agriculture in these countries remains backward and, far from rising, the number of jobs on the land is constant or even declining. Most farmers in developing countries are self-supplying, i.e. they are not producing for a market which in any case barely exists because of the lack of demand backed by purchasing power. Moreover, it makes little economic sense to produce food in ever increasing quantities in countries where the highest wages are paid instead of in countries with sufficient labour where production would be much cheaper. Quite apart from this, food aid costs a lot of money which, from the economic point of view could be invested more

sensibly elsewhere.

16. The minimum objective of any plan to improve the world food situation must therefore be to ensure that, despite the continuing population growth, the per capita production of food does not fall below present levels. It would, of course, be better if the general food situation could be improved. Thus, in development policy, priority must be given first and foremost to the development of the agricultural sector. A policy of self-help must be evolved so that the developing countries will in future be able to feed themselves. Thus from the point of view of employment and hence also development policy, crucial importance will attach to agricultural areas in developing countries in the coming years because 70 - 90% of the populations of these countries live on the land. It is logical therefore that the developing countries should be encouraged to take the initiative on their own and to develop their own potential. Self-sufficiency must be strengthened and improved. People must be made to feel more secure within this traditional sector than outside it, where they would only swell the numbers of unemployed.

17. According to the president of the World Bank, Mr McNamara, speaking at the annual meeting of the IMF in October 1976 in Manila, the poorest developing countries have in the last ten years channelled only 3% of their gross national products and less than 18% of their overall investments into agriculture. In the past, developing countries have attached more importance to industrial development than to agriculture. Funds must now be made available for integrated national development, bearing in mind that rational and planned industrialization is impossible if the population is underfed. The crucial question here is whether the developing countries are willing and able to muster not only the political determination but also the political power necessary for the implementation of this policy to safeguard their food supplies. After all, the issues of land reform, structural improvement and price incentive policy are politically fairly explosive. However, further improvisation should be avoided. Multilateral and bilateral development aid cannot absolve the developing countries of responsibility for their own agricultural policies. External aid is absolutely essential as a means of providing the initial impetus, but it should only be supplementary in nature. The industrialized countries have also had to tread the same path in agricultural policy. Admittedly this course is difficult and time-consuming but the developing countries have no alternative. Agriculture can only gradually effect the change from production for self-supply to production for market supply.

It is extremely important for further development that this initially small market should in the course of time become larger and create sales outlets. The developing countries cannot have everything at once. Security of food supplies must take priority. In this connection, some thought should be given to the desirability of granting preferential treatment in the matter of food aid to those developing countries which themselves make the necessary effort in the agricultural sector to improve their food situation. This could only work to the advantage of the countries concerned. Steadily increasing supplies from abroad would simply prevent these countries from developing their own potential and stifle the initiative of people working in agriculture.

18. It is crucial for the developing countries themselves to make more effort to improve agriculture because technically speaking they have considerable potential for increasing food production. The 4% growth rate which the World Food Conference considers necessary in the developing countries to cover the steadily increasing demand for food is not unrealistic. Constantly rising food prices which, as has happened in recent years, exceed the purchasing power of hundreds of millions of people represent a mammoth problem for the entire international community. Thus, increased efforts must be made to meet the increasing demand for food since otherwise the world will be forced more and more into a position where marginal costs are rising because more and more marginal resources have to be used.

19. The food deficit in many countries of the Third World calls in particular for a geographical shift of emphasis. In the advanced countries scope for the problem-free expansion of production has declined, especially since in recent years fallow land has been recultivated even in the United States. There is clearly enough technological scope for an expansion of food production, in particular by increasing the use of energy and fertilizers. The problem, however, lies elsewhere. The crucial point is how much it would cost to increase production in the industrialized countries or to draw on further resources. In view of the increased prices of fertilizers and energy, the advanced countries cannot increase the maximum yields achieved already without an even greater increase in expenditure. If input is further increased, food prices on the world market will rise above the maximum levels reached so far and food supplies are bound to sink below subsistence level for millions of people with low incomes.

20. Most of the world's untapped potential for expanding food production now lies with the developing countries. In view of the increasing shortage of resources, those areas in which existing resources permit higher growth rates now stand to gain comparatively more from additional food production. The marginal returns on food production yielded by the increased use of fertilizers and fuel are much greater in developing countries than in industrialized countries. Although the quality of the soil in Bangladesh is no worse than in Japan, the yield from rice farming in the latter country is three times higher. India and the United States give roughly the same amount of land over to

cereals, but in India the harvest amounts to only 100 million tonnes while in the USA it amounts to 250 million. In Europe, Japan, the USA and Canada, where agricultural land is already intensively farmed, the use of an additional pound of fertilizer would probably yield an extra 5 pounds of cereals whereas, for example, in a country like India the same amount would probably increase output by about ten pounds. Thus, agronomically and economically, it would be quite absurd if everything possible were not done to improve agricultural structures and production mainly in the developing countries.

21. This is a case for joint action by the industrialized and developing countries. The latter must bring more land under cultivation and intensify production on land already being farmed, while the industrialized countries should contribute financial and technical aid. A supranational institution - for example the World Food Council created by the World Food Conference in 1974 - could do everything necessary in the way of monitoring progress and take steps to ensure that, where appropriate, total bilateral and multilateral aid was made conditional upon the efforts of the developing countries themselves. The developing countries admittedly already pay lip service to the idea that they themselves should make more effort. They have expressed support for the idea of self-help by means of increased national efforts not only at the World Food Conference but also, and in particular, at the Conference of Non-aligned Countries in August 1976. The diagnosis and treatment are not in doubt, but the patient must cooperate.

22. The technical side of the world food problem can certainly be dealt with, but the other, much more complex, economic and social aspects must not be forgotten. If they were neglected, the entire might of modern technology would be to little avail. After all, malnutrition is not always the result of poor production potential in the agricultural sector. Instead, the chain of cause and effect - the vicious circle - is unemployment, poverty, lack of demand backed by purchasing power, food production limited mainly to the satisfaction of own needs, malnutrition. However, it should also be remembered that there is a correlation between the fact that without the creation of jobs and the purchasing power that these bring to millions of people the world food problem cannot be solved and the fact that boosting or increasing agricultural production would serve not only to improve the food situation but also, if suitable technologies were applied, to create jobs and thus purchasing power. Land reform, infrastructure improvements and price incentives for producers are among the most important instruments for dealing with the economic and social aspects of the situation. These problems are not only complex but also extremely difficult and can only be tackled and solved on a political basis.

23. Despite all this, however, the European Community has introduced suitable measures for assistance simply because of the urgent need to provide food aid. Parliament naturally acknowledges the Community's efforts so far but has always advocated higher quotas in keeping with the EEC's economic power. The Community would be quite capable of increasing quotas; not only has it acquired considerable experience in this field since 1968, but it is also a major producer of foodstuffs. The Community's food aid, however, can only be effective if the basic principles are laid down in the framework of a long-term development strategy and policy. The Commission must therefore be asked to adopt a de facto policy of forward planning in keeping with this situation and to work out appropriate initiatives. The Community must in particular abandon its previous practice of approving food aid on a yearly basis. After all, it would be much easier to incorporate food aid measures in development programmes if the Community were prepared to approve such measures on a multi-annual basis in accordance with proposals made by the Commission since 1974 and by Parliament over a large number of years. If such an approach were adopted food aid could help recipient countries gradually to overcome their dependence and make the transition to self-sufficiency. In this way food aid would not only become more effective but would achieve its true objectives because a direct relationship would be established between assistance and encouragement of national food production. The realization of 'Operation Flood I' in India is a striking example of this.

Features of the European Community's food aid policy

24. The Commission proposes the volumes of aid indicated below for the 1978 food aid programme.

Cereals

The programme covers 720,500 tonnes of cereals, i.e. the amount decided on by the Council in the draft budget for 1978 (56% of the amount pledged internationally by the Community and the Member States under the Food Aid Convention). Thus, the quantity of food aid in the form of cereals is the same as it was in 1977. It is regrettable that no further progress has been made towards placing such aid increasingly on a Community footing. The Commission therefore reiterates the proposal it made in the preliminary draft budget to the effect that the Community's share should be increased to 60% (i.e. 752,000 tonnes). Parliament supports the Commission on this matter since an increase of this type would mean that a larger proportion of the aid was placed on a Community footing. The Commission also reiterates its proposal that an additional 363,000 tonnes should be included in the programme in order to meet the 10 million tonne target set by the World Food Conference and the growing requirements of the developing countries. This is particularly important because the 1977/78 contributions of the major donor countries

to food aid in cereals show only a slight increase over the 1976/77 figures (8.9 million tonnes as opposed to 8.5 million). It is also pointed out that a decision is urgently needed on the overall level of food aid for the next three years (1,650,000 tonnes minimum to 2,500,000 tonnes maximum). In view of the progress made in the negotiations for a new food aid convention, which is to enter into force as from 1 July 1978, the Council must be asked to take a decision as soon as possible in favour of increasing these amounts.

Skimmed milk powder

In the case of skimmed milk powder the Commission has adhered to the figure of 150,000 tonnes already proposed in the preliminary draft budget. Since the Council of Development Ministers agreed to this amount at the end of November 1977, the Council of Finance Ministers must be asked to release the appropriations necessary as the Council's draft budget provided only for a token entry pending a decision at a later date. In this connection it should be remembered that the 1977 programme for food aid in the form of skimmed milk powder also made provision for 150,000 tonnes. However, the appropriations made available (41.5 million u.a.) covered only 105,000 tonnes since the Council failed to reach a decision to release the funds (14 million u.a) for the second instalment of 45,000 tonnes.

Butteroil

An amount of 45,000 tonnes is proposed for food aid in butteroil. This corresponds to the figure entered by the Council in the draft budget. The quantities of skimmed milk powder (150,000 tonnes) and butteroil (45,000 tonnes) correspond to the lower limits of the brackets (150,000 to 175,000 tonnes milk powder and 45,000 to 65,000 tonnes butteroil) previously indicated by the Commission in its pluriannual programme.

25. The figures quoted in the Commission's communication clearly show that the cereal requirements of the developing countries have increased considerably. The document contains details of the requests submitted to the Community for supplies of cereals under the 1978 food aid programme, of the criteria applied and of the quantities proposed. A total of 39 applications were received, involving a total of 2,650,000 tonnes, approximately 500,000 tonnes more than in 1977. The estimated requirements show clearly that the food situation with regard to cereals has deteriorated considerably by comparison with last year. 10% of the requirements of the poorest countries can be met by Community aid. Certain countries in this category with an annual per capita GNP of \$520 or less, are faced with a catastrophic balance of payments situation. This was taken into account in determining the quantity allocated, which in general represents approximately 10% of aid requirements, as opposed to 5% for the other countries in this category. However, because the total quantities available are inadequate, this percentage had to be reduced by

half in cases where requirements exceeded 500,000 tonnes. Because requirements far exceed the amounts available everything possible should be done to increase the volume of food aid in this form.

26. In the case of skimmed milk powder, the requests submitted to the Community to date cover 223,000 tonnes, as compared with the 1977 figure of 187,500 tonnes. The increase is due in particular to the requests received from India (31,000 tonnes) and non-governmental organizations (20,000 tonnes). The final figure will probably be even higher since a number of countries will probably not submit a request until after they have received the Commission's communication. With the exception of aid made available for specific development projects or for free distribution, where the total amount is to be covered, the quantities allocated will represent 30 - 60% of requirements. It is precisely in this field, i.e. food aid in the form of skimmed milk powder, that the Council must be asked to increase quantities because the requirements for this product are very considerable and the Community is the world's largest producer. In view of the increase in the number of requests submitted to the Community and because the Community's skimmed milk powder mountain is still above the million mark (1,046 million tonnes), Parliament feels that the supply of skimmed milk powder to the developing countries and aid organizations should be increased to at least 200,000 tonnes. If a large proportion of skimmed milk powder is already used for animal feedstuffs, a large proportion should also be made available as food for the poorest developing countries. From this point of view, we must agree with the former Commissioner for Agriculture, Mr Lardinois, who in December 1976 made the following statement before Parliament: ' It is better to make milk powder available for development aid rather than to store it at considerable cost and later use it as an additive in cattle fodder ... the best way to dispose of skimmed milk powder surpluses is to use them extensively for food aid'.

In this connection, it should be remembered that the costs of using skimmed milk powder as food aid are comparable to those of using it as cattle fodder if we include the costs of storage.

Quite apart from the fact that the Community should increase the planned 150,000 t quota of skimmed milk powder for the developing countries, the skimmed milk powder programme established for the coming years must make provision for at least 150,000 t since aid for 'Operation Flood II' in India must not be allowed to jeopardize the satisfaction of the requirements of the other developing countries and organizations.

27. Quantity is not the only consideration in matters of food aid. Quality is also important. For this reason the Community should concentrate its efforts on supplying more high-protein foodstuffs, as protein deficiency is the primary nutritional problem in the developing countries. Parliament is therefore pleased that, in addition to submitting the food aid programme for 1978, the Commission has also forwarded to the Council a separate communication dealing expressly with the 'nutritional and developmental perspectives for dairy products in the Third World'. Chronic malnutrition in the developing countries is more than just a serious problem. Every year it claims more than ten million lives; no less than half the children in the poor countries are suffering from protein deficiency. There is admittedly no such thing as an ideal food capable of covering man's entire nutritional requirements, but milk is the next best alternative, particularly when enriched with vitamins. Moreover, the use of milk powder as a foodstuff presents a number of advantages: relatively low prices in relation to its high protein content (36%); easy transport and storage; and versatility.

28. Milk product requirements are considerable in most countries of the Third World. In the industrialized countries the per capita consumption averages 300 kg/year, whereas in the developing countries it averages only 50 kg/year. Moreover, these figures represent mean values, which in many poor countries of Africa and South-East Asia are seldom attained. The industrialized countries account for 80% of the estimated world production of 430 million tonnes. This represents a per capita production ten times higher than in the developing countries. Production in the rich countries has for several years exceeded effective demand, with the result that reserves have already reached a total of 2 million tonnes of milk powder. Despite efforts to expand production, most of the developing countries are able to meet the rising demand only by increasing imports (from 3.4 million tonnes to 8 million in ten years). According to the Commission, imports in the 1980's might well exceed 10 million tonnes. Since generous and, in particular, regular supplies are a prerequisite for a more balanced diet in many developing countries, it is essential for food aid in the form of dairy products to be increased.

29. Parliament has already drawn attention, in previous opinions, to the health risks of food aid in the form of skimmed milk powder: defective eyesight in small children as a result of vitamin A deficiency, disorders caused by poor mixing ratios and the replacement of breast milk by bottle feeding. Parliament therefore asks the Commission to do everything in its power to ensure that milk powder is enriched with vitamins in order to increase its nutritional value and to eliminate health risks. In order to prevent disorders caused by poor mixing ratios, the Community should supply simple technical facilities along with the skimmed milk powder. These could take the form, for example, of small milk factories which would reconstitute the skimmed milk powder. Parliament therefore asks the Commission to make the

necessary funds available to increase the efficiency of the aid programme. A number of Member States of the Community have set an example in this field.

30. Twenty-one requests, including the one from India, have been received for butteroil, involving a total of 91,915 tonnes. Since the proposal makes provision for only 45,000 tonnes, i.e. the amount entered by the Council in the draft budget, it will not be possible to accede to more than half the requests. It is regrettable that the amount of butteroil available is so small because the use of milk powder and butteroil for the reconstitution of liquid milk permits the full utilization of unused dairy capacities in the developing countries and in this way could make it possible to bridge the gap between demand and domestic production.

31. The 1978 food aid programme has two main features. On the one hand the aid will be concentrated on the poorest countries and on the other preference is to be given to development projects. As regards the concentration of aid, the poorest countries will receive 96% of the cereals, 93% of the skimmed milk powder and 99% of the butteroil provided for in the 1978 food aid programme. This distribution is in keeping with the guidelines laid down in the Commission's 'Fresco of Community Action Tomorrow'. Parliament shares the views expressed in this document and fully supports the principle that the food aid should be concentrated on the poorest countries. It should be pointed out that the Commission has based its definition of the poorest countries on a new per capita GNP figure. Instead of \$300, which was the previous criterion, the Commission proposes to adopt, in keeping with the Council decision of 22 March 1977, the figure of \$520 used by the International Development Association and the US Administration.

32. A further characteristic of the 1978 programme is the fact that preference is to be given to specific development projects in the distribution of skimmed milk powder. The European Parliament fully supports this proposal. In particular, it welcomes the fact that priority is given to the promotion of agricultural production in the developing countries. Indeed, increasing numbers of developing countries are giving greater priority to the development of the dairy sector not only because of food requirements or in the interests of better balances of payments, but also because the dairy sector can exercise an important influence on rural structures (creation of jobs, further development of agriculture and possible improvement of the revenues of unprofitable agricultural holdings). Milk production could be built up in many areas of Africa, Asia and Latin America, and costs would compare favourably with those in the industrialized countries. The programme for the coordinated development of the dairy sector (Flood I) carried out on the responsibility of the FAO in India has been particularly successful. Parliament has therefore lent its support to the Commission's Flood II programme and called on the Council

to make the quantities and funds necessary for this operation available. The successful implementation of such projects depends, however, on finding a solution to the following problem: in present circumstances local prices for milk and dairy products are too high for consumers but on the other hand the local dairy sector cannot develop unless producers are guaranteed higher incomes. Food aid can help to overcome this drawback and provide the desired initial boost for projects in the dairy sector. Moreover, sales proceeds will be ploughed back into the modernization of production and marketing so that in the end food aid will become superfluous.

33. So that food aid can be used for the realization of development projects, which usually extend over long periods of time, food supplies must be guaranteed for the entire duration of these projects. Thus steps must be taken to ensure that, particularly where dairy products are concerned, aid is not subject to the large fluctuations that have occurred in recent years (decreasing from a total of 270,000 tonnes in 1960/65 to 76,500 tonnes in 1973/74 and increasing again to 150,000 tonnes in 1977) because otherwise it will cease to be fully effective as an instrument of development policy. In view of this, the Council must be asked to establish food aid on a multiannual basis. Current development projects could at present absorb at least 400,000 tonnes of skimmed milk powder, i.e. twice as much as provided for in 1977. In view of the considerable requirement for dairy products and the extensive reserves, the annual level of 150,000 tonnes of aid already approved by the Council should be seen not only as a minimum but also as inadequate. Since Europe is the main supplier of dairy products, the Community has a considerable moral responsibility in this area towards the poor countries, where millions of lives are involved. Parliament therefore shares the Commission's view that this policy should be rationalized in the following three ways:

- the volume of aid must be increased to take account of requirements and absorption capacities;
- the continuity of the aid must be guaranteed, i.e. the Community must give multiannual undertakings;
- particular encouragement should be given to specific projects which further development policy objectives.

34. Since considerable importance attaches to food for the poorest sections of the populations of the developing countries, and in particular since milk powder has a very high nutritional value, Parliament considers it particularly important that food supplies should actually reach their destinations and there be used to benefit those most in need. It is also important that the distribution should be carried out and supervised on the spot since in a number of cases food is known to have rotted in ports or warehouses. Parliament accordingly agrees with the Commission that Community financing should be extended

to cover delivery and distribution costs. The Commission also proposes that some of the aid should be distributed via international aid organizations. Parliament fully agrees with this method of distribution but would like the Commission to submit to it, after a certain period, a report showing clearly how effective the distribution system has been both as regards products supplied direct and as regards products distributed via the international organizations.

35. The European Parliament agrees with the proposed geographical distribution of the food because the majority is to be delivered to areas with considerable food deficits. Mention should be made in particular of West, East and Central Africa, the Sahel, the Middle East and Asia, especially the Indian subcontinent. The following table summarises the distribution formula (including supplies to organizations):

	<u>Cereals</u>	<u>Milk powder</u>	<u>Butteroil</u>
Latin America-Caribbean	17,500 t	2,800 t	500 t
West Africa	35,300 t	4,510 t	385 t
East and Central Africa	39,000 t	7,935 t	1,500 t
Southern Africa	12,500 t	3,500 t	145 t
Sahel	36,000 t	4,335 t	850 t
Middle East	113,500 t	9,500 t	1,425 t
Asia	254,000 t	44,205 t	21,700 t
Organizations ¹	141,500 t	58,600 t	12,600 t
Reserves	71,200 t	14,615 t	5,895 t
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Total	720,500 t	150,000 t	45,000 t

In addition to the breakdown by geographical area, the Commission's proposal also gives details of the amounts to be received by individual countries. Suffice it to point out here that the main recipients of cereals are Bangladesh (120,000 tonnes), Vietnam (80,000 tonnes) and Egypt (62,000 tonnes). Most of the milk powder is to go to India, Bangladesh and Egypt. In this connection it should be pointed out that a large proportion of this aid will be distributed via international organizations. The main recipients of butteroil will be India and Ethiopia. A large proportion will also be reserved for the international organizations.

¹ WEP - UNICEF - IKRK - UNRWA etc.

36. Basically, Parliament takes the view that in principle a tendering procedure should be introduced for the distribution of food aid so that deliveries can be made at the most favourable prices. However, it also takes the view that in the event of catastrophes a non-bureaucratic procedure should be adopted so that deliveries can be flexible.

37. The planned food aid measures will result in a total expenditure of 489 million EUA entered against the 1978 budget. This figure may be broken down on the basis of the individual food aid sectors as follows:

Supply of 720,500 tonnes of cereal	143 million EUA
Supply of 150,000 tonnes of skimmed milk powder	187 million EUA
Supply of 45,000 tonnes of butteroil	159 million EUA

These estimates were made on the basis of internal prices, which is in line with the estimates for the appropriations entered by the Commission in its preliminary draft budget and with its draft regulation on 'charging' (entry against chapter 92 of appropriations relating to refunds). As the Commission points out in the financial statement contained in its proposal, the Council did not follow the Commission's line since it entered the food aid appropriations at world prices in its draft budget. This matter must therefore be settled as quickly as possible by the Council in forthcoming discussions on the budget.

38. Finally, Parliament hopes that the Commission and Council will keep the food requirements of the developing countries under constant review, bearing in mind in particular the mounting surpluses of skimmed milk powder in the European Community. Parliament believes that the commitments for skimmed milk powder are still inadequate. In this connection the Commission should provide Parliament with definitive information on the costs of storing milk powder in the Community. The Commission has already expressed its views on this question several times in plenary sitting, but the answers given have varied considerably. It would therefore be preferable for the Commission to provide Parliament or the Committee on Development and Cooperation with a written answer. If in fact the costs per tonne of storing skimmed milk powder and then using it as an additive in cattle fodder are virtually the same as the costs of using it as food aid, it is quite impossible to see why the Council does not provide for considerably more aid in this form.

In this connection, Parliament would also like information on the organization of the Commission departments dealing with food aid and agricultural surpluses. Steps should be taken to ensure that these two departments work in very close and rational cooperation.

39. Parliament is also particularly anxious for steps to be taken to ensure that financial aid for food is properly supervised since the existing control procedures must be regarded as inadequate. It has already been pointed out on previous occasions that this is a delicate political problem but since the Community has delegations in all the associated states which have signed the Lomé Convention it should in fact be possible to improve the existing control procedure.

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Mr J. SCOTT-HOPKINS

On 24 November 1977 the Committee on Budgets appointed Mr J. Scott-Hopkins draftsman.

It considered the draft opinion at its meeting of 16 January 1978 and adopted it unanimously, with one abstention.

Present: Mr Lange, chairman (acting draftsman); Mr Aigner, vice-chairman; Mr Bangemann, vice-chairman; Mr Amadei, Lord Bruce of Donington, Mr Brugha (deputizing for Mr Yeats), Mr Früh, Mr H. W. Müller, Mr Notenboom, Mr Schreiber, Mr Shaw and Mr Würtz.

Introduction

1. The Community's record in the food aid sector has been blemished by:
 - (i) a lack of any planned programme over several years;
 - (ii) the gearing of food aid programmes to existing agricultural surpluses;
 - (iii) chronic delays in decision making as a result of the arrogation by the Council of managerial responsibility for the food aid; and
 - (iv) the lack of any coherent approach to the need for control.

2. The problem of implementation of the budget provisions for food aid became acute in 1977. The Commission did not present its programme for certain sectors, and notably and most importantly for the 1977 skimmed milk powder and butteroil food programmes, until the end of May 1977. This programme was speedily examined by the European Parliament¹, which adopted its position in July, but further delays were involved before Council reached its decision on the programme. So it was not until two-thirds of the way through the financial year that the Commission was able to enter into commitments with third countries for the use of the food aid programmes. Evidently the situation now is that, at the end of 1977, the following amounts which figured in the 1977 programmes will not have been supplied:

cereals	262,069 tonnes
skimmed milk powder	92,450 tonnes
butteroil	38,100 tonnes

The corresponding appropriations will have to be carried forward in 1978, and added to the 1978 programme.

The Commission's proposals for the 1978 programme

3. The Commission has understood from experience that it is vital to initiate the decision-making procedure as soon as possible if there is to be a real chance for the implementation of the annual food aid programmes and if the actual budgetary provisions voted are to be carried out.

It has, therefore, produced its 1978 programme for cereals, skimmed milk powder and butteroil before the end of 1977, and some eight months earlier than its 1977 draft programme. This is to be welcomed by the Committee on Budgets, since it increases the chance that the programme can be completed.

¹ Doc. 191/77 Report by Mr BROEKSZ, on behalf of the Committee on Development and Cooperation, approving the broad outlines of the programme, but deploring the late arrival of the proposals half-way during the financial year.

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4. The substance of the proposals can be summarised as follows:

- (i) Cereals 720,500 tonnes (compared with requests totalling 2,650,000 tonnes)
- cost at Community internal prices - 144.58m EUA;
- (ii) Skimmed milk powder 150,000 tonnes (compared with requests so far of 223,000 tonnes)
- cost at Community internal prices - 189.2m EUA;
- (iii) Butteroil 45,000 tonnes (compared with 91,915 tonnes requested)
- cost at Community internal prices - 159 m EUA.

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5. On the details of the Commission's proposals, it is to be welcomed that the emphasis on concentrating aid for the poorest countries is maintained. A slight revision of the criteria (in particular per capita GNP) has become necessary as a result of world inflation and the Commission has conducted this revision, which is more or less in line with international norms. More than 90% of all the food aid is thus allocated to the poorest countries.

6. There have been improvements in the way that the requests have been set out, following questionnaires from the Commission and, as a consequence of this improved information, it will be possible to give priority to requests for aid on specific projects. This, in turn, means that the Community can directly help developing countries in the setting up of coherent nutritional and dairy projects. This corresponds with the qualitative improvement desired by the European Parliament and the Audit Board in its last reports.

Financial consequences of the Commission's proposals, and other budgetary aspects

7. Four elements made the presentation of the food aid chapter in the budget more difficult to follow in 1978:

- (i) the change from the unit of account to EUA - thus making comparison with 1977 more difficult;
- (ii) the Commission's proposal, supported by the European Parliament, to include all appropriations connected with food aid within the food aid chapter. The Council prefers to include under Title 6 - EAGGF Guarantee - those appropriations for refunds in respect of food aid;
- (iii) the Commission makes its evaluations on the basis of internal prices as a consequence of (ii), whereas the Council calculates food aid appropriations for the draft budget at world prices;
- (iv) the Commission has proposed, in view of the delays in implementing programmes, that commitments be entered for the food aid chapter in the preliminary draft budget.¹ They argued that the relatively late date in the financial year, at which decisions on the programmes were made, meant that there was a danger that appropriations would fall at the end of the financial year unless commitments were used.

Furthermore, Council delayed decisions on food aid appropriations until after the second reading of the Budget on 22 November 1977.

The table (Annex I) shows the development of expenditure for the three items within the food aid chapter under examination from 1977 to the latest stage in the 1978 procedure.

8. In your draftsman's view there is a need for a new and more coherent approach to the problems of European Community food aid policy. This can be achieved on the basis of a multiannual programme guaranteeing given levels of supply. The budgetary technique exists and has been proposed by the European Parliament on many occasions for this sector : the writing in of commitments on the line, with payments spread over many financial years.

9. New possibilities for co-financing of programmes should be examined. It is interesting that for the Indian 'Operation Flood' programme, it is proposed to enter into partnership with the World Bank. This could be a means of separating the burden between the developing countries and preventing overlap. The instruments for such co-financing should be examined by the European Parliament on the basis of a separate communication from the Commission.

¹ Volume 7, page 596

10. An essential part in the reforms of the Community's food aid policy will be tightening up of control procedures. It is not at all clear what control procedures are followed by the Commission. This is a complex political problem but a start should be made by coordinating control procedures with other major distributors of aid, such as the United Nations and the FAO.

11. It is proposed that the Control Sub-committee should re-examine an idea launched by Mr AIGNER convening a 'hearing' of experts from these international organizations, from which certain new ideas on control could emerge.

Conclusions

(i) The experience acquired in the implementation of the Community's food aid policy leads the Committee on Budgets to insist on a new approach. From 1978 onwards, the Commission should present a multiannual programme of five years, indicating overall policy and objectives, with criteria for aid and with indicative amounts: this, of course, would be accompanied by a financial statement.

(ii) In the course of the ongoing dialogue with Council and during the 1979 budgetary procedure, the use of commitments for food aid should be agreed upon and Council should accept that all expenditure connected with food aid should be included in Chapter 92.

(iii) Finally, a major effort should be made to improve control procedures through means of improved collaboration with international donor agencies.

(iv) The Committee on Budgets requests the Committee on Development and Cooperation to take these considerations into account in drawing up its report on the Commission's programme for 1978. It is hoped that this programme will be the last on a strictly annual basis and that during 1978 moves will be started to plan a comprehensive approach capable of making some longer term impact on the nutritional problems confronting the developing countries.

	QUANTITIES			APPROPRIATIONS						<u>ANNEX I</u>	
	A	B	C	D	E	F	G	H	I		
	1977 tonnes	1978 tonnes (proposed by Commission)	1978 tonnes (Council proposals)	1977 Budget (u.a.) (2)	1978 Preliminary Draft Budget. (eua) (2)	1978 Draft Budget (eua) (2)	1978 Letter of Amendment (eua) (2)	1978 1st reading Parliament 26/10/77 (eua) (2)	1978 2nd reading Council 22/11/77 (eua) (2)		
FOOD AID											
CEREALS (Item 9201)	720,500	1,135,000 [*]	720,500	123,500,000 (3)	155,150,000 (217,500,000 commitments)	138,560,000	135,700,000	+ 16,590,000 (+ commit- ments) (7) (8)	88,800,000		
SKIMMED MILK POWDER (Item 9211)	105,000 (1)	150,000	150,000	126,550,000 (4)	171,370,000 (189,300,000 commitments)	token entry (6)	token entry (6)	189,300,000 (252,400,000 commitments) (8) (10)	76,050,000		
BUTTEROIL (Item 9212)	45,000	45,000	45,000	135,350,000 (5)	142,800,000 (159,000,000 commitments)	56,340,000 (6)	56,340,000 (6)	56,340,000 (10)	56,340,000		

^{*} Now proposing in present document 720,500t in line with Council's draft budget

ANNEX I

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- (1) Plus second instalment of 45,000t
 - (2) For the purpose of comparison, appropriations entered in Items 6001, and 6201, corresponding to expenditure on refunds are incorporated in the budgetary headings within Chapter 92, relating to each product.
 - (3) including 720,000 u.a. Supplementary Budget No.1 for 1977
 - (4) including 14,000,000 in Chapter 100, transferred subsequently and 2,200,000 in the Supplementary Budget No.1 for 1977
 - (5) including 3,000,000 in the Supplementary Budget No.1 for 1977
 - (6) Council did include 91,300,000 in Item 6201 for refunds in the milk and milk products sector in connection with food aid programmes.
 - (7) The European Parliament proposed an increase in the figures in the Draft Budget with a new tonnage of 1,135,000t; also it proposed to reinsert commitments on the line (PM 19)
 - (8) The European Parliament also adopted a modification to include refunds within Chapter 92 (PM 322)
 - (9) The European Parliament adopted a modification increasing the tonnage to 200,000t (PM 314)
 - (10) The European Parliament adopted a modification including refunds within Chapter 92 (PM 323)

COUNTRIES <u>Per capita GNP in 1975</u>	<u>CEREALS 1978</u>			<u>SKIMMED-MILK POWDER</u>			<u>BUTTEROIL</u> <u>ANNEX II</u>		
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrange- ments	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS
I. <u>STANDARD AID</u>									
A. <u>COUNTRIES WITH A PER CAPITA GNP OF US \$520 OR LESS</u>									
1. <u>Countries with catastrophic or precarious external financial situation</u>									
(allocation of approximately 10% of requirements, except in cases where requirements are high: then approx 5%)				(usual allocation: 60% of requirements in the case of sale to the dairy industry; 100% for free distribution schemes)			(usual allocation: 20% of requirements in the case of sale; 100% for free distribution schemes)		
BANGLADESH (110)	200,000	100,000	120,000	40,000	-	700 6,300 2,000 1,000	5,000	-	3,000
COMOROS (260)	11,500	5,000 ⁽¹⁾	5,000	1,000	-				
EGYPT (310)	200,000	100,000	62,000 ⁽²⁾	15,000	10,000	5,000 (sale to the public sector)	10,000	2,800	300
PAKISTAN (140)	500,000	25,000	30,000	500	Sale to the food and dairy industries: 2,500	500	10,000	2,250	2,000
CHAD (120)	12,900	-	2,800 700	550	-	475	125	-	100
GUINEA-BISSAU (150)	48,200	3,000	7,500	1,100	100	250 360			
LESOTHO (180)	3,645	130	1,500						

(1) 50 t from the 1977 reserve and 4,950 t from the 1976 reserve.

(2) The Commission is also proposing to allocate to this country some quantities available under the 1977 reserve (at present 48,000 t).

COUNTRIES <u>Per capita</u> GNP in 1975	CEREALS 1978			KIMBERLY POWDER			BUTTEROIL ANNEX II		
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrange- ments	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS
SUDAN (290)	20,000	3,500	8,500	2,500	4,000 700,000 people	1,425 900			
PHILIPPINES (370)	25,000	7,500	-						
UPPER VOLTA (90)	50,800		8,500	2,000	-	2,000	750	-	550 200
YEMEN (PDR) (240)	10,000	6,000	4,500	5,000	650 children, sick people, school- children	3,000			
ZAIRE (150)	20,000	15,000	10,000						
CAPE VERDE (120)	40,000	8,500	8,500						
HONDURAS (350)	7,500	1,000	7,500				2,000	300	200
AFGHANISTAN (130)				400	300 (20,000 school children and students)	330			
SEYCHELLES (520)				338	-	335			
SENEGAL (370)				1,860		1,360 sale to small- scale industry: 500			

COUNTRIES <u>Per capita</u> <u>GNP in 1975</u>	CEREALS 1978			SKIMMED-MILK POWDER			BUTTEROIL <u>ANNEX II</u>		
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrangements	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS
2. <u>Other countries</u> (allocation of approximately 5% of requirements, except in cases where requirements are high: then approx. 2.5%)			(usual allocation: 50 % of requirements in the case of sale to the dairy industry; 100% for free distribution schemes)			(usual allocation: 10% of requirements in the case of sale 100% for free distribution schemes)			
GUINEA (130)	111,000	3,500	4,000	1,000	900 72,000 people in hospitals, schools	250	1,000	200	185
SRI LANKA (150)	45,000	30,000	24,000	5,500	2,000	625 750			
TANZANIA (170)	192,000	5,000	5,000	2,500	2,000	2,000	500	-	85
YEMEN (AR) (210)	40,000	6,000	7,000						
RWANDA (90)	3,775	2,500	2,000						
ETHIOPIA (100)	20,000	2,500	10,000	3,000	370 300,000 sick people and people in camps and welfare centres	3,000	1,500	750 300,000 sick persons & persons receiving assistance in camps & social centres	1,500
INDONESIA (180)	88,000	10,000	-	2,000	1,250	1,000 1,000			

COUNTRIES <u>Per capita</u> GNP in 1975	CEREALS 1978			SKIMMED-MILK POWDER			BUTTEROIL ANNEX II		
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrangements	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS
NIGER (130)	10,000		3,000						
GHANA (460)	220,000	8,500	13,500	7,500	2,300	3,500			
SAO TOME AND PRINCIPE (290)	1,900	1,500	1,385 415	150	150 17,000 children, workers and invalids	40 110	350	200 44,000 children, old people, sick persons and workers	90 110
INDIA (150)				31,000	-	31,000	19,000	3,000 + 6,000	12,700
EL SALVADOR (450)				700	200 83,682 school - children	700			
LESOTHO (180)							60	20 (5,000 workers & their families)	60

	CEREALS 1978			SKIMMED-MILK POWDER			BUTTEROIL ANNEX II		
COUNTRIES Per capita GNP in 1975	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrangements	TOTAL QUANTITIES REQUESTED	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS
B. COUNTRIES WITH A PER CAPITA GNP OF OVER US \$520									
1. Countries with catastrophic or precarious external financial situation (allocation of approximately 5% of requirements, except in cases where requirements are high: then approx. 2.5%)									
(usual allocation: 40% of requirements in the case of sale to the dairy industry; 100% for free distribution schemes)				(allocation: 5% of requirements)					
PERU (810)	7,500	7,500	7,500						
JAMAICA (1290)	23,500	-	2,500	5,347	500 for 496,000 school- children and 118,000 expectant mothers and under- nourished children	1,000	6,180	-	300
GUYANA (560)				500	-	500			
2. Other countries (allocation of approximately 2.5% of requirements, except in cases where requirements are high: then approx. 1.5%)									
(usual allocation: 30% of requirements in the case of sale to the dairy industry; 100% for free distribution schemes)									
MAURITIUS (580)	10,000	3,500	3,500	1,275	500 120,000 school- children, sick people and old people	1,275			
ZAMBIA (540)	7,500	6,000	6,000	5,000	900 refugee families, school-children and agricultural centres	500 1,000			

COUNTRIES	CEREALS 1978			SKIMMED-MILK POWDER			BUTTEROIL <u>ANNEX II</u>		
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrangements	TOTAL QUANTITIES REQUESTED	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS
<u>Per capita</u> GNP in 1975									
ANTIGUA (540)				1,448	-	600			
URUGUAY				600	500 335,661 people - women, poor children, sick people, school -children	0			

COUNTRIES <u>Per capita</u> <u>GNP in 1975</u>	<u>CEREALS 1978</u>			<u>SKIMMED-MILK POWDER</u>			<u>BUTTEROIL</u> <u>ANNEX II</u>		
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrangements	TOTAL QUANTITIES REQUESTED	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS
II. <u>EMERGENCY AID</u> (allocation of approximately 10% of requirements)									
JORDAN (460)	51,000	18,000	25,000	1,500	1,500 (275,000 Palestinian refugees)	1,500	1,200	1,000 (275,000 refugees)	1,125
VIETNAM (160)	300,000	30,000	80,000	25,000	5,000 (2,500,000 drought victims)	(4)	19,000	2,300 (2,500,000 drought victims)	4,000
SENEGAL (370)	107,000	8,000	18,000						
GAMBIA (190)	20,000	-	3,000						
LEBANON (-)	50,000	25,000	15,000						

	CEREALS 1978			SKIMMED-MILK POWDER			BUTTEROIL			ANNEX II
	QUANTITIES REQUESTED (t of wheat equivalent)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS Quantity and financing arrangements	TOTAL QUANTITIES REQUESTED	QUANTITY ALLOCATED IN 1977 AND USE	1978 PROPOSALS	TOTAL QUANTITIES REQUESTED (t)	QUANTITY ALLOCATED IN 1977	1978 PROPOSALS	
<u>III. ORGANIZATIONS</u>										
ICRC	17,000	15,000	15,000	2,500	2,500	2,500	600	200	200	
CRS (Chile)	40,000	15,000	15,000	3,800		3,800	2,600	2,000	2,000	
LRCS	1,500	5,000	1,500	1,000	500	1,000	200	200	200	
UNICEF	18,000	15,000	15,000	10,600	11,000	10,600	2,450	2,000	2,000	
UNRWA	50,000	35,000	40,000	700	-	700	4,400	3,200	3,200	
WFP	55,000	55,000	55,000	20,000	27,500	20,000	5,000	10,000	5,000	
NGO RESERVE	20,000		20,000							
RESERVE			71,200			14,615			5,895	
TOTAL	2,639,220		720,500	222,918		150,000	91,915			

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr ALBERTINI

On 22 November 1977 the Committee on Agriculture appointed Mr F. ALBERTINI draftsman.

It considered the draft opinion at its meeting of 17 February 1978 and adopted it unanimously.

Present: Mr Houdet, chairman; Mr Hughes, vice-chairman; Mr Albertini, draftsman, Mr Brugger, Mr Cifarelli, Mr Dewulf, Mr Durand, Mr Howell, Mr Joxe (deputizing for Mr Brégégère) and Mr Klinker.

The Commission's proposals

1. In its communication to the Council concerning the 1978 programmes for food aid in cereals, skimmed milk powder and butteroil, the Commission is responding to the applications so far submitted by various developing countries and international organizations which have requested the provision of 2,650,000 tonnes of cereals, 223,000 tonnes of skimmed milk powder and 91,915 tonnes of butteroil¹.

2. The Commission's proposals concern the provision of the following quantities of food aid:

720,500 tonnes of cereals (as in 1977)²

150,000 tonnes of skimmed milk powder (1977: 105,000 tonnes)

45,000 tonnes of butteroil (as in 1977)

The cost to the Community budget in 1978 of these items is expected to be as follows (at internal, not world market prices):

cereals: 144.58 m EUA

milk powder: 189.3 m EUA

butteroil: 159 m EUA

3. The following three criteria have been applied in calculating individual shares:

- applicant countries' requirements;
- per capita income of \$520 or less per annum;
- external financial situation (balance of payments deficits).

Quantities have thus been allocated as follows:

cereals: 507,800 tonnes for individual countries
141,500 tonnes for international organizations
71,200 tonnes reserve

milk powder, respectively: 76,785 tonnes³
58,600 tonnes
14,615 tonnes

¹ This is almost entirely dehydrated butter, i.e. having a fat content of 98-99%

² Overall Community commitments plus those of individual Member States amount to a total of 1,287,000 tonnes

³ 31,000 tonnes of which goes to India in the context of 'Operation Flood'

Butteroil, respectively: 26,505 tonnes
 12,600 tonnes
 5,895 tonnes

In addition, the Commission proposes to increase aid in cereals by a further 363,000 tonnes, and to further increase the Community's share of the amount of food aid pledged internationally by the Member States from 720,500 to 772,000 tonnes. In the event of a favourable decision on these increases, the Commission will immediately submit a supplementary proposal for their allocation.

Observations

4. The Committee on Agriculture fully endorses the Commission's food aid proposals for 1978. By increasing aid, especially in cereals and milk, and applying this aid more effectively, they represent a policy which the Committee has always advocated. A few comments are called for in this connection.
5. Firstly, the Committee on Agriculture urges that the quantity of skimmed milk powder be increased from 150,000 to 200,000 tonnes, and tabled a proposed modification to this effect to the 1978 draft budget. A number of similar modifications to the budget were tabled in plenary session and the European Parliament finally adopted proposed modification No. 314 by Mr Shaw on behalf of the Committee on Budgets, the substance of which was identical to that tabled by Mr Klinker, draftsman, on behalf of the Committee on Agriculture. Parliament as a whole therefore expressed its agreement to the increase proposed by our committee.
6. However, the discussion in the Council highlighted the difficulty, because of the opposition of certain delegations, of increasing the quantity of skimmed milk powder to be granted as food aid. While there were no particular problems with cereals and butteroil, the decision to increase the quantity of milk powder from 105,000 to 150,000 tonnes gave rise to differences of opinion within the Council. The possibility of further raising this quantity to 200,000 tonnes, as requested by the European Parliament, would thus appear totally unrealistic¹.
7. Despite the difficulties to be overcome, the Committee on Agriculture must again insist that the objective of at least 200,000 tonnes of skimmed milk powder be met in the next few years, and also that aid in cereals and butteroil be increased accordingly.

¹ 55,000 tonnes were provided in 1975, 150,000 in 1976 and 105,000 in 1977

8. As to the aid's effectiveness, the Commission's communication to the Council on nutritional and development perspectives for dairy products in the third world (COM(77) 540 fin. of 8 November 1977) takes as an example 'Operation Flood', launched in India. This is a vast and ambitious development programme, the estimated cost of which will be \$550 million. To be carried out in cooperation with various international bodies, it is intended to increase production and consumption of milk products. The Community's contribution will consist in supplying, over six years, an annual quantity of 31,000 tonnes of skimmed milk powder and 12,700 tonnes of butteroil. The role of this aid in the programme will be to contribute to widening the market for milk and milk products, to make possible the production of infant foods, to contribute to making good the country's edible oil deficit by selling butteroil in its natural state, and finally to make a significant contribution to financing the entire programme through sales of liquid milk reconstituted from skimmed milk powder and butteroil.

9. The Committee on Agriculture emphasizes the positive aspects of operations of this kind, which are not ends in themselves, i.e. are not confined to providing a means of sustenance to peoples in need of nutritional aid but, rather, form part of wider programmes aimed at developing local production of foodstuffs. Food aid thus becomes effective aid to development which will have a substantial influence on the unsatisfactory living conditions prevailing in many third world countries. This requires of the Community a serious commitment to provide aid over a number of years - and to respect the commitments entered into - if the entire programme is not to collapse.

10. Nor does the Committee on Agriculture have any reservations with regard to the purely agricultural aspects of the Commission's food aid proposals. Indeed, the existence of huge surpluses of butter and skimmed milk powder in the Community (approx. 150,000 and over 1 million tonnes respectively) both justifies and requires a greater effort by the Community, because food aid will otherwise assume the character of an operation designed to get rid of stocks. From the purely economic angle, the cost of supplying skimmed milk powder as food aid is certainly no greater than using the surpluses as pig feed. In its document¹, the Commission points out that 'the cost of pig feeding represents as much as 75% of the cost of food aid (including sea transport) without counting the storage costs. Allowing for storage costs, the cost of pig feeding can equal or even exceed that of food aid, should skimmed milk powder be stored for a period longer than 2.5 years'. It should be noted that this is the normal average storage period.

¹ See COM(77) 540 fin. p.9

11. The opposition of certain Member States, and one in particular, to an increase in the quantity of skimmed milk powder granted as food aid results primarily from the anxiety that this would provide a kind of endorsement or indirect consent to a milk and dairy policy which is regarded as unacceptable because of its cost and the huge surpluses to which it gives rise. This basic assumption is that this policy of surpluses will be continued and, indeed, encouraged because, at the end of the day, a good part of the surpluses will be used as food aid. Our committee appreciates this concern but does not fully share it. After all, efforts to reduce the surpluses are being made on various levels; the co-responsibility levy for producers, the non-marketing premium for milk and the dairy herd conversion incentives are examples, quite apart from the recent fairly successful scheme for the compulsory inclusion of milk powder in animal feeds.

12. The Committee on Agriculture also insists that the recipient countries should make rational use of the products made available as food aid by distributing them to the sections of the population in greatest need of protein. The Commission will not find supervision easy, but a real effort should be made in this direction with the cooperation of the countries concerned.

13. In conclusion, we believe that food aid can well be included as part of this series of measures without any risk that expanding aid programmes would encourage the build-up of costly surpluses.

The Committee on Agriculture therefore:

- (1) Calls on the Council to approve the increase proposed by the Commission for 1978 in the quantities of skimmed milk powder and cereals, and to provide for further increases in 1979 in response to the frequently expressed wishes of the European Parliament;
- (2) Supports programmes which are aimed not only at providing a means of sustenance to peoples in need, but also play a genuine and effective part in development schemes for food production, particularly of milk, in the third world countries most affected;
- (3) Stresses that the problem of surpluses of certain products in the Community, particularly skimmed milk powder, should be tackled and resolved independently of an expansion of food aid programmes, and that, therefore the existence of such programmes should not in any way be an incentive or an alibi for maintaining or indeed increasing these costly surpluses;
- (4) Finally, recognizes the Commission's constant efforts to improve and strengthen from year to year Community food aid programmes and requests the Council to follow the lead being given it.

