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Report

drawn up on behalf of the Committee on Development and Cooperation

on the communication from the Commission of the European Communities to the Council (Doc. 125/77) concerning the 1977 skimmed milk powder and butteroil food aid programmes

Rapporteur: Mr J.B. BROEKSZ

By letter of 24 May 1977 the President of the Council of the European Communities requested the European Parliament to deliver an opinion on the communication from the Commission of the European Communities to the Council (Doc. 125/77) concerning the 1977 skimmed milk powder and butteroil food aid programmes.

On 13 June 1977 the President of the European Parliament referred this communication to the Committee on Development and Cooperation as the committee responsible and to the Committee on Budgets and the Committee on Agriculture for their opinions.

On 25 May 1977 the Committee on Development and Cooperation appointed Mr Broeksz rapporteur.

It considered the draft report at its meeting of 20 June 1977. At the same meeting the committee adopted the motion for a resolution and explanatory statement unanimously.

Present: Miss Flesch, chairman; Mr Bersani and Mr Sandri, vice-chairmen; Mr Broeksz, rapporteur; Mr Aigner, Lord Castle, Mr Dondelinger, Mr Fioret, Mr Glinne, Mrs Iotti, Mr Jakobsen, Mr Martinelli, Mr Price, Lord St. Oswald, Mr Schuijt, Mr Schwabe (deputizing for Sir Geoffrey de Freitas), Mrs Squarcialupi (deputizing for Mrs Goutmann) and Mr Vernaschi.

The opinion of the Committee on Budgets is attached.

The opinion of the Committee on Agriculture will be published separately.

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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 opinion of the European Parliament to the communication from the Commission of the European Communities to the Council concerning the 1977 skimmed milk powder and butteroil food aid programmes

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council¹,
 - having been consulted by the Council (Doc. 125/77),
 - 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. 191/77),
 - having regard to the persistently unsatisfactory situation in many developing countries,
1. Approves the Commission's proposals for the milk products food aid programme for 1977, that is the supply of 150,000 t of skimmed milk powder and 45,000 t of butteroil;
 2. Regrets that the only funds so far available are for a first instalment of 105,000 t; therefore calls upon the Council to release without delay the remaining 14 m u.a. for the second instalment of 45,000 t of milk powder;
 3. Considers that, in view of the Community's milk powder mountain, it is entirely feasible to expand the milk powder programme;
 4. Sympathizes with the desire to cut back skimmed milk powder stocks rapidly by processing into cattle feed, but not with the refusal simultaneously to step up supplies to the needy countries, particularly in view of the high nutritional value of milk powder;
 5. Calls upon the Commission to take appropriate steps, including the provision of adequate funds, to ensure the availability in the recipient countries of the technical facilities required for proper and hygienic processing of the skimmed milk powder;

¹ OJ No. C 123, 25.5.1977, p. 3

6. Hopes that the necessary effort will also be made to increase deliveries of butteroil, since applications are far in excess of intended deliveries;
7. Considers, moreover, that the basic principles of Community aid must be laid down in conjunction with a long-term development strategy and policy and must not be governed in any way by the existence of agricultural surpluses;
8. Supports the view of the Commission that food aid in the form of milk products should be concentrated on the poorest countries;
9. Also thinks it right that a large part of the aid should be free, because the commercial markets for milk products are generally limited in the developing countries and this method of distribution creates virtually no distortion of the market;
10. Agrees that a large part of the aid should be distributed indirectly, by the international organizations, which already have considerable experience in this field;
11. Welcomes the fact that in implementing the 1977 milk powder programme the Commission has again taken measures to avoid health hazards, and in particular to ensure that the skimmed milk powder is enriched with vitamins A and D;
12. Is in principle in favour of a tendering procedure, so that deliveries can be made at favourable prices, but considers that non-bureaucratic and flexible methods may be necessary in special situations;
13. Calls upon the Commission to ensure that on-the-spot distribution operates in such a way as to ensure that the food actually reaches the poorest sections of the population;
14. Requests the Commission, in this connection, to draw up a report in the next few months providing information on how well the distribution system is working; this should deal with not only direct aid but also that which is distributed through the international organizations;
15. Also advocates the stepping up of agricultural production in the developing countries, particularly on small farms, since this would not only improve food supplies but also create jobs and increase purchasing power; considers, however, that, until an adequate basis for food production has been created in the developing countries, it is necessary to continue with food aid at an increased level.

EXPLANATORY STATEMENT

1. In many developing countries the food situation is bad, sometimes even catastrophic. Food supplies are inadequate, in both quantity and quality. The main problems are overpopulation, unemployment and undernourishment. How shall we be able to feed three times as many people tomorrow if we are unable to feed today's population? According to the latest estimates by the World Bank, the population of the world will 'stabilize' somewhere between the years 2000 and 2020 at between 8,000 and 11,000 million people (as against some 4,000 million today)¹. A quarter of the world's population is underfed today, a thousand million people are suffering from chronic undernourishment, hundreds of millions go short of vital vitamins and protein and whole generations are threatened with mental deficiency because young children are not getting enough of the right kind of food.

2. The main reason for this population explosion is medical progress, since more and more people are surviving the first critical years after birth and many are living longer. Life expectancy (about 70 years in industrialized countries) has risen steeply in recent years, especially in the countries of the Third World. The world has thus been drawn into a vicious circle of overpopulation and poverty. The more the human population increases, the less the chances are of creating new jobs, and the more the ranks of the unemployed and hungry swell; the faster mankind sinks into poverty, the faster the world population increases. Scientific studies show quite clearly that it is only when living standards rise - i.e. when people achieve a certain level of economic security and independence - that population growth slowly declines, making it easier to find a solution to the food problem.

3. Already by the 1980's, the danger of a worldwide shortfall in food production in relation to rising requirements cannot be ruled. Such a situation - to which food scientists apply the term 'absolute food deficit' - would mean that the physically available food resources from current production and reserves would no longer suffice to maintain an already precarious food situation, irrespective of purchasing power or available foreign exchange. Such a situation has not yet arisen in this century, since deficits in some regions of the world have been compensated for by surpluses in others. Whoever has had the purchasing power to pay higher prices has survived the crisis. Those countries with inadequate purchasing power already went hungry in the past and are still going hungry today.

¹ Even more striking is the fact that the world population has increased by one billion over the last 15 years. It needed 31 years - 1930 to 1961 - to add the previous billion and 80 years to grow from one to two billion

4. Any strategy for avoiding an acute world food crisis must, therefore, despite continuing world population growth, pursue the minimum goal of ensuring that per capita production of food does not fall below its current level. When deciding on which aspects of development policy to concentrate our efforts, we must, therefore, give top priority to increasing the area of land under cultivation. All the signs are that it would be possible to produce throughout the world the urgently needed basic foodstuffs. Substantial bilateral and multilateral external aid would be required, although the developing countries must still assume responsibility for their own agricultural policies. The developing countries have enormous technical and ecological potential for increased food production. It is therefore not unrealistic to think that the annual rate of increase in food production in the developing countries (currently 2.5%) can be boosted to the 3.6 or 4% which the World Food Conference in Rome in 1974 considered necessary to meet continually growing needs. Apart from increasing production by bringing more land under cultivation - for which considerable scope exists - priority should be given to intensive use of land already under cultivation. For these reasons, the Community should utilize the funds and instruments available to it for the specific purpose of encouraging agricultural development.

5. In addition to the technical aspects of the world food problem - for which a solution seems possible - the more complex economic and social aspects should not be overlooked. Unless we find a solution to these problems which will influence population growth both directly and indirectly, we shall be able to achieve little even with the most modern technology, for undernourishment is not always the result of an inadequate production potential. The chain of cause and effect is as follows: unemployment, poverty, falling demand backed by purchasing power, reduced food production (largely limited to domestic requirements), undernourishment. The world food problem will not be solved without the creation of new jobs and the attendant increase in the purchasing power of millions of people.

6. Over the next few years, the agricultural areas of the developing countries play an increasing rôle in their employment policies - hence in their development - since some 80% of the population of the developing countries live in rural areas. Intensified agricultural production would, therefore, not only improve food supplies, but would at the same time create jobs, thereby boosting purchasing power. An increase in domestic production in the developing countries will come mainly through the small farmers who have, so far, been largely neglected by the so-called 'green revolution' and who have not been able to introduce modern equipment for want of capital. In recent years, new sources of financing for agriculture in the developing countries have been opened by international institutions like the World Bank, the International Fund for Agricultural Development set up in 1976 by the World Food Council and new approach to bilateral development aid. This

major experiment, which could be more important than the 'green revolution' of the 1960's, can only succeed if prices remain stable, since a small farmer who incurs debts will scarcely repeat the experiment if he loses money the following year because of falling prices.

7. The recognition by the 1974 World Food Conference that an increase in food production in the developing countries to around 4% is possible, stands, however, in stark contrast to the reality of recent years. Many developing countries have neglected investment in agriculture in favour of industrialization and have held producer prices artificially low for the benefit of the potentially revolutionary urban population. At the annual meeting of the International Monetary Fund in Manilla in October 1976, the President of the World Bank, Mr McNamara, pointed out that, over the last ten years, the poorest developing countries had invested only 3% of their GNP - and less than 18% of their total investment - in agriculture. In Freetown recently the Director-General of the FAO, Mr Saouma, put some blunt questions about the true performance of most governments in the agricultural field. He expressed doubts as to whether the developing countries themselves had made adequate resources available for integrated national development and had got fully to grips with the necessary structural and institutional reform measures.

8. A resolute increase in food production must have its point of departure in the countries of the Third World. The technical and financial help from the developed countries which is certainly required can provide support, but cannot solve the problem in the long term. Most developing countries need a policy which gives higher priority to the agricultural sector. In particular, agrarian reforms are necessary to provide more equitable distribution of the land among those who work it and provide the poorer farmers with the necessary funds and mechanical aids. From the economic and social angle, the problem is a very complex one and will give rise to many changes, since it has immediate effects on existing social structures and can therefore only be solved by political means.

9. The most recent international conferences have shown that many developing countries have been particularly keen to discuss worldwide reforms but have themselves not yet succeeded in carrying out, for example, land reforms and infrastructure improvements in their own countries. This is not to deny in any way the existence of entirely legitimate questions concerning the setting up of a new world economic order and the problems of the developing countries as regards raw materials and their debt burden. But the debate on development policy must place greater emphasis on questions of improvements to economic and social structures and the individual efforts of developing countries. Not many problems will be solved if the discussions always concentrate on questions and problems relating to redistribution on a global scale under the so-called new world economic order. At many international conferences, such as the World Food Conference in Rome and the August 1976 Conference of

Non-Aligned Nations in Colombo, the developing countries have adopted resolutions reaffirming their intention to step up their own efforts to improve their agricultural infrastructure, but few significant changes have as yet been seen. We can only hope that the resolutions passed at the World Food Conference and other international meetings will soon be put into effect since external aid is no substitute for an internal commitment to reform and agricultural progress.

10. Until the developing countries carry out these agrarian reforms and create an adequate food-production structure, food aid from the rest of the world - the Community in particular - will have to be not only kept up but considerably increased, although food aid - paradoxical as this may seem - also brings disadvantages for many developing countries. As a direct result of food aid they have neglected their own agriculture. As a result of this form of aid, countries whose staple foods previously consisted mainly of rice or other indigenous cereals or tubers, have, after growing accustomed to food aid, considerably altered their consumption patterns - to say the least questionable consequence of food aid. But, given that nearly a thousand million people are threatened with under-nourishment and are living at the threshold of starvation, food aid is clearly necessary on humanitarian grounds at the present time. Above all, economic reconstruction and development are doomed to failure if the population does not have an adequate food supply.

11. Parliament welcomes the Community's efforts to date, but has always called for greater efforts and new initiatives in keeping with the economic strength of the EEC. The Community, which has been providing food aid since 1958, could easily increase the quantities it provides since it now has greater experience in the field and is, moreover, an important food producer. Apart from this a larger contribution from the EEC would improve its image and would have both political and economic advantages. Community food aid can, however, only be effective if the principles on which it is based are established in conjunction with a long-term development strategy and policy. These principles must be taken into account when the Community's economic and financial policy is devised. Proper coordination at bilateral and multilateral level would also help avoid duplication and increase the effectiveness of aid. Furthermore, in this connection it should again be noted that food aid should in no way be treated as an outlet for Community agricultural surpluses. This form of aid must in no event be governed by the imponderables of the agricultural market, but must form an integral part of an overall Community development policy. There is certainly no reason why deliveries of certain products should not be stepped up when they are in surplus, but the food aid programme must in principle be run on a humanitarian basis and must not be influenced by surplus situations.

12. In 1976 the Community laid down new guidelines for food aid. In preparation for the meeting of the World Food Council, the Community decided on a basic plan for food aid, which involved:

- an overall plan with the aim of informing the developing countries of the measures the Community intended to take over a three-year period to meet the needs of the developing countries as a whole;
- a specific plan, i.e. a three-year preview of the measures the Commission intended to take to support certain international organizations active in the field of food aid or specific multiannual projects carried out by developing countries with structural food deficits.

On the basis of this decision, the Commission transmitted to the Council on 14 September 1976 a communication on the arrangements for the implementation of the overall plan. The proposals cover the next three years - 1977, 1978, 1979. The Commission proposed to increase food aid over the following three years as follows: cereals from 1,650,000 t (1,077,000 t of which as Community aid for 1977), to 2,500,000 t; milk powder from 150,000 t to 175,000 t and butteroil from 45,000 t to 65,000 t.

When the EEC budget for 1977 was adopted, the Commission also kept open the possibility of increasing the quantities later on the basis of a still-to-be decided additional appropriation for food aid.

13. The communication from the Commission to the Council is concerned with the drawing up of the food aid programme for 1977 for skimmed milk powder and butteroil. The Commission approved this communication to the Council on 4 May 1977; it follows on the food aid programme for cereals proposed in October 1976 and adopted by the Council on 8 February 1977. The food aid programme for milk products provides for the following quantities:

- 45,000 t of butteroil to a value of 45 m u.a., corresponding to the full amount of the appropriation entered for this purpose in the 1977 budget;
- 150,000 t of skimmed milk powder to a value of 55.5 m u.a.; a first instalment of 105,000 t (41.5 m u.a.) and a second instalment of 45,000 t are provided for. For the latter quantity, the appropriation of 14 m u.a. frozen under Chapter 100 of the budget must first be released.

14. Parliament welcomes the milk products food aid programme, for quality is as important as quantity in this field and milk powder has a high nutritional value. It should also not be forgotten that the Community is virtually the only supplier of skimmed milk powder in the world. Given that the Community has received applications in the past from 42 countries for a total of 190,000 t, Parliament considers that the appropriation of

14 m u.a. for the second instalment of 45,000 t should be released as soon as possible, so that requests of the majority of the applicant countries can be met. However, it is astonishing that 13 of the recipients under the 1976 programme - including some of the poorest countries in the world, such as Bangladesh, Upper Volta and Mali, to mention but a few - have not requested aid this time. Parliament also feel that, in view of the Community's stocks of skimmed milk powder, it would be basically unwarranted not to opt for the full 150,000 t. The Commission and the Council should, moreover, see to it that deliveries of skimmed milk powder are increased in such a way as to allow the Community to meet requests for 190,000 t. In view of the problems of hunger in the world and the cost of the growing mountain of skimmed milk powder in the Community, no one is likely to understand why deliveries of skimmed milk powder should not be stepped up, or why regulations should be adopted which provide for the reduction of skimmed milk powder stocks by mixing with cattle feed. It is therefore on ethical grounds that we must place a large part of the skimmed milk powder mountain at the disposal of the needy developing countries, while at the same time utilizing part of the stocks for animal feed. In answer to an oral question by Mr Baas and Mr Berkhouwer to the Commission on milk powder surpluses¹, former Agricultural Commissioner Tardinois stated: '... It is better to make milk powder available as development aid than to store it, with all the attendant costs, and later to have to process it into cattle fodder...'. 'The best thing we can do with surpluses of skimmed milk powder is to make a large amount available as food aid'. The Commissioner added in conclusion to his remarks 'I think that more could be done in 1978 and following years than the now accepted 150,000 t for 1977'.² For butteroil, requests have been received from 41 countries, to a total of 159,000 t. However, only 45,000 t are available. Here too, we are justified in asking whether these quantities cannot be increased to some extent. By increasing food aid in the form of milk products, the Community would simultaneously be giving a positive response to the appeal from the World Food Conference and the World Food Council and making a considerable contribution to fulfilling the programme of the second development decade.

15. In drawing up the milk products food aid programme, the Commission followed the same guidelines as for the cereals programme, i.e. those laid down in the document 'Fresco of Community Action Tomorrow'. Parliament agrees with the opinion expressed by the Commission in that document that food aid should be concentrated on the poorest countries. Eighty-eight per cent of direct aid in the form of milk powder and 93% of that in the form of butteroil will go to countries whose per capita GNP is \$300 or less or whose situation is so bad that immediate help is required. The limited

¹ Doc. 449/76 of 30.11.1976

² OJ Debates of the European Parliament No. 210, December 1976, p.27

amount of butteroil available has meant that any applicant country whose GNP is more than \$300 and whose external financial situation is not precarious (Malta, Mauritius and Liberia) has had to be struck off the list of recipients. Indirect aid sent via international organizations (the World Food Programme, Red Cross, UNICEF, etc.) represents 52% for butteroil (as in 1976) and 45% for milk powder, as opposed to 36.5% in 1976.

16. The reserves - amounting to 3,010 t of butter oil and, 14,690 t of milk powder (first instalment) - are earmarked for emergency aid. Together with the special reserves provided for under indirect aid, they represent a contribution to the international reserve for emergency schemes which was decided on in principle at the World Food Conference in Rome.

17. Of the food aid in the form of milk products, 42% of the butteroil and 46% of the milk powder are earmarked for free distribution to the poorest sections of the population. Parliament approves this arrangement, since commercial markets for milk products in the developing countries are generally very limited and since this form of distribution offers a safeguard against possible distortion of the market by food aid. Free distribution is mostly handled by the international organizations, which justifies making a large part of Community aid available to these organizations.

18. In previous reports and resolutions, Parliament has already referred to possible health hazards arising from the use made of milk powder in developing countries:

- the absence of vitamin A from milk powder can lead to sight defects in young children;
- the misuse of milk powder - for example mixing it with water in the wrong proportions - can have adverse effects on health;
- finally, the use of milk powder to feed very young babies brings with it the danger that breast-feeding will be increasingly replaced by bottle-feeding¹.

When the 1976 skimmed milk powder food aid programme was adopted, the Council therefore decided to ensure that the milk powder provided was enriched with vitamins A and D in order to avoid damage to health. Parliament welcomes the fact that, for the implementation of the milk powder programme for 1977, the Commission proposes, in consultation with WHO to see to it that both the countries chosen and the international organizations take the necessary steps to ensure that the distribution of milk powder is carried out in the light of most recent experience in the health sector.

19. Parliament considers that it would be useful to provide in principle for a tendering procedure so that deliveries can be arranged at the most favourable prices. It feels, however, that in particularly urgent cases

¹ See in this connection WHO Resolution 27.43 of 23.5.1974 on child nutrition and breast-feeding;

See also the Written Question by Mr Laban No. 117/75 to the Commission, OJ No. C 192, 22.8.1975, p. 12-13

non-bureaucratic methods must be used so that deliveries can be made rapidly and flexibly.

20. Parliament attaches particular importance to the requirement that food supplies must reach their intended destination and be distributed to the most needy sections of the population. It therefore seems appropriate for deliveries to be financed all the way to their final destination. It is also important, when the goods arrive in the countries concerned, for on-the-spot distribution to be carried out properly and, where necessary, supervised. We know of sufficient cases where goods provided as aid - particularly food - have been held up because of financial or transport difficulties and have been spoiled as a result. Parliament therefore requests the Commission to send it a report in the coming months on whether the transport and distribution system has been working in an orderly and satisfactory manner in recent years. This report should not be confined to distribution of direct aid, since it would also be interesting to know what experience has been acquired in respect of indirect aid distributed by the international organizations.

ANNEX

FOOD AID PROGRAMME FOR 1977

Cereals: 720,700 t for Community schemes (to which should be added bilateral schemes involving 566,700 t, which brings total Community aid up to 1,287,000 t);

Cost: 81.2 m u.a.;

Butteroil: 45,000 t = 47 m u.a.

Milk powder: 105,000 t = 41 m u.a. (first proposed instalment)
45,000 t = 14 m u.a. (second instalment, not yet released)

Total appropriation in 1977 budget: 192.2 m u.a.

PROGRAMME for 1976

	Quantities (tons)	Value (m u.a.) (rounded figures)
1. Cereals		
- EEC	708,000	98
- Bilateral schemes	<u>579,000</u>	<u>80</u>
Total	1,287,000	178
2. Butteroil	45,000	69
3. Milk	150,000	77

OPINION OF THE COMMITTEE ON BUDGETS

Draftsman: Lord BRUCE of DONINGTON

On 22 June 1977 the Committee on Budgets appointed Lord Bruce of Donington draftsman.

It considered the draft opinion at its meeting of 23 June 1977 and adopted it unanimously.

Present: Mr Lange, chairman; Lord Bruce of Donington, draftsman; Mr Van Aerssen, Mr Caro, Mr Dalyell, Mr Fröh, Mr Notenboom, Mr Spinelli and Mr Würtz.

Introduction

1. The European Parliament is consulted on the establishment of the skimmed milk powder and butter oil food aid programmes for each year. It is perhaps worth noting that these draft programmes arrive rather late during the financial year and it would be worthwhile to speed up this process to enable the Commission's departments to carry out the disbursement of aid from an earlier date.

2. In the 1977 budgetary procedure, and despite the protests from the European Parliament, a considerable reduction in food aid to developing countries in milk products was made. In 1976 a total of 102,000,000 u.a. was allocated for skimmed milk and butter oil programmes, for 1977 a vote of 88.5 m.u.a. was agreed to with a further 14 m.u.a. being included in Chapter 100 only after insistence by the European Parliament. It was argued at the time by the Council, and the Commission, that the appropriations proposed were sufficient to enable the scale of programmes to be maintained. Parliament's view, supported by its Committees on Development and Cooperation and Budgets, was that the Commission had been excessively conservative in its estimates for these sectors. In particular, in the report of the Committee on Development and Cooperation drawn up by Mr Nielsen ¹, the responsible Committee drew attention to the fact that the absorptive capacity of recipient states for skimmed milk powder and butter oil was, in the case of the former, some three times greater and in the case of the latter, twice as large as the proposals made by the Commission in its three year indicative food aid programme. It is the 1977 instalment of that programme that is now under review.

3. An abiding feature of Parliament's concern in this domain is that the needs of the developing countries in food aid should be examined objectively and food aid should not be regarded as simply a means of disbursing surpluses resulting from the workings of the Common Agricultural Policy. It is worthwhile remarking however, that as the surpluses in both the milk and butter sectors have escalated (indeed the Commission estimates that they may double this year), the opportunity cost of supplying the Third World with food aid in these products falls. Therefore, it would be in the interests both of the recipient countries, and of the Community and particularly the esteem with which the latter is held by its own citizens, that food aid in these products should be increased.

¹ Doc. 407/76, pages 10 and 11

4. Your draftsman has been attempting for some time to obtain from the Commission a detailed breakdown of storage costs of agricultural surpluses, particularly in the milk sector. As part of his work as general rapporteur for the 1977 budget he entered into correspondence with the Commissioner responsible. To date, no adequate reply has been received.

5. However, that Commissioner has proved somewhat more forthcoming in Parliamentary debate. In particular, at the sitting of Wednesday 12 May 1976¹ he stated that 'politically and humanely' it would be justifiable to proceed to a food aid programme of some 200,000 tonnes of skimmed milk powder. He appealed to the political intelligence of ministers for approval of a programme on this scale. This appeal fell on stony ground and indeed was not even shared by all of his colleagues in the Commission. In particular, during the course of the budgetary procedure the Commissioner who then held the budget portfolio joined Council in saying that the sending of skimmed milk powder as food aid to the developing countries was at a maximum level for nutritional reasons. This reasoning is not shared by the recipient countries themselves, whose requests in both skimmed milk powder and, in particular, butter oil, vastly exceed the programmes elaborated. The attitude of the 'Commission knows best what is good for you' is particularly unseemly when it is used as an alibi for a failure of political will. Quite clearly, the developing countries want more food aid, the stocks existing and in abundance, and the opportunity cost is small although the exact figures have been withheld from one part of the budgetary authority.

6. Since Mr Lardinois' declaration in Parliament, the Community stocks of skimmed milk powder have doubled and show every sign of continuing to increase to a level perhaps not less than 2,000,000 tonnes by the end of 1977. In contrast with this, a total programme of food aid in milk powder of 150,000 tonnes does not represent the heights of generosity. The European taxpayer, and as regards the European budget the European taxpayer is the consumer, would prefer that the stocks that have been generated as a result of the fact that producers of milk are now producing simply for intervention, be mobilised for the benefit of the many millions of people who are underfed, rather than be hoarded for eventual distribution within the confines of the European Community.

¹ OJ No. 203, May 1976)

The Commission's proposals for 1977

7 The Commission provides a breakdown by country and by criteria for the food aid in the milk sector as follows:

Skimmed milk powder	187,487 tonnes at a total cost of 46.21 m.u.a. (requested amount 187,487 tonnes)
Butter oil	45,000 tonnes at a total cost of 44.38 m.u.a.
Second instalment		
skimmed milk powder	45,000 tonnes at a total cost of 27.51 m.u.a.

8 In the case of these three parts of the programme, the Commission breaks down the amounts of aid to be provided according to certain criteria: need, per capita income, external financial situation. How the application of these criteria works in practice is shown in the tables annexed to this draft opinion.

Budgetary aspects of the Commission's proposals

9. The Commission states that it has respected the criteria that have been laid down as regards food aid to those countries most in need. Indeed, in the introduction of its document the Commission says that of direct aid, some 88% of the milk powder and 93% of the butter oil will go to countries whose per capita GNP is \$300 or less per year and to those facing emergency situations. The Commission should provide the Parliament with a report on the utilisation of food aid appropriations up until now, to see whether the criteria laid out have been respected.

10. As regards the use of the financial resources available, the situation can be resumed as follows:

- (i) for the first instalment of the skimmed milk powder programme the Commission proposes total appropriations of 40,220,000 u.a.
(budget entry, Item 9211, 41,500,000 u.a.)
- (ii) for butter oil the Commission proposes total appropriations of 44,380,000 u.a.
(budget entry, Item 9212, 47,000,000 u.a.)

This makes a total of 84,600,000 u.a. (total appropriations for this Article 921, totalled 88,500,000).

11. Thus a balance of 3,900,000 u.a. is available. On top of this it will be recalled that the 14 m.u.a. placed under Chapter 100 is available for programmes in the milk product sector. The Commission's second instalment skimmed milk powder programme totals 17,510,000 u.a. which can, therefore, be covered by adding the balance and the amount in Chapter 100 (17.9 m.u.a.). As the Commission notes, it is proposing at the same time by a separate procedure, to make this transfer from Chapter 100 to Article 921.

12. The Commission does not explain why it is necessary to proceed to two separate instalments and indeed, it is the intention of the Commission to amalgamate the figures for these two instalments for skimmed milk powder. In future years it would be simpler to disburse the aid by one operation.

Financial Control

13. One of the concerns of the Committee on Budgets as regards the food aid sector is the adequacy of food aid control. This is a delicate political matter since there are limits to which Community control could be effective in the recipient countries. However, given the proliferation of Community delegations in many developing countries, including nearly all of those covered by the Lomé Convention, some improvement in control procedures should be attempted. The Commission provides (Annex III) a list of the guarantees required of recipients to ensure proper utilisation of the products provided. The only methods put forward for implementing these guarantees are the inclusion of the various points covered in official texts which the Commission sends to the recipient organisations and, where disagreements arise, the informing of the Member States through telex. This approach, while formally correct, does not in itself seem adequate. Further reflection by the Commission, and indeed by Parliament, seems necessary, particularly in view of the fact that the Commission informs readers that 'experience shows that certain recipients were unable to agree to the Council's guarantees and the Commission has, therefore, drawn up fresh proposals on the subject'.¹ In view of this your rapporteur proposes that the Sub-Committee be asked to examine this matter urgently with representatives of the Commission.

¹ page 3

Conclusions

14. The Committee on Budgets

- (i) approves the Commission's food aid programmes for skimmed milk powder and butter oil for 1977;
- (ii) considers, in the absence of any authoritative data suggesting the contrary, that the total cost to the Community budget of storage and interest charges as regards the surpluses existing in fields covered by the Commission's proposals are in excess of actual costs of aid provision and, therefore, the smallness of the present provision under COM(77) 161 final in fact creates a further cost to the Community in respect of surpluses unnecessarily retained;
- (iii) does not accept the argument that the food aid programmes in skimmed milk powder and butter oil are at maximal level; contrasts the level of food aid with the scale of requests from recipient countries; will take into account this disparity during the budgetary procedure for 1978;
- (iv) calls attention to the problems of adequate financial control in the food aid sector and asks its Sub-Committee to investigate the effectiveness of the control procedures in ensuring proper utilization of the products provided, and to report back to the committee;
- (v) points to the failure of the Commission and the Council to devise an effective Community policy to combat famine in the poorest developing countries, despite the urgent demands from the European Parliament, and insists that new efforts be made in this area.

Application of Selected Criteria to the
Food Aid Programme Skimmed Milk Powder 1977

ANNEX

	<u>Tonnage</u>	<u>m.u.a.</u>
A Countries with per capita GNP equal to or less than \$300 per year:		
(i) with catastrophic external financial situations; with a range of allocation from 40% to 100% of requirements	20,250	6.27
(ii) other countries; with a range of 30% to 100% requirements	10,550	3.17
B Countries with GNP per capita above \$300		
(i) those countries with catastrophic external financial situations; with a range of allocations between 20% and 50% of requirements	5,000	1.42
(ii) other countries; allocations between 10% and 50% of requirements	1,150	0.32
C Emergency schemes (50% of requirements)	12,360	5.39
D Via intermediary organisations	41,000	17.59
E Reserve	14,690	6.06
	<u>105,000</u> ⁽¹⁾	<u>40.22</u>
TOTALS		

Butter oil 1977

	<u>Tonnage</u>	<u>m.u.a.</u>
A Countries with per capita GNP equal to or less than \$300 per year:		
(i) with catastrophic external financial situations (20% of requirements)	7,300	6.60
(ii) other countries (10% of requirements)	1,350	1.25
B Countries with GNP per capita above \$300:		
(i) those countries with catastrophic external financial situations (5 % of requirements)	1,300	1.17
(ii) other countries (no allocation)	0	0
C Emergency schemes (50% of requirements)	10,040	9.95
D Via organisations interposees	22,000	22.06
E Reserve	3,010	3.35
	<u>45,000</u>	<u>44.38</u>
TOTALS		

⁽¹⁾ Requested: 187.487 tonnes

Skimmed Milk Powder: 2nd instalment 1977

A	Countries with per capita GNP equal to or less than \$300 per year:	<u>Tonnage</u>	<u>m. u. a.</u>
	(i) with catastrophic external financial situations; with a range of allocation from 60% to 100% of requirements	9,150	2.82
	(ii) other countries; with a range of 50% to 100% requirements	1,800	0.51
B	Countries with GNP per capita above \$300		
	(i) those countries with catastrophic external financial situations; with a range of allocations between 40% and 50% of requirements	2,800	0.75
	(ii) other countries ; allocations between 30% and 50% of requirements	350	0.12
C	Emergency schemes	11,050	4.81
D	Organisations	10,000	4.51
E	Reserve	9,850	3.99
	TOTALS	<u>45,000</u>	<u>17.51</u>

