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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. 323/76) concerning a 3-year indicative food aid programme
1977-1979

Rapporteur: Mr J.B. NIELSEN

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PE 45.918/fin.

By letter of 29 September 1976 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 of the EEC Treaty, to deliver an opinion on the communication from the Commission of the European Communities to the Council concerning a 3-year indicative food aid programme 1977-1979.

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 Agriculture and the Committee on Budgets for their opinions.

On 29 September 1976 the Committee on Development and Cooperation appointed Mr Brøndlund Nielsen rapporteur.

It considered this communication at its meeting of 29 October 1976 and unanimously adopted the motion for a resolution and the explanatory statement.

Present: Miss Flesch, chairman; Mrs Walz, Mr Lagorce and Mr Sandri, vice-chairmen; Mr De Koning (deputizing for Mr Vernaschi), Mr Flämig, Mr Hansen (deputizing for Mr Broeks), Mr Härzschel, Mr Jakobsen, Mr Kaspereit, Mr Krall, Mr Mursch, Mr Schuijt, Lord St. Oswald and Lord Walston.

The opinion of the Committee on Agriculture is attached.

The opinion of the Committee on Budgets 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 on the communication from the Commission of the European Communities to the Council concerning a 3-year indicative food aid programme 1977-1979

The European Parliament,

- having regard to the communication from the Commission of the European Communities to the Council (COM(76) 452 final),
 - recalling its resolution of 12 July 1974 on the memorandum from the Commission of the European Communities on Community food aid policy¹,
 - having been consulted by the Council (Doc. 323/76),
 - having regard to the report of the Committee on Development and Cooperation and to the opinions of the Committee on Agriculture and the Committee on Budgets (Doc. 407/76),
1. Emphasizes that the Community's food aid programme should be made an integral part of the common agricultural policy and that the aid should be allocated with reference both to needs and market conditions in the recipient countries; and welcomes the Commission's proposal to establish a medium-term programme allowing the Community to grant a substantial volume of aid, whilst promoting in parallel indigenous production;
 2. Notes that under the proposals, it will still be possible for Member States to select the size of their national contributions in cereals, while providing for the opportunity of increasing the role of Community aid, which it welcomes;
 3. Regrets that the European Community alone among the major donors has not so far responded to the call made at the World Food Conference for an increase in food aid in cereals;
 4. Approves the specific proposals for 1977, but calls upon the Commission to set increased minimum targets for skimmed milk powder and butteroil for the year 1978 and again for 1979;

¹ OJ No. C 93, 7.8.1974, p.88

5. Notes that the programme is indicative, so that firm commitments continue to be made on an annual basis only;
6. Stresses that, in view of the chronic and growing shortage in food requirements of the developing world and in particular of cereals, the greatest efforts should be made to reach the proposed targets, and that in no circumstances should deliveries be allowed to fall below those of 1976;
7. Believes that in a world of growing interdependence, food aid is both a useful instrument of policy and of mutual benefit to both parties; stresses in this connection the need to reorganize and control the distribution of aid to ensure that it has maximum effect and reaches the people in greatest need.

EXPLANATORY STATEMENTI. The need for a 3-year Programme

The concept of a medium-term food aid programme was set out by the Commission in its Memorandum on Food Aid Policy of the European Economic Community in March 1974¹, which was greeted with broad approval by the Parliament².

The programme is expressed in quantitative terms, rather than in value, because of seasonal price changes. It has the advantage of enabling both the donor and beneficiary countries to plan on the basis of agreed objectives. Further advantages of the establishment of a medium-term plan are as follows:

- creation of a major instrument of the enlarged Community's global policy towards developing countries;
- generation of goodwill among developing countries as a whole, and especially among the non-associated countries, some of which are among the most populous and worst fed in the world;
- encouragement given to commercial exports of agricultural and possibly also of non-agricultural products³ from Member States, in line with the experience of some traditional food aid donor countries; and
- bringing the public development assistance contributions of the Member States closer to the goals of the Second Development Decade.

The programme would also go a long way to improving the Community's image in the world at large as well as in Europe.

II. Nature of the programme

The products to be included in the programme consist of cereals, skimmed milk and butteroil. In the 1974 Memorandum sugar and 'other products' were included but the Commission now proposes not to include these for practical reasons (the three basic food products to be included have a long experience of substantial food aid and form a major part of food needs of the developing countries both now and in the future).

¹COM(74) 300 final

²OJ No. C 93, 7.8.1974

³In so far as free grants of, for example, skimmed milk powder for purposes of dairy development in recipient countries would in due course create a commercial demand for dairy plant equipment from the same sources.

It should be stressed that the programme is an indicative programme. Actual firm commitments will be made on a yearly basis. This will thus enable Parliament to continue to monitor expenditure in the usual way. The intention of the indicative programme is purely to improve the management of food aid, by enabling all parties to plan ahead on the basis of agreement of principles.

This concept of medium-term planning for food aid was accepted by the Council on 9 June 1976, and a distinction was drawn between overall planning concerned with the setting of overall indicative targets at the world level and specific planning for individual organizations and clearly defined projects in some countries. This latter aspect does not fall within the programme.

It is worth noting that the Community has restated its acceptance of medium-term planning for food aid at the North-South Dialogue.

III. Scope of the Programme

The Commission proposes:

- first, the acceptance of a general principle that on no account should the volume of the Community's food aid during the life of the programme fall below the volume offered in 1976¹; and
- second, the acceptance of the following programme:

3-Year Indicative Food Aid Programme, 1977-79

<u>Products</u>	<u>Minimum Annual Targets² (tonnes)</u>	<u>Maximum Annual Targets</u>	<u>1976 figure</u>
Cereals	1,650,000 ³	2,500,000	1,287,000
of which Community actions	1,077,000-1,350,000		708,000
Skimmed milk powder ⁴	150,000	175,000	150,000
Butteroil ⁴	45,000	65,000	45,000

¹i.e. 1,287,000 t for cereals, 150,000 t for skimmed milk powder and 45,000 t for butteroil

²These minimum targets correspond to figures proposed by the Commission in the draft budget for 1977

³For 1977, the exact figure in the case of cereals would be 1,643,500 tonnes, including 1,077,000 tonnes for the Community actions specified in the preliminary draft Budget for 1977

⁴Community actions only as at present

The Commission proposes that only the minimum range targets be adopted as firm supply commitments for 1977. As can be seen, this implies an increase for cereals only. For the following years' volumes, decisions would be taken in the light of market conditions and needs.

IV. Composition of the Programme

- (a) Cereals: The Community is bound by its signature of the Food Aid Convention to supply 1,287,000 tonnes per annum. However, the cereal shortage in the developing world is acute, as was pointed out at the World Food Conference in November 1974. Various studies carried out more recently indicate the worsening situation. FAO at the time of the World Food Conference estimated the likely deficit in 1985 at 80,000,000 tonnes, while more recently the Commission cites studies which show that the deficit could be anything between 100,000,000 tonnes and 200,000,000 tonnes per annum by 1985.

At the World Food Conference a target for food aid in cereals was set of 10,000,000 tonnes per annum. All the other donor countries, including the United States, Canada, Australia, New Zealand, Sweden and Norway have increased their aid in order to meet this target.

The European Community alone among the major donors has not so far responded to the call for an increase in food aid in cereals.

In all other areas of development policy the Community is in the vanguard; the relative failure in this field is therefore remarkable and exposes the Community to severe criticism. In particular, the Community is accused of providing food aid to remove its surpluses. In the case of cereals, the Community is a net importer (this is composed of exports of cereals but imports of coarse grains). Hence, for the Community to increase its aid in this vitally important product field would help to blunt the edge of this criticism.

The proposed increase of 356,000 tonnes should be counted outside the Food Aid Convention and should take the form of Community actions only. National contributions would remain at the same level as agreed in the context of the Food Aid Convention, i.e. 566,500 tonnes. For the subsequent years the Commission proposes a measure allowing both for further communitarization which it considers desirable for political reasons¹ and for greater efficacy of food aid

¹ cf. Tindemans Report, which calls for 'decisions to be taken to strengthen the instrument of our common action by transferring to the Community a substantial part of national appropriations intended for development cooperation', chapter II C 1.

operations (removal of delays in preparation and implementation of annual programmes, total coordination of food aid deliveries, greater coherence in allocating food aid among countries and institutions and a more rational selection of the sources and nature of particular cereals within the Community). The means of achieving this are to consider levels of action, rather than percentages, thus allowing Member States to select the size of their own national actions in 1978 and 1979. Member States can thus maintain their current levels or reduce them. In the latter case, these amounts would be automatically converted into Community action. This, therefore, provides great flexibility within the proposed indicative range.

The various possibilities are set out in **Table 2 of the Annex to the Commission document.**

- (b) Skimmed milk powder The importance of an increased stable supply of skimmed milk powder has been stressed by the European Parliament most recently in its report by Mr Broeksz¹. In addition to its nutritional importance, it is often a precondition for securing other necessary investments in the dairy industry itself and in the related infrastructure - the local collection and distribution of the system, quality control structure of feeder roads, retail outlets, etc.

It is probably unnecessary to point out again that the Community's current stocks amount to 1.3 million tonnes. Hence, the opportunity cost of supplying skimmed milk powder as food aid is relatively small. Moreover, food aid can be in the interests of the donor, in furthering political and economic relations with beneficiary countries.

The Commission states that the indicative range for skimmed milk powder is based both on the absorptive capacity of the developing countries and the likely availability of skimmed milk powder during 1977 to 1979.

This statement is somewhat surprising for the following reasons: Firstly, the total quantities of skimmed milk powder requested in 1976 totalled 201,195 tonnes, as stated by the Commission in a previous document (COM(76) 269 final), and this includes only specified amounts. There is, therefore, clearly a larger demand than this. Indeed in the Memorandum on Food Aid Policy (COM(74) 300 final), the absorptive capacity was put at 250-300,000 tonnes.

¹OJ No. C 178, 2.8.1976

Secondly, the stocks of skimmed milk powder existing in the Community are likely to remain considerable. For these two reasons your committee believes that the Commission should set increased minimum targets for the year 1978, and again 1979.

- (c) Butteroil: The indicative target figures are apparently also based on estimates of absorptive capacity and productive feasibilities.

Your committee would also like to query this statement since in the Commission's proposal (COM(76) 586 final) for the 1976 programme, the requests totalled 91,800 tonnes and it is likely that the real requirements in the developing world are several times that figure. Your committee would also point out that the amount delivered in 1974, 1975 and 1976 has remained the same - 45,000 tonnes which, given the rapidly growing population and needs of the areas concerned, is a relative decline. It therefore proposes that the Commission should set increased minimum targets for 1978 and again for 1979, so that a real increase in the volume of aid is achieved.

Conclusion

Your committee has no hesitation in approving the principle of a 3 year indicative programme. In the case of cereals, the proposed increase is clearly essential in the light of the continuing world cereal shortage. In the case of both skimmed milk powder and butteroil, your committee believes that the Commission is being too conservative in its estimates of needs, and that increased minimum targets should be set for each of the years 1978 and 1979.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman : Mr F. HANSEN

On 13 October 1976 the Committee on Agriculture appointed Mr Hansen draftsman.

It considered the draft opinion at its meetings of 4 and 5 November 1976 and adopted it by 10 votes with 5 abstentions.

Present: Mr Houdet, chairman; Mr Laban, vice-chairman;
Mr Brégère, Mr Früh, Mr Haase, Mr Gerlach (deputizing for Mr Hansen),
Mr Hughes, Mr de Koning, Mr Martens, Mr Ney, Mr Pisoni, Mr Pistillo,
Mr Pucci, Lord St. Oswald and Mr Vitale.

1. On 9 June 1976 the Permanent Representatives Committee adopted the concept of medium-term planning of Community food aid, medium-term being defined as a period of three years.

2. It instructed the Commission to draw up specific proposals on this matter on the understanding 'that in order to minimize the distorting effects of seasonal price changes on food aid availabilities, a medium-term food aid programme must be expressed in quantitative terms' and 'that in order to allow some flexibility in dealing with annual variations in supplies and requirements, such a programme should be formulated in terms of a quantity bracket for each product supplied'.

3. On the basis of these principles the Commission therefore proposes that the Council adopt the first 3-year indicative food aid programme of the Community, covering the period 1977-1979, and taking effect as from 1977.

GENERAL CONSIDERATION OF THE PROGRAMME

4. In line with the course of action laid down in its Memorandum of March 1974¹ the Commission considers that the food aid programme must provide for some increase in the current food aid effort of the Community, particularly in the case of cereals.

Moreover, the proposed programme should not be capable of interpretation as a vehicle for generating agricultural surpluses within the Community: food aid must continue to be marginal in relation to the Community's agricultural production.

5. The Commission proposes:

- (a) the acceptance of a general principle that on no account should the annual volume of food aid during the life of the programme fall below the volume offered in 1976;
- (b) the adoption of the programme, the size and composition of which are summarized below;

¹COM(74) 300 final

<u>Products</u>	<u>Minimum Annual Targets (tonnes)</u>	<u>Maximum Annual Targets (tonnes)</u>	<u>1976 Figure</u>
Cereals	1,650,000 (1,643,500 for 1977)	2,500,000	1,287,000
Skimmed milk powder	150,000	175,000	150,000
Butteroil	45,000	65,000	45,000

6. The programme is confined to three basic products - cereals, skimmed milk powder and butteroil.

The Commission proposes that for these three products only the minimum range targets be adopted as firm supply commitments for 1977. This means that in comparison with 1976 only the volume of cereals will be increased while skimmed milk powder and butteroil will remain unchanged.

7. For 1978 and 1979 the decisions concerning the size of the firm commitments within the range for each product will be taken in the preceding year.

8. The cost of the programme proposed for 1977 would amount to 273 m u.a., which falls short of the figure proposed in the preliminary draft budget for 1977 (i.e. 303.75 m u.a.) for Chapter 92 'Food aid' which also included food aid for sugar (4.21 m u.a.), for other products (20.00 m u.a.) and other expenditure (1.00 m u.a.).

SPECIFIC MEASURES

(A) Cereals

9. The proposed figure for 1977 exceeds by 356,500 tonnes the total volume currently given by the Community and its Member States under the terms of the Food Aid Convention.

10. The Commission would like the Community to make a particular effort as regards cereals.

It gives the following justifications for this choice:

- According to estimates submitted to the World Food Conference¹, the cereal import requirements of the poorest developing countries as a whole may rise from 19 million tonnes in 1972/1974 to 50 million tonnes in 1985.

¹WFC/16, 8 March 1976, Annex II

Other sources reveal a deficit for the developing countries as a whole of 100 or even 200 million tonnes¹.

- The Community alone among the major donors has not so far responded to the call of the World Food Conference for an increase in food aid in cereals.
- The Community must correct the notion, which the recent decision to grant 200,000 tonnes of skimmed milk powder as food aid might have created, that its food aid policy is motivated primarily by the desire to reduce its surpluses.

11. The Commission further proposes that the increase of 356,500 tonnes in the present volume of cereal aid offered by the Community and its Member States should be made outside the Food Aid Convention and that it should take the form of Community actions only.

In 1977, national actions should remain at the previous level, i.e. 566,500 tonnes.

For 1978 and 1979 the Commission proposes measures aimed at a 'communitarization' of national aid, since this would ensure a more efficient administration of the aid, while safeguarding the interests of those Member States which attach particular importance to their national actions.

The Commission thus considers that in 1978 the national actions of the Member States could be halved in their totality and for most Member States, while remaining at the present levels for only a few Member States, should they so desire. In 1979 a further step could be taken in the same direction (see Annex I).

Skinmed milk powder

12. The Commission has decided that Community aid should at least equal the 1976 level, i.e. 150,000 tonnes per annum, with the possibility of increasing it to 175,000 tonnes.

¹International Food Policy Research Institute

cf. Research Report No. 1, February 1976, 'Meeting Food Needs in the Developing World'

13. According to the Commission this range represents as realistic an assessment as possible of the absorptive capacity of the developing countries and the likely availability of this commodity in the Community for the period 1977-1979.

14. The Commission has decided to grant skimmed milk powder as food aid for the following reasons:

- skimmed milk powder is suitable for immediate consumption;
- recent experiments (International Scheme for the Coordination of Dairy Development, sponsored by the FAO) revealed that supplies of skimmed milk powder stimulated a wide range of associated activities and investments in this sector;
- finally, in view of the large stocks of skimmed milk powder held by the Community (1.3 million tonnes), this measure is beneficial not only for humanitarian but also for financial reasons, since stocking or the elimination of surpluses place a considerable burden on the Community budget.

Butteroil

15. The proposed range for butteroil is from 45,000 to 65,000 tonnes.

This represents a conservative estimate of the absorptive capacity of the developing countries and of the technical possibilities of the European industry to transform butter into butteroil.

CONCLUSIONS

16. This committee approves the Commission's proposals as a whole while considering that food aid must be adapted to current practical possibilities and not restricted by the upper limit of the range.

Cereals

17. At its meeting in Rome from 5 to 15 November 1974 the World Food Conference adopted the principle that as from 1975 food aid in cereals should amount to 10 million tonnes per year.

This committee therefore welcomes the minimum and maximum targets which the Commission has fixed for this sector taking account of the opinion of the European Parliament (Doc. 326/75) regarding the minimum objective for 1977, i.e. 1,643,500 tonnes.

He considers that this objective represents a minimum target which must be reached and even exceeded if the Community does not experience a further period of drought next year.

The European Community must, for humanitarian reasons, affirm its solidarity with the developing countries and food aid is one way in which it can do so. The Community cannot evade its obligation to show solidarity with these countries with which it has so many ties, if only for historical reasons.

Skimmed milk powder

18. This committee understands the Commission's reasons for fixing the range at 150,000/175,000 tonnes. They are based on the principle that in the next few years the Community will be able to reduce considerably milk surpluses, in particular by introducing a coresponsibility levy and a levy on certain oils and fats, by the temporary suspension of certain national and Community aids to the dairy sector, the sale of milk at a reduced price to pupils in schools and the setting up of a premium system for the non-marketing of milk and milk products and for the conversion of dairy cow herds. From this point of view the Commission's position is justifiable.

19. However, if the measures proposed by the Commission do not prove fully effective for various reasons connected in particular with the provisions ultimately adopted by the Council, this committee considers that the Community should keep open the possibility of exceeding the ceiling of 175,000 tonnes envisaged in the communication, for example by increasing aid to 200,000 tonnes if stocks are available despite the measures aimed at stabilizing the milk market. In this connection, it should be borne in mind that the volume of skimmed milk powder requested by the developing countries and humanitarian organizations from the European Community under the 1976 programme has risen to 201,195 tonnes¹.

Butteroil

20. This committee considers that the figures proposed by the Commission, which take account of the possibilities of the European industry to transform butter into butteroil, should be approved. Nevertheless, he would like the Community effort to exceed the minimum target of 45,000 tonnes.

This committee therefore welcomes the fact that the Community is committed to a medium-term food aid programme, thus giving proof of its solidarity with the poor countries of the world. However, he hopes that the Member States will accept to an ever increasing degree the principle that Community aid should replace national aid, to facilitate closer coordination of the various actions and consequently greater efficiency. In this connection he approves

¹ Doc. 183/76 (Communication from the Commission of the European Communities to the Council concerning the second instalment of 95,000 metric tons under the 1976 skimmed milk powder food aid programme)

the Commission's proposal for increasing between 1977 and 1979 the Community contribution to the volume of cereals granted as food aid (see Annex).

21. Finally, this committee emphasizes that food aid is only a temporary remedy and that the Community must constantly increase its commitment to the encouragement of progress towards an independent agriculture in the developing countries, so that in the long term they may become self-sufficient in food. Moreover, the development of the agricultural sector in these countries will create the necessary conditions for their industrialization and consequently their economic advance.

TABLE I

PROPOSED QUANTITY FOR CEREALS1977-1979

<u>1977</u>	Total				1,643,500 t
		Community	1,077,000 t ¹	65.5%	
		Member States	566,500 t	34.5%	
<u>1978</u>	Total				1,650,000 t
		Community	1,214,550 t ²	73.6%	
		Member States	435,450 t	26.4%	
<u>1979</u>	Total				1,650,000 t
		Community	1,308,550 t ²	79.3%	
		Member States	341,450 t	20.7%	

¹ 356,500 t outside Convention. This figure represents the difference between 643,500 tonnes (Community's contribution under the Food Aid Convention for 1974/75) and 1 million tonnes (the figure recommended to the Council in March 1975)

² 363,000 t outside Convention (small increase for rounding-off purposes)

