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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

concerning the supply of cereals food aid to
Tanzania for the constitution of a strategic reserve

COM(77) 484 final.

In this communication the Commission proposes to the Council that food aid be granted to Tanzania, as requested by the Tanzanian Government and endorsed by the Director-General of FAO, to constitute a strategic cereals reserve. The Tanzanian Government wishes the Community to supply 50 000 tonnes of food aid on a multiannual basis scheduled as follows:

30 000 tonnes in 1976/77

10 000 tonnes in 1977/78

10 000 tonnes in 1978/79

1. Basic information

The drought in Tanzania in 1973 and 1974 resulted in a serious food shortage, and the Government had to import very large quantities of cereals¹. The prices at which these cereals were imported combined with the high prices of raw materials had very serious consequences for the country's foreign exchange reserves, as is evidenced by the balance of payments figures (surplus of \$35 million in 1973, a deficit of \$155 million in 1974). So as to avoid a repetition of this situation, the Tanzanian Government would like to establish a strategic cereals reserve in Tanzania; in 1976 it asked FAO to send a mission to study this matter along with other aspects of the country's food security problem. The Government intends the constitution of this strategic reserve to be an integral part of official policy on the pricing and marketing of cereals, which aims at increasing local production.

¹Tanzania imported 272 000 tonnes of cereals in 1973/74 and 504 000 tonnes in 1974/75.

On the basis of the findings of the FAO mission, the Government decided on a national food security programme including:

- (i) increased production of sorghum and millet, involving the investment of \$15.5 million, to supplement projects already undertaken (with the assistance of the World Bank) to increase maize production over a four-year period;
- (ii) the establishment over a three-year period, of a strategic cereals reserve of about 100 000 tonnes (60 000 tonnes in 1977);
- (iii) the introduction of administrative and financial procedures to ensure that stocks are properly managed;
- (iv) the establishment of a crop supervision and market information system;
- (v) the organization of training programmes for staff responsible for managing the cereals reserve.

2. The main features of the reserve and its constitution

(a) The aims of the reserve and how it would work

The aim is to create a reserve of 100 000 tonnes of cereals, corresponding to six month's urban consumption or, in an emergency, three month's urban and rural consumption. This reserve will be gradually built up over a three-year period, after which it will be replenished from local production. It will be used to offset shortages resulting from emergency situations. Quantities taken from the reserve will be sold through normal trading channels, though in exceptional cases there may also be free distributions. Though Government property, the reserve will be managed by the National Milling Corporation, which will release cereals from it only in the above circumstances.

Any drawings made on the reserve during the three years it is being constituted will be made up from local resources or commercial imports or possibly food aid on the basis of a Ministry of Agriculture decision which FAO will help prepare. A working fund will be created to enable the Government to ensure that the reserve functions properly. This fund will be made up of the proceeds from the sale of cereals released from the reserve.

The detailed arrangements for the turnover of stocks are to be determined by the Ministry of Agriculture in conjunction with FAO. Stocks will be turned over by selling cereals from the reserve on the local market and replacing the quantities released by imported or local cereals.

(b) The supply of cereals (assessed at \$15.6 million for the reserve)

The reserve cannot be supplied from local resources, since not enough is produced even to meet consumption needs. The country's production shortfall was 180 000 tonnes in 1976/77, and projections for the next two years show shortfalls of 120 000 tonnes in 1977/78 and 80 000 tonnes in 1978/79.

The reserve will thus have to be constituted by means of imports, and in particular by means of food aid, considering the precarious situation of Tanzania's external finances (balance of payments deficits of \$155 million in 1974 and \$18 million in 1975) and of the general economic situation (gross national product of \$160 per capita in 1974).

To date, contributions announced by other donors for the first year are as follows:

Australia: 6 000 tonnes, Canada: 10 000 tonnes, and (probably)
Federal Republic of Germany: 6 000 tonnes.

(c) Storage capacity

The requisite capacity already exists for the first phase, when the aim is to constitute a reserve of 60 000 tonnes. Of this storage space, a capacity of 23 000 tonnes will moreover be set aside permanently for the second and third phases, which means that silos and stores with a capacity of 77 000 tonnes, costing an estimated \$6.6 million, will have to be built. The United Kingdom has decided to grant financial aid to this project to finance the construction of a storage capacity of 40 000 tonnes (plus roads).

3. Commission proposal

In view of the usefulness of the investment to be carried out, and given that the project worked out in agreement with FAO has been well prepared, the Commission proposes that food aid be granted to Tanzania to constitute a strategic cereals reserve. Although it would have been desirable to enter into a three-year commitment running parallel to the constitution of the reserve, the Commission is confining its proposal to 1977; this operation should be considered as an initial experiment, and the Commission reserves the right to present further proposals under future programmes.

Furthermore, since the total quantities of cereals at the Community's disposal for use as food aid are limited, the Commission considers that these cereals should be earmarked first and foremost for immediate consumption. Consequently, while the Commission considers that the Tanzanian Government's request should be granted, the quantity allocated cannot be as much as the 30 000 tonnes which the Government has requested for 1976/77.

The Commission therefore proposes to allocate to this project 5 000 tonnes of cereals¹ (probably maize), to be delivered to the port of loading, from the 1977 programme reserve, which stands at 58 320 tonnes; this operation, which is estimated to cost 420 000 u.a. at the world price, would not involve the Community in additional expenditure since it would be covered by a programme and appropriations that have already been approved².

The Community should grant this aid on condition that an advisory committee be set up, composed of a Government representative, FAO representative and representatives of donor countries so as to ensure as far as possible that the project is properly run, which would justify its continuation. The Government would have to consult the committee before taking any decision to use the reserve, and the committee would be required to give its opinion:

- (i) on whether the reserve was being used for the proper reasons;
- (ii) on how the reserve should be replenished (local resources, commercial imports, food aid).

Conclusion

The Council is requested to approve, under the above conditions, the allocation to Tanzania of 5 000 tonnes of cereals to be delivered to the port of loading, for the constitution of a strategic cereals reserve.

¹This is in addition to the 5 000 tonnes allocated to Tanzania for immediate consumption under the 1977 programme.

²This operation is thus covered by the detailed financial record attached to the cereals food aid programme for 1977 (COM(76)546 final of 20 October 1976).

