

COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 14 September 1976.

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

3 YEAR INDICATIVE FOOD AID PROGRAMME, 1977-1979.

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Communication from the Commission to the Council

SCOPE AND PURPOSE OF THE COMMUNICATION

1. By the decision of the Council of 9 June 1976 the Community has adopted the concept of medium term planning of its food aid, medium term being specifically defined as a period of three years, as originally suggested in the Commission's Memorandum on Food Aid Policy of the European Economic Community of March 1974⁽¹⁾.

2. It has also been agreed that in order to minimise 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⁽²⁾.

3. The Commission has been requested to make specific proposals to this effect. The object of the present communication is to propose the adoption of the first 3 Year Indicative Food Aid Programme of the Community, henceforth referred to as the Programme covering the 1977-1979 period, and taking effect as from 1977. The subsequent programmes will be formulated at three-yearly intervals, well in advance of becoming operational, so as to provide developing countries as a whole with an adequate notice of the Community intentions for the following three years.

GENERAL FEATURES OF THE PROPOSAL

4. The forward planning of food aid is closely linked to the question of the overall size of food aid planned; and, in so far as the Programme is to apply to Community actions alone, it is linked also to the problem

(1) COM(74)300 final

(2) Even though, because of the current budgetary constraints, only the programme drawn up annually would constitute firm commitments for the Community.

of distribution of food aid in cereals between national and Community actions. Consequently, attention has had to be given to these three inter-related aspects, and the result is a package solution outlined below.

5. In its Memorandum of March 1974, the Commission proposed an increase in the overall volume of food aid of the Community, but this suggestion, though supported by the Parliament, and by a number of Member states, has not so far met with the approval of the Council as a whole. Nevertheless, it remains the view of the Commission that the Programme must provide for some increase in the current food aid effort of the Community, particularly in the case of cereals.

6. Under no circumstances should the proposed Programme be capable of interpretation as a vehicle for generating agricultural surpluses within the Community. The Community's food aid, even if raised above present levels, should therefore continue to be marginal in relation to agricultural production and available supplies of the Community.

7. In accepting the concept of medium term planning of food aid, the Council drew a distinction between overall planning, concerned with setting of indicative targets at the world level, and specific planning, for individual organizations and clearly defined projects in some countries.⁽¹⁾ The present paper treats the former aspect only. Additional proposals for specific targets will be made later this year, at the time of the presentation of annual programmes for 1977. In future years, both the overall and specific programmes will be prepared simultaneously.

SIZE AND NATURE OF THE PROGRAMME

8. In the light of the preceding considerations, 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 1976⁽²⁾; and
- secondly, the adoption of the Programme, the size and commodity composition of which are summarized below. ..//..

(1) Sec. Doc. S/958/76 (GCD 23 Relex 19) 10 June 1976.

(2) I.e. 1,287,000 t for cereals, 150,000 t for skim milk powder, and 45,000 t for butteroil.

3 Year Indicative Food Aid Programme 1977-79

<u>Products</u>	<u>Minimum Annual Targets</u> ⁽¹⁾ <u>Tons</u>	<u>Maximum Annual Targets</u>	<u>1976 Figure</u>
Cereals	1,650,000 ⁽²⁾	2,500,000	1,287,000
of which Com- munity actions	1,077,000-1,350,000		708,000
Skim Milk Powder ⁽³⁾	150,000	175,000	150,000
Butteroil ⁽³⁾	45,000	65,000	45,000

9. The commodity composition of the next Programme differs somewhat from that suggested in the 1974 Memorandum in so far as sugar and "other products" are no longer part of the Programme. This is now confined to cereals, skim milk powder and butteroil, i.e. three basic food products with a long experience of substantial food aid, and expected to continue meeting a major part of food needs of the developing countries also in the future.

10. The Commission further proposes that for all three products, only the minimum range targets be adopted as firm supply commitments for 1977. This means that in comparison with the actual 1976 tonnage, there would be no change in skim milk powder and butteroil next year, the increase in volume being reserved for cereals only.

11. As regards the two remaining years of the Programme, decisions concerning the size of the firm commitments within the range for each product would be taken in the immediately preceding years, i.e. in 1977 as regards 1978, and in 1978 for 1979. If necessary, the initial (1977) targets could then be moved upwards within the range.

12. In conformity with the principle mentioned in para 6 above, the quantities proposed both as minimum and maximum targets are relatively small compared to production, as shown in Annex Table 4. A possible exception is skim milk powder (7.7 % in 1977). In the latter case, however, one must take account of the existing very large stocks.

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- (1) These minimum targets correspond to figures proposed by the Commission in the draft budget for 1977 (see Annex Table 4).
- (2) For 1977, the exact figure in the case of cereals would be 1,643,500 tons of which 1,077,000 tons for the Community actions as in the First draft Budget for 1977.
- (3) Community actions only as at present.

13. The cost of the Programme as proposed for 1977 would amount to 273 Muc. This falls short of the figure proposed in the draft budget for 1977 (i.e. 303.75 Muc) which also included sugar (for UNRWA), "other products", and "other expenditure", not counted in the present proposal (see Annex Table 5), though proposed for inclusion in annual programmes.

CEREALS

14. The Programme's proposed indicative range for cereals is close to that originally suggested in the Commission's Memorandum, which at the time was endorsed by a number of Member states. The proposed minimum target figure for 1977 exceeds by 356,500 tons the total volume of cereals currently given by the Community and its Member states under the terms of the Food Aid Convention (See Annex Table 1). This increment was originally proposed in March 1975 (doc. R/473/75 (COMER 81) Relex 15) as a minimum additional contribution by the Community, necessary to match the efforts of other donors towards the achievement of the world food aid target of 10 million tons, set by the World Food Conference in November 1974.

15. The Commission maintains its proposal for an intensified food aid effort in cereals, advancing the following reasons. First, the food aid needs of the developing countries have certainly not declined since 1974. On the contrary, they are bound to increase before the currently contemplated special measures to raise food production - e.g. IFAD - begin to yield first results. Thus, the recent studies on the subject suggest that the cereal import requirements of the poorest developing countries as a whole may rise from 19 m.t. in 1972-74 to 50 m.t. in 1985⁽¹⁾. Moreover, the potential net cereal deficit of all the developing countries in 1985 estimated by FAO at the time of the World Food Conference to be of the order of 80 m.t.⁽²⁾ may well prove to be an underestimate. According to the latest findings⁽³⁾, a deficit of 100 m.t. "could well prove conservative". In fact, if the more recent trend in cereal production of the developing countries⁽⁴⁾ is used as a basis of projection, the cereal deficit of the developing countries as a whole may reach the staggering total of 200 m.t. p.a. by 1985⁽⁵⁾.

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- (1) World Food Council, WFC/16, 8 March 1976, Annex II.
 (2) And based on projection of the production trend of 1960-74, an average increase of 2.5 % p.a. to 1985.
 (3) By the authoritative International Food Policy Research Institute, Research Report N° 1, Feb. 1976, Meeting Food Needs in the Developing World.
 (4) E.g. the trend over the 1967-74 period, averaging an increase of only 1.7 %.
 (5) Ibid, para 3, page 2. These figures do not in any sense represent predictions or targets, but merely extrapolation of the past production trends. On the other hand, even with the record harvests of 1975, the trend of food production in developing countries from 1970 is below the average growth rate of the sixties and far below the growth in food demand.

16. Moreover, 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. This has been noted and criticised in various international fora.

17. Finally, a proposed increase in cereal aid, if offered in the wake of the recent decision to grant 200,000 tons of skim milk powder as food aid, would help to correct a widely held notion that, contrary to the claims of its various spokesmen, the Community's food aid policy is motivated primarily by the surplus disposal considerations, and not by the real needs of the developing countries.

18. It is further proposed that the increase of 356,500 tons in the present volume of cereal aid offered by the Community and its Member states in 1977, should be counted outside the Food Aid Convention⁽¹⁾, and that it should take the form of Community actions only. In 1977, national actions would remain at the levels recently agreed in the context of the extension of the Food Aid Convention, i.e. 566,500 tons.

19. As regards the two subsequent years of the Programme (1978 and 1979), the Commission proposes an approach which would not only resolve the question of the actual size of the first Programme, but would also settle the long standing issue of national versus Community actions in cereals.

20. This problem has in the past been dealt with on an ad hoc basis, in a rather unsatisfactory manner, usually as a by-product of discussions relating to the extension of the Food Aid Convention or to the difficulties

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(1) At least, during the next two years of the recently extended Convention.

facing particular Member states in this connection. The results obtained have often been in the nature of last minute compromises imposed on the Community by the time limit set for the signature of the Convention rather than based on objective analysis of the merits of the case.

21. To remove uncertainty attached to this procedure, and to reconcile the opposing views on the subject, the Commission proposes for the years 1978 and 1979 a measure allowing for both further "communitarization" of national actions in cereals, which it considers desirable for political reasons and on the grounds of greater efficacy of food aid operations⁽¹⁾, and full safeguards for the interests of those Member states which are known to attach a particular importance to their national actions.

22. This solution opens up a range of possible outcomes. At one extreme, the years 1978 and 1979 could conceivably witness full "communitarization" of cereal actions. At another extreme, the situation might follow the pattern of the past, whereby the proportion of Community actions increased by a few percentage points each year or less as in 1976, while meeting the growing resistance of the proponents of national actions.

23. The desirable outcome in the view of the Commission lies in between these two extremes, the ultimate size of the Community actions in 1978 and 1979 over and above the proposed initial(1977) volume of 1,077,000 tons depending on

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(1) Such as the removal of delays in preparation and implementation of annual programmes, better co-ordination of food aid deliveries, greater coherence in allocating food aid among countries and institutions, and a more rational selection of the source and nature of particular cereals within the Community.

the degree of importance attached by each Member state to its own national actions and on their freedom and willingness to convert national into Community actions.

24. The Commission 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.

25. By 1979, a further step in the same direction could take place. This would allow for different degrees of further "communitarization", while leaving the hard core of national actions as they are at present.

SKIM MILK POWDER

26. Apart from the large needs for direct consumption in many developing countries, the case for increasing food aid in skim milk powder, or for maintaining it at least at the 1976 level of 150,000 tons p.a., rests on the fact that an assured, high level of food aid in that product is often a pre-condition for securing other necessary investments in the dairy industry itself and in the related infrastructure, such as the local collection and distribution system, quality control, construction of feeder roads, retail outlets, etc....

27. In these circumstances, food aid in skim milk powder can be extremely useful not only in meeting immediate consumption requirements, which is the principal objective of all food aid, and as a development resource of

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some importance in itself, but also as a catalytic agent stimulating a wide range of associated development activities and investments⁽¹⁾. It is a case of supply creating not only its own demand but also contributing to maintain it subsequently, after the cessation of food aid in the years to come.

28. Moreover, with the high productive capacity⁽²⁾ of the European dairy industry and in view of the skim milk powder stocks in Europe which are currently of the order of 1.3 million tons, food aid in that product is not as costly as it might otherwise appear, simply because the alternative measures of satisfactorily dealing with unsaleable supplies, such as utilization of dried skim milk in livestock feeding, indefinite stocking etc..., have their costs too.

29. For that reason, food aid while being of unquestionable benefit to the recipient countries should not be regarded as a simple act of charity, and this should not be overlooked when considering the desirable size of food aid in skim milk powder in the existing circumstances.

30. The indicative range selected for skim milk powder in the context of the present proposal represents as realistic an assessment as possible of both the absorptive capacity of the developing countries, based on the experience gained in the preparation of the enlarged 1976 programme, and the likely availability within the Community of skim milk powder supplies during the 1977-79 period. The lower limit of the range corresponds to the tonnage offered as food aid in 1976. It falls short of the requests received and is far below the peak level, reached in the early 60's, when world skim milk aid shipments averaged 250,000 tons p.a.

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(1) As demonstrated in International Scheme for the Coordination of Dairy Development, sponsored by FAO in recent years.

(2) Which is different from that for cereals as a whole, where the EEC remains a net importer.

BUTTEROIL

31. The indicative target figures for butteroil represents a conservative estimate of the absorptive consumption capacity of the developing countries, and of the technical possibilities of the European industry to transform butter into butteroil. The size of the proposed range is the same as originally given in the Memorandum. It means the continuation of the same food aid tonnage as that offered in 1976.

ANNEX
TABLE 1

PROPOSED PRODUCT RANGE FOR CEREALS, 1977-1979

<u>1977</u>	Total		1,643,500 t
	Community	1,077,000 t ⁽¹⁾	
	Member states	566,500 t	
<u>1978</u>	Total		1,650,000 t
	Community	1,214,550 t ⁽²⁾	
	Member states	435,450 t	
<u>1979</u>	Total		1,650,000 t
	Community	1,308,550 t ⁽²⁾	
	Member states	341,450 t	

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

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

ANNEX

TABLE 2

PRODUCTION OF CERTAIN FOOD COMMODITIES IN THE EEC COMPARED WITH VOLUME OF EEC FOOD AID

1,000 T

Commodity	P R O D U C T I O N			Food aid granted in 1975 and % of 1975 production	Food aid proposed for 1977 and % of 1975 production
	1973	1974	1975		
CEREALS	105,954	108,226	97,084	1,287 1.3 %	1,643.5 1.7 %
of which WHEAT	41,451	45,388	38,115		
SKIM MILK POWDER ⁽²⁾	1,734	1,757	1,935	55 2.8 %	150 7.7 %
BUTTER ⁽²⁾	1,742	1,603	1,659	55 ⁽¹⁾ 3.3 %	55 ⁽¹⁾ 3.3 %

(1) 55,000 t of butter, or ± 45,000 t butteroil

(2) For these commodities Community stocks on 1/9/75 amounted to :
 • 997,242 tons for milk powder
 • 265,468 tons for butter

Source : EUROSTAT - STATISTIQUES AGRICOLES 3/1976

ART.	POSTE	INTITULE	QUANTITES	PRIX MONDIAUX MATERIE PREMIERE ET COUT TRANSPORT UC/T	TOTAL	CREDITS A INSCRIRE
			T		MUC	MUC
920	9200	<u>Aide Alimentaire en céréales</u>	-	-	5,00	5,00
	9201	- <u>Programmes antérieurs à 1977</u> - <u>Programme 1977</u> Matière première: 1.077.000 (1) dont: 1.027.000 t sous forme de céréales autres que riz 50.000 t sous forme de 25.000 t de riz décortiqué rond <u>Transport</u>	1.027.000 25.000 600.000	121 233 44	124,27 5,83 26,40	156,50
921	9210	<u>Aide Alimentaire en produits laitiers</u>	-	-	-	P.M.
	9211	- <u>Programmes antérieurs à 1977</u> - <u>Programme lait écrémé en poudre 1977</u> Matière première <u>Transport</u>	150.000 110.000	271,2 165	40,70 18,15	58,85
	9212	- <u>Programme Butteroil 1977</u> Matière première <u>Transport</u>	45.000 35.000	1.153 180	51,89 6,30	58,19
922	9221	<u>Aide Alimentaire en Sucre</u>	-	-	-	P.M.
	9222	- <u>Programmes antérieurs à 1977</u> - <u>Programme 1977</u> Matière première <u>Transport</u>	10.000 10.000	325 96	3,25 0,96	4,21
923		<u>Aide Alimentaire en autres produits</u>	-	-	20,00	20,00
924		<u>Autres dépenses</u>	-	-	1,00	1,00
TOTAL DU CHAPITRE 92						303,75

(1) Dont 720.500 tonnes au titre de la Convention d'Aide Alimentaire (55,98 % de 1.287.000 tonnes)
 et 356.500 tonnes sur la base du Memorandum de mars 1974.

3 YEAR INDICATIVE FOOD AID PROGRAMME, 1977-79

FINANCIAL STATEMENT

(Financial years : 1977, 1978, 1979)

A. INTERVENTION APPROPRIATIONS

1. RELEVANT BUDGET HEADINGS

920, 921

2. TITLES OF RELEVANT HEADINGS

920 : Food aid in cereals

921 : Food aid in milk products

3. LEGAL BASIS

Cereals : 1971 Food aid convention

Milk products : EEC Treaty, arts. 43 and 113
Council Regulation 804/68

Forward planning : Council Decision of 9.6.1976 (S/958/76(GCD 23)
Relex 19)

4. DESCRIPTION PURPOSES AND JUSTIFICATION OF ACTION

Implementation for the three years 1977-79 of the decision on forward planning of food aid, including

- the determination of the total size of Community aid in cereals, skim milk powder and butteroil for the three year period,
- the allocation of cereals aid between Community and Member states.

5. APPROPRIATIONS

- Annual Breakdown

	<u>1977</u>	<u>1978</u>	<u>Mua</u> <u>1979</u>
Minimum	273	290	310
Maximum	429	450	465

Details are given in the attached table.

- Method of Calculation

In line with the Council's statement, the programme has been expressed in terms of quantitative ranges. The budgetary evaluation has been worked out at constant prices (those used for 1977 budget forecasts); in view of doubts surrounding the future trends of world agricultural prices, no attempt has been made to forecast

actual prices for 1978-79. The 1976 prices used are based on EEC internal prices, less export refunds, plus delivery to fob stage and, for a certain proportion, transport and distribution costs.

6. PLANNED CONTROL SYSTEM

Financial regulation dated 25.4.73 for the general budget of the Communities.

B. ADDITIONAL INFORMATION

7. TOTAL COST OVER PLANNED PERIOD

(see point 5)

8. PERSONNEL AND ADMINISTRATIVE APPROPRIATIONS REQUIRED FOR IMPLEMENTATION

Implementation will for the time being be carried out by existing staff.

9. FINANCING

The programme will be financed from the general budget of the Communities.

INDICATIVE PROGRAMME FOR EEC FOOD AID
EVALUATION FOR FINANCIAL YEARS 1977-1979

	1977		1978		1979 (1)	
	Mt	Mua	Mt	Mua	Mt	Mua
<u>A. MINIMUM TARGETS</u>						
Cereals	1 077	156	1 215	173	(1 280 or 1 309 or 1 350	186) or 193) or 196)
Skim Milk Powder	150	59	150	59	150	59
Butteroil	45	58	45	58	45	58
Total		<u>273</u> =====		<u>290</u> =====		<u>303 or 310 or 313</u> =====
<u>B. MAXIMUM TARGETS</u>						
Cereals	1 934	277	2 065	298	(2 130 or 2 159 or 2 200	310) or 313) or 318)
Skim Milk Powder	175	68	175	68	175	68
Butteroil	65	84	65	84	65	84
Total		<u>429</u> =====		<u>450</u> =====		<u>462 or 465 or 470</u> =====

(1) The increase in appropriations for Community food aid over the period is the result of an assumed reduction in national cereals actions (1977, 566 500 t; 1978, 453 450 t; 1979, 351 450 t).

(2) These figures correspond to the first draft of the 1977 budget.