

I

(Information)

COURT OF AUDITORS

SPECIAL REPORT No 6/87

on

food aid supplied to India between 1978 and 1985
 (Flood II operation)
 accompanied by the replies of the Commission
 (88/C 31/01)

(Observations pursuant to Article 206a (4) of the EEC Treaty)

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1. INTRODUCTION

the food shortage which the recipient country is suffering from and which the Community wishes to remedy.

Objectives and general principles of Community food aid

1.1. The food aid that has traditionally been granted by the Community is intended for situations where a food shortage of a non-emergency nature is to be alleviated in a country with an adequately developed monetary economy. The objectives of this type of measure, as set out in Council Regulations (EEC) No 2750/75 and 3331/82 of 29 October 1975 and 3 December 1982 respectively ⁽¹⁾ on food aid policy and food aid management, include the following: 'to raise the standard of nutrition of the recipient peoples', and 'to contribute towards the balanced economic and social development of the recipient countries'. Article 2 (3) of Regulation (EEC) No 3331/82 stipulates that 'The granting of food aid shall, if necessary, be conditional on the implementation of annual or multi-annual development projects, priority being given to projects which promote the production of food in the recipient countries. Where appropriate, the aid may contribute directly to the implementation of such projects. This complementarity may be ensured through the use of counterpart funds where the products supplied by the Community as aid are intended for sale.'

1.2. The pursuit of these objectives presupposes that the products supplied as aid should be sold in the recipient country at prices such that, when they are placed on the market, they do not undercut locally produced products and thus do not act as a disincentive to the efforts of local farmers. In addition, the proceeds of such sales must be entirely devoted to development projects which are capable, immediately or in the longer term, of eliminating

Specific objectives of the Flood operation

1.3. At the end of the 1960s, surplus Community dairy products were given to India through the World Food Programme (WFP), to be sold to dairies in the public sector in Bombay, Calcutta, Delhi and Madras and then reconstituted with local milk. The proceeds of these sales were to be used to develop, intensify and restructure the system for producing, processing and distributing milk to these four large urban centres. This project, known as Flood I, should have been completed around the middle of 1975. It took until 1981, thus overlapping for three years with the Flood II project, which started in 1978. Although Flood I took more than twice as long to complete as expected, the total expenditure was only 23 % above the estimates. All the same, expenditure on processing installations accounted for 54 % of the total, i.e. twice the estimated figure.

1.4. Flood II consolidated Flood I and extended it to the whole country, thanks to a loan from the World Bank's International Development Association (IDA) and direct aid from the Community. The Commission, in fact, in response to a request from the Indian Government, submitted a communication to the Council requesting that when it came to take a decision on the granting of food aid to India for the year 1978 it should recognize 'the advisability of ensuring that the entire Flood II operation was given the continuity necessary for the realization of its objectives'. After consulting the Parliament, the Council decided in April 1978 to supply the food aid requested by India and at the same time undertook to renew the supplies annually up to the end of Flood II. The end of the operation was initially fixed for 1985, but has finally been extended, by a succession of decisions, until 1987. In so doing, the Community was adopting, in addition to the general objectives of Community food aid operations, the specific

⁽¹⁾ The footnotes appear together at the end of the report.

objectives of the Flood II operation, of which the main ones had been submitted to it in the above communication in the following terms:

- (a) to improve the living conditions of 10 million families of milk producers by adding 13 million litres of milk per day to the cooperative dairy industry's processing capacity of 6,36 million litres of milk per day (mlmpd);
- (b) to create a milk distribution network covering 142 cities with more than 100 000 inhabitants;
- (c) to create the necessary infrastructure for carrying out programmes to promote dairy production, such as artificial insemination, vaccine production, the manufacture of compound foodstuffs, etc;
- (d) to obtain a nutritionally balanced diet by raising daily milk consumption to 180 grams per inhabitant.

1.5. The Community food aid was intended to help to enlarge the market for milk and dairy products and thus to stimulate increased local production, to the point where it would gradually replace the foodstuffs supplied by the Community aid. It was estimated that dairy products from the Community would no longer be needed after 31 March 1984.

1.6. Public opinion perceived the Flood operation as having other, still more ambitious, objectives, such as providing the poorest farmers with substantial supplementary resources and giving the most indigent sections of the Indian population regular access to the consumption of dairy products. Whatever the light in which the Flood operation was perceived by public opinion, however, the Court's appraisal of the results achieved was carried out exclusively from the point of view of the general objectives of Community food aid and the specific medium-term objectives of the Flood II operation.

Reproduction of the 'Anand' model

1.7. The Flood operation was intended to lead to the spread, throughout the Indian subcontinent, of the model provided by the 'Anand' cooperative of milk producers (described in the Annex), which was founded in 1946 and

which takes its name from the town in the State of Gujarat in which it is situated. By 1965 this organization was so successful that a 'National Dairy Development Board' (NDDB) was set up in Anand, under the chairmanship of the cooperative's general manager, with the task of encouraging imitation of the cooperative model.

1.8. The 'Indian Dairy Corporation' (IDC), which is owned by the State of India, was set up in the same region in 1970 to promote and finance the development of dairy production. Its function is to sell the dairy products supplied under the aid arrangements, to use the proceeds of sales in the Flood operation and to administer a pool of local and imported dairy products for the purpose of producing reconstituted milk. It is also involved in dairy machinery wholesaling and in the import and export of dairy cattle. It shares its chairman, who originally came from the 'Anand' cooperative, and its board of directors with the NDDB, which has provided a large number of technical support services since 1965, and with which the IDC is generally considered to be jointly responsible for the project. In the States and territories of the Union of India the measures provided for under Flood II are implemented by existing or newly created cooperative federations of dairy producers.

Sources of information

1.9. Official statistics on the dairy industry in India are rare and not very reliable. There are no definite data by which to measure variations in milk production and consumption. There is a limited amount of independently collected information on the organized dairy sector, and the non-organized sector, which is much larger, remains an almost total mystery as regards milk production, milk yields and the production of dairy products. Any organization that tries to carry out an appraisal [WFP/FAO (Food and Agriculture Organization), WB, (World Bank)/IDA, the EEC, or even the Indian Government] experiences difficulty in comparing the data supplied by the IDC/NDDB with reliable independent data. The Court, however, has used the most varied and least controversial sources of information, in order to reduce the uncertainty attaching to some of them, supplemented by its own on-the-spot observations (particularly of prices).

1.10. The accounts of the IDC and the NDDB are audited by local auditors appointed by the Comptroller General for the Union of India. Flood II does lay down some procedures for inspecting the unions and federations of dairy cooperatives, but in the majority of States they have not been implemented.

1.11. The amounts in rupees given in this report are expressed in 'crores' (1 crore = 10 Mio). For the period

under consideration, 10 Mio rupees (1 Cr Rs) were approximately equivalent to 1 Mio ECU, although there were fluctuations in the exchange rates.

2. ORIGIN AND USE OF FUNDS IN THE CONTEXT OF THE FLOOD II OPERATION

Total resources

2.1. *Table 1* summarizes the information provided by the IDC financial statements. As the proceeds of EEC food aid to Flood II call for more detailed treatment, information concerning finance from other sources is given first. Item 2.1 of *Table 1* refers to the World Bank IDA credit for Flood II, which was made available to the IDC by the Indian Government in the form of a loan. As the counterpart funds from the sale of Community gifts have never even come close to being utilized in their entirety (see paragraph 2.9), they have made it possible for the IDC to prefinance the measures covered by the IDA credit, which is made available according to the expenditure effected, without any need for borrowing.

2.2. A substantial part of the credits granted during the two phases of the Flood operation were transmitted to cooperative organizations in the various States and territories of the Indian Union in the form of loans, which are obviously repayable, so that the IDC has gradually come to have considerable funds available for re-investment. Item 2.3 in *Table 1* shows that the IDC received for Flood II a total of 67 Cr Rs in repayments and interest on loans derived from Flood I.

Resources derived from Community food aid

2.3. The sale on the Indian market of food aid supplied by the Community was to provide the main part of the resources needed for the Flood II operation. The value of the quantities granted at world prices is shown in *Table 2*.

2.4. As regards the quality of the products supplied, except for one instance where, in 1982, India received 5 000 tonnes of skimmed-milk powder older than that specified in the supply agreement (7 to 8 months instead of 6), there has been no record of major discrepancies between the quality of the aid announced and of that made available to

Table 1 — Source and utilization of funds in Flood II

	(Crores of rupees)	
	Estimated as at June 1985 ⁽¹⁾	Situation at November 1985
Revenue		
1. Generated by EEC food aid to Flood II		
1.1. (Standard) counterpart value	240	261
1.2. Surplus from Pool reserve at 31. 3. 1985 ⁽²⁾	—	89
1.3. Interest on bank deposits	—	87
		437
2. Other sources		
2.1. IDA loan (via Government of India)	173	109
2.2. Subsidy from Government of India	—	4
2.3. Reimbursement of loans from Flood I (38) and interest (29)	72	67
		180
Total estimated revenue	485	617
Expenditure		
3.1. Expenditure on projects ⁽³⁾	485	325
3.2. Net expenditure on other Government of India projects	—	13
		338
Surplus of revenue over expenditure		279
Cash at bank at 30. 11. 1985		239
Difference ⁽⁴⁾		40

⁽¹⁾ A memo from the Commission, COM(77) 541 final, gives 270 Mio USD for the EEC, and 200 Mio USD for the IDA, Flood I recycling 80 Mio USD.

⁽²⁾ Latest available figures.

⁽³⁾ Analyses in Tables 1 and 2.

⁽⁴⁾ Mainly IDA loans and advances.

Table 2 — Community aid at world prices

Years	Quantities (1 000 t)			Value at world prices including transport (1 000 ECU)
	Skimmed-milk powder	Butteroil	Vegetable oil	
1978	31 000	12 700	—	30 394
1979	31 000	12 700	—	33 429
1980	31 000	12 700	—	36 090
1981	36 000	12 700	—	72 325
1982	31 000	12 700	—	64 624
1983	35 000	11 200	500	64 140
1984	27 000	7 000	1 000	52 757
1985	20 000	5 000	—	35 905
Total	242 000	86 700	1 500	389 664

the country. This fortunate situation is primarily due to the fact that the aid is made available to India at the f.o.b. stage. India therefore takes delivery of the products at the Community ports and is responsible for the transport of the aid; it is therefore in India's own interest to take care about transport and checking the quality of the products before they are loaded. The IDC/NDDDB appointed a qualified agent in Brussels for this purpose, with responsibility for monitoring the quality of the aid supplied in Europe. Since then India has never had to complain about major quality problems.

2.5. Item 1.1 in *Table 1* shows the counterpart value of Community aid, namely 261 Cr Rs, which the Indian authorities accept is to be invested in the Flood operation. For that purpose they have applied to the quantities received and marketed a standard value, which the Commission has tacitly accepted. This standard value was fixed in 1978 at a price close to the world price, but has gradually moved further and further away from it because of inflation and now no longer corresponds at all to the prices actually ruling on the Indian market. The Court, by placing the accounting surplus of 89 Cr Rs shown in the reserve of the marketing pool under heading 1.2, wishes to draw attention to the fact that the actual proceeds of the sale of Community food aid totalled at least 350 Cr Rs, and may be even higher, inasmuch as information obtained on the spot indicates that these selling prices are around double the standard value mentioned above. In this respect, the Pool's reserves are a further source of funds, in addition to those which accrue when the sums which the Indian authorities acknowledge as being earmarked for investment as part of the Flood operation (see paragraph 2.9) are not used quickly.

2.6. But above all the recognized counterpart value is very much lower than 'the prices normally charged ... for products of comparable quality' as stipulated in the standard 'general conditions' included in the annual delivery contracts signed by the Indian Government. Local market prices are around three times the standard value, and had the Community aid distributed been valued at the purchase price of local products, it would have cost the

States' cooperative federations approximately 650 Cr Rs. It is clear that the Indian authorities have taken advantage of the Community donation and supplied the dairies at low cost with products which are in fact subsidized, thereby encouraging some reduction in marketing prices, and consequently exerting downward pressure on the prices of local products at the production stage.

2.7. The Community principles applicable to counterpart funds would have required the products to be sold at these local prices, in order to avoid any risk of disrupting the Indian domestic market, and the receipts should have been credited to the counterpart account in full. In this way, 650 Cr Rs would have been available for investment in the Flood operation by way of Community contribution.

2.8. Although the initial estimates were for 485 Cr Rs at mid-1985, the total expenditure associated with the project at 30 November 1985 was only 325 Cr Rs, of which 153 Cr Rs represented measures to be financed by the IDC and the Indian Government and 67 Cr Rs recycled funds from Flood I. This therefore left only 105 Cr Rs to be financed from the proceeds of the sale of Community aid, i.e. 40 % of the standard value of the quantities sold by the IDC.

2.9. As the Community aid generated funds far more quickly than they could be spent, the IDC was able to accumulate very substantial bank balances, yielding a total of 87 Cr Rs in interest (item 1.3 of *Table 1*). This is wholly attributable to the Community financing, as there are no advance payments in the case of the expenditure financed by the IDA and the Indian Government: on the contrary, they operate by reimbursing expenditure. It is therefore clear that the sale of Community aid has led to the accumulation of very substantial sums (150-200 Mio ECU during the period of Flood II) which were not immediately used for development purposes.

Expenditure on each type of measure

2.10. *Table 3* contains a comparison between the expenditure budgeted for and actual expenditure on each type of measure. As in the case of Flood I, actual expenditure is centred on processing capacity.

2.11. The five types of measure, which are implemented by federations of dairy cooperatives in the States or territories of the Union, represented, as at 30 November 1985, 77 % of the total. In 1984-85, 32 % of the milk collection and processing potential and 33 % of total milk consumption was to be found in Gujarat. Milk powder production was even more concentrated, 42 % of capacity and 64 % of production being located in Gujarat. One-sixth of the total capacity of all projects relating to dairies and milk powder plants in the course of execution as at 31 January 1985 was also located in Gujarat, the dairy-oriented State from which the Flood operation evolved. In the same way, the other States in which the Flood operation has expanded fairly rapidly are either regions which are naturally suited for dairy production or regions close to large consumer centres — Madhya Pradesh and Punjab with New Delhi, Maharashtra with Bombay, and Tamil Nadu and Andhra Pradesh with Madras. On the other hand, despite the existence of Calcutta, the Flood operation is only expanding very slowly in West Bengal.

Measures to assist production
(See point 8 of *Table 3*.)**Characteristics of production in India**

2.12. The inhabitants of India, who represent more than 15 % of the world's population, live on 2,5 % of the earth's surface. Although it possesses only 0,5 % of the world's pasture land, India takes third place in world milk production, with about 18 % of the world's livestock producing around 6 % of global milk output. Most of the crops cultivated require the use of draught animals and, in the countryside, products are virtually always transported by ox-carts, with the result that the zebu's main function is to produce oxen and not milk for the population. The animal which is normally specialized in milk production is the cow-buffalo, which produces twice as much milk with a much higher fat content and male offspring which are only really suited for work in the rice fields. An estimate made in 1981 showed that 54 million cows produced 42 % of the milk in India, whereas half the number of cow-buffaloes produced 55 %. There were 73 million oxen, however, compared with only 8 million buffaloes.

2.13. Half the farmers possess less than a hectare of arable land each, altogether representing less than 9 % of

Table 3 — Expenditure on each type of measure — Flood II
30 November 1985

Measure	Description	Expenditure budgeted for 1978-85		Expenditure incurred as at 30 November 1985		
		Cr Rs	%	Cr Rs	% of actual total	% of measures scheduled
1	Transport and processing capacity (*)	150	31	151	46	101
2	Technical inputs for milk production (*)	109	22	39	12	36
3	Milk marketing (*)	54	11	26	8	48
4	Support for village cooperatives	65	13	15	5	23
5	Planning, information, training and research (*)	18	4	19	6	106
6	Implementation of projects	27	6	8	3	30
7	National dairy network	35	7	18	6	51
8	Support for infrastructures to monitor disease and expansion of dairy production	26	5	24	7	92
9	Supplementary food programme	3	1	(0,7)	—	24
10	Central Pool of dairy equipment (for measures 2, 3 and 5)	—	—	24	7	—
	Total	487	100	325	100	67

(*) Measures 1-5 are carried out by local federations.

the total. The 15 % of farmers who each have more than four hectares of arable land own 61 % of the agricultural land. The distribution of cattle ownership is not quite as asymmetrical as that of land ownership. Nevertheless, the All India Rural Debt and Investment Survey established that the poorest 20 % of farmers own less than 5 % of the country's dairy livestock. According to the IDC, the average income of producers accruing from sales of milk in 1984-85 was 1 716 Rs per annum (\pm 170 ECU). It is beyond doubt that many milk producers who are members of cooperatives (perhaps $\frac{2}{3}$ of them) earn less than 1 000 Rs (\pm 100 ECU) per annum by selling their milk.

2.14. Cattle in India subsist for the most part on very poor-quality fodder. Even in regions with a high milk production, little green fodder is cultivated and only 4 % of land under cultivation in India is assigned to this crop. Agricultural waste, primarily fibrous straw, is generally supplemented by small quantities of oil cake and green fodder. Draught animals are usually better fed than cows, as the farmer gives priority to crops intended for consumption by the family or for sale.

Stage reached in attaining the objectives of the Flood operation

2.15. In 1985, Flood II accounted for around 6 % of India's milk production, i.e. less than one-third of its initial objective; this objective of 18,3 million litres per day has now been carried forward to 1990 (Flood III). The findings made by the Court during an on-the-spot inspection show, in a limited number of cases (about a dozen, in Gujarat, Andhra Pradesh, Tamil Nadu, Pondicherry and Kashmir), that the price paid to the producer is in the region of 2,80 Rs per litre, whilst the price of milk to the consumer is itself about 4 Rs. The sum of 2,80 Rs is likely to vary, from one State of the Union to another and according to the season, within a range of about 20 %. The statistical information available bears out the plausibility of these findings.

2.16. In view of the high elasticity of consumption in relation to prices, any attempt to increase the profits of producers by increasing consumer prices will only have the effect of reducing sales. New products may offer some opportunities for expansion, limited to the most advanced district cooperatives (the NDDDB and the Anand cooperative are experimenting with the manufacture of various puddings and confectionery). Nevertheless, the economic restraints represented by the reduced scale, high production costs and the low income of consumers are likely to restrict future development of the Flood operation. There is a real risk that, in coming years, the cooperatives will find

themselves confronted with insufficient effective demand to absorb the production of all their members.

2.17. The initial form of the Flood operation and a number of documents drawn up by the IDC/NDDDB emphasize the fact that the measures supposedly benefit small farmers, peripheral farmers and farm hands. However, the existing studies do not provide enough evidence to give a full answer to this question. Some of them, indeed, seem to show that when the underprivileged members of a rural community are allowed loans with interest-rate subsidies they do not then acquire animals of the best quality or the means to feed them in an appropriate manner. A landless or peripheral farmer rarely has enough capital to purchase high-quality animals and abundant cheap fodder throughout the year. In the light of fodder and capital requirements, larger-scale milk producers have a real advantage. Even in Gujarat, the programmes subsidized by the Government and those implemented by non-governmental organizations (NGOs) to help poor peasants to set up as milk producers have had only very limited success.

2.18. Within the context of Flood I, the increase in production, for which no specific objective was announced, was based on the assumption that the yields of dairy livestock would be increased through better feed (increased volume and/or quality of fodder crops and production of concentrated feed), the improvement of medical services (by means of a veterinary care programme and an emergency service reserved for members of the cooperatives) and the upgrading of cattle through the selection and interbreeding of zebu with foreign animals with higher yields, by means of artificial insemination. The Flood II operation was to extend these measures to the entire country; it planned to set up, out of the 34 million animals which the cooperative system was to cover, a 'national dairy herd' comprising 15 million upgraded cows, in order to give decisive new impetus to national dairy production.

Yield of dairy livestock

2.19. The IDC's 1984-85 annual report mentions the rapid increase in Flood milk collections over the last four years and, whilst acknowledging that it 'is partly due to the extension of the areas and the growth in the number of farmers concerned', it refers to studies carried out by the Indian Institute of Public Opinion in March/April 1984 in 17 rural dairy areas covered by the Flood I operation. According to these studies, 'the increase of over 25 % in the yield per animal between 1977 and 1984 is the greatest benefit derived from the extension of 'Anand-type cooperatives'. This corresponds, however, to an annual rate of increase of less than 3,5 %, resulting from the combined effects of a guaranteed market for producers'

milk and the Flood measures to encourage production in the regions where these measures have been implemented most intensively. Furthermore, this rate is lower than that of the average increase claimed for total milk production in India, i.e. 4 % per annum from 1971/72 to 1982/83. It is therefore probable that the Flood operation has not had any noticeable effect on the average yield of dairy livestock. The increase in Flood collections hardly represents an appreciable increase in production due to the project, but primarily a transfer of stocks from other public or private operators in the dairy sector.

2.20. *Table 4* outlines the implementation of the Flood II operation in the case of three types of measure to encourage production (organization of veterinary services, improvement of the breed through artificial insemination, production and sale of cattle fodder).

Veterinary services

2.21. A regular veterinary service and an emergency service attached to each cooperative provide the milk producers involved in the Flood operations with valuable assistance; these services are free of charge or inexpensive. However, 16 000 village cooperatives included in the Flood operations (41 % of the total) still do not have access to veterinary services. The proportion of cooperatives with such a service varies considerably, even among the largest States — from more than 80 % in Kerala, Punjab and Uttar Pradesh to less than 20 % in Andhra Pradesh and Haryana.

Foot-and-mouth disease

2.22. There is no doubt that foot-and-mouth disease, which is endemic in India, has serious effects on dairy livestock; within the context of the Flood operation, this problem started to attract attention in 1978. The United Kingdom contributed towards the installation in Hyderabad of an IDC-run unit to produce a commercial vaccine against foot-and-mouth disease, by paying approximately 4 Cr Rs towards the estimated cost of 18 Cr Rs. Three factories (also drawing upon the knowledge of foreign specialists) were already operating at less than 25 % of their production capacity. Although it may be necessary in the long term to exploit the capacity of a fourth factory, there was no overriding need in the immediate future to invest the IDC's resources in this way.

Artificial insemination and the 'national dairy herd'

2.23. The objective of the artificial insemination programme implemented by the Flood operation is to produce

a 'national dairy herd' of upgraded cows (interbred with foreign breeds) and selected cow-buffaloes. The interbreeding policy was launched on a large scale, without any tests first being carried out to compare the advantages and disadvantages associated with the introduction of foreign breeds. Cow-buffaloes and the native livestock are acknowledged to be capable of effectively transforming poor-quality fodder into milk with a relatively high fat content. Cow-buffaloes are preferred in the regions where Flood is most well established, particularly in Gujarat and Tamil Nadu. A minority of the members of the cooperatives has chosen to invest in cows crossed with foreign breeds which require a high standard of care and provender in order to achieve their high production potential. In 1984, in 17 of the rural dairy areas covered by Flood I, only 4,4 % of the animals were products of interbreeding. At 30 September 1985, the records of results of the artificial insemination programme showed 760 620 upgraded heifers, whereas the initial estimates referred to 15 million.

Technical inputs for milk production (See points 2 and 9 of *Table 3*.)

Green fodder

2.24. India has for a long time suffered from a shortage of green fodder, which has resulted in high local prices for this commodity. The World Bank's report for 1978 pointed out that 'in view of current prices and foreseeable price increases, it is entirely in the farmers' interest to cultivate, rather than purchase, all the food products required for their cattle'. The availability of grass or fodder in sufficient quantities is in fact the only determining factor for the milk producer.

2.25. The Flood operation aimed to improve the quality and increase the quantity of green fodder by offering selected seeds. However, only large-scale farmers and those whose land is irrigated can cultivate fodder plants or grow them as a catch crop. Small producers do harvest wild fodder plants, but most of the provender of dairy livestock consists of straw and other agricultural waste.

Concentrated feed

2.26. India exports 1 Mio tonnes of oil cake per annum (about $\frac{1}{3}$ of the quantity extracted nationwide from oilseeds), largely to feed overproductive European cattle. The relative weakness of local purchasing power is also reflected in the under-utilization — except in Gujarat and

Table 4 — Project to expand milk production in Flood II

Dairy cooperatives existing as at Sept. '85	Veterinary service		Artificial insemination		Calves born of upgraded females 30. 9. 85 (1 000)	Balanced feed for cattle				
	Dairy cooperatives covered as at Sept. '85	% of dairy cooperatives	Dairy cooperatives with artificial insemination as at Sept. '85	% of dairy cooperatives		Plant capacity in tonnes per day 30. 3. 85	Tonnes produced 1984-85	% of annual plant utilization (1)	Dairy cooperatives selling feed 30. 9. 85	
39 486	23 407	59	8 254	21	760,6	3 289	384 884	47	19 591	50
									units	%

(1) Operating 250 days.

Table 5 — Development of cooperative organizations in the Flood operation

Flood II operation											
Dairy zones covered	Dairy cooperatives organized (number) (2)	Dairy zones (units)			Dairy cooperatives (units)			Members of cooperatives (1 000)		Average number of members per cooperative	
		Planned (3)	Covered as at Sept. '85	Results %	Planned (3)	Progress as at Sept. '85	Results %	Planned (3)	Progress		
25	10 069	175	146	83	70 356	39 486	56	10 192	3 995	39	101

(1) Source: WFP, FAO, Government of India, September 1979 audit visit report.

(2) Including 1 284 cooperatives covered by Flood I outside the Anand system (Gujarat 4, Haryana 124, Maharashtra 457, Punjab 21, Tamil Nadu 457).

(3) The total includes the Mizoram plan (no results) — one dairy zone, 30 dairy cooperatives, 1 000 members.

Punjab — of the factories manufacturing balanced feed for cattle which were set up under the Flood operation (see *Table 4*). This under-utilization seems to stem from milk producers' inability to afford the prices asked, rather than from the local availability of alternative concentrated feed.

2.27. As at 31 March 1985, factories manufacturing balanced feed for cattle with capacity for producing 3 289 tonnes per day had been constructed under the Flood operation. The capacity of the current projects was 800 tonnes per day. Two-fifths of the factories that were operating were located in Gujarat, where 76 % of the capacity was used. The annual rate of utilization was 75 % in Punjab and only 47 % in Maharashtra. In the 10 other States with such plants, the rate of utilization was between 10 and 32 %.

Producers' organization

2.28. Whereas the Flood I operation aimed to extend the Anand-type cooperatives to the district unions in the rural dairy zones which supply the public-sector dairies on the markets of the four large urban centres, the Flood II operation was intended to introduce the three-tier structure of the Anand model at federation level, and in theory over the entire territory of India. The two phases of the Flood operation were designed to enable cooperative dairies of other types and the public-sector dairy concerns to be absorbed and converted into dairies organized along the lines of the Anand model.

2.29. *Table 5* sets out the development of the cooperative organization in the context of the Flood operation. The planned objective in terms of members recruited was achieved in only 39 % of cases under Flood II.

2.30. Unlike the Anand cooperative, which developed under propitious circumstances over a period of 25 years before the Flood operation, completely new federations and unions have been set up, in which the employees, who are nominated by the local or regional political authority, take decisions for which the producers' representatives should be answerable. This may be an inevitable and temporary consequence of the political decision to extend the Flood operation rapidly, but the fact remains, nonetheless, that the higher levels of the cooperative structure hardly play more than a symbolic role. In the villages, however, the cooperatives reflect the traditional structure of land ownership, and this gives them a solid basis.

2.31. The strength of the system, in comparison with the traditional method of selling milk, lies, on the one hand, in the fact that the producer is assured of selling his entire

output at a reasonable price, without any great seasonal fluctuations, and, on the other hand, in the fixing of prices which encourage the pursuit of quality and which, due to the modern and efficient processing and marketing of the product, offer the consumer the guarantee of value for money. Nevertheless, the slow rate at which the collection objectives are achieved is such that other forms of producer/consumer relationship offer many producers comparable advantages.

2.32. The Flood cooperatives do not make loans to their members, even for the purchase of dairy cattle. Although a number of small milk producers have had access to loans granted by credit institutions for the purchase of cattle, sometimes accompanied by generous government subsidies, the percentage of defaulting borrowers has been high, often because they lack sufficient resources to feed the animals they have purchased and to care for them properly.

2.33. The Anand model calls for the village cooperative to make daily payments to the farmer, but many cooperatives did not have sufficient resources to make this payment and were therefore at a disadvantage as compared with private milk-collection firms. In 1981, the IDC started to grant loans for working capital to the unions and federations, at first in return for stocks of dairy products and then in the form of unsecured advances. In spite of these loans, the Anand system of daily payments to farmers has not yet become general practice. It nevertheless constitutes a major incentive to join cooperatives and the project officers are perfectly aware of its importance.

2.34. The IDC/NDDDB reported delays in the implementation of the Flood operation, due to difficulties with the State authorities, which are often influenced by private-sector interests. In certain cases, new federations had to take on the debts of public-sector dairies that they had purchased. It is, however, surprising that the IDC's financial aid, which is granted on very advantageous terms, has not had a more marked effect as an incentive.

2.35. The IDC/NDDDB is a long way from achieving the objectives it set itself when it decided to extend the Flood operation to the entire country. In the case of Flood I, 79 % of the total number of cooperatives were grouped together in three of the 10 States (Gujarat 43 %, Tamil Nadu 24 % and Maharashtra 12 %). In September 1985, 39 % of the Flood II cooperatives and 59 % of their total membership were to be found in these same States. Others, representing 25 % of the total, were to be found in the States where considerable development had previously taken place in connection with projects not financed under the Flood operation.

2.36. The prices paid to producers vary from one State to another, but only very slightly within the same federation. They are normally stable, with prices in the rainy season representing about 80 % of those in the dry season.

Producers located in the west and north generally obtain a better price than those in the east and south, where production costs are low. Collection prices have generally been competitive with those of the traditional private sector, except close to the cities — particularly near Delhi and Calcutta. Inexpensive imported dairy products, in the form of gifts and products from the IDC pool, have enabled the Flood dairies in Calcutta and Delhi to offer consumers liquid milk at moderate prices approved by the authorities. This has maintained collection prices near Calcutta and Delhi at levels which offered no incentive to join the Flood cooperatives. Little milk is collected in these regions and the demand for imported products is still high. The demand for milk to be transported over long distances, particularly from Gujarat and the north of Maharashtra to Calcutta and Delhi, has therefore increased.

Processing and transport capacities
(See points 1,6 and 7 of *Table 3*.)

2.37. The development of capacity in respect of processing and transporting milk has been the most outstanding feature of the Flood operation. The IDC/NDDDB has successfully supervised a large capital investment programme. In 1984-85, the total intake capacity for untreated milk under the project reached 8 775 000 litres per day, with an average production of 5 920 000 litres per day — i.e. the rate of capacity utilization was 67 % for the year as a whole. In 1985, after the monsoon, supply exceeded processing capacity and milk collection had to be suspended in certain Flood cooperatives in Rajasthan, Maharashtra and Tamil Nadu. During the best month after the monsoon, 90 % was noted as the average utilization rate of the processing plants.

2.38. The way in which capacity for treating collected milk was concentrated around a small number of modern units quite clearly showed the need for increased transport capacity. A national distribution network was set up for this purpose and the IDC's total investment in this project is 17,7 Cr Rs. Road and rail transport capacity is 11 million litres, with 2,5 million litres on order. Warehouses with a capacity of several thousands of tonnes of skimmed-milk powder, butteroil and butter have been constructed by the IDC in Bombay and Calcutta.

2.39. Thanks to the national network, the IDC has considerable facilities for transferring supplies from one union or federation to another. This has to some extent compensated for the very slow development of the rural dairy zones near Calcutta and Delhi, since it was possible to supply milk to these markets from Gujarat and Maharashtra, for example. Nevertheless, it would not have been unnecessary to expand the network to its present size and it would have cost less to bring it into operation if the

development of the dairy zones near Calcutta and Delhi had been effected in a more satisfactory manner.

Marketing and distribution

Market conditions

2.40. Although milk accounts for two-thirds of animal-protein consumption in India, which is a largely vegetarian country, the distribution of consumption of these proteins is highly asymmetrical. At the end of the 1970s, the average daily income *per capita* in the large urban centres was only slightly higher than the price of a litre of milk, i.e. 4 rupees ($\pm 0,4$ ECU). In 1981, it was observed that, even in the rich metropolis of Bombay, 14 % of the population were totally devoid of the means to purchase milk and that 50 % could only buy $\frac{1}{3}$ of the recommended daily intake of 200 grams. In 1982, the NDDDB reported that 226 grams were consumed per person and per day in the large urban centres, while, for 40 % of the inhabitants of the rural dairy zones which supply the towns, the quantity was only 125 grams per person and per day and, for the remaining 60 %, only 70 grams on average. The average consumption of milk (including dairy products) per person and per day in 1985 was very probably between 130 and 140 grams; these figures fall some way short of the Flood operation's objective of 180 grams.

2.41. The 'traditional' system of selling milk, which continues to absorb the bulk of production in India, is based either on the processing of milk by the village producer/processor into products which can be kept unrefrigerated in a hot climate (ghee, curdled milk, paneer, confectionery), or on the same-day sale of liquid milk in the neighbouring localities, generally by vendors on bicycles. Pasteurization is not common and the population is accustomed to boiling milk.

2.42. The demand for milk is characterized by high elasticity in relation to prices and remains largely unsatisfied on account of the considerable lack of purchasing power. When the authorities freeze the price of milk — which has happened on several occasions in the large urban centres, particularly in Calcutta and Delhi — processors are urged to give priority to processed products, at the expense of drinking milk.

2.43. Even irrespective of any price freeze, there is currently a tendency to promote investments which provide for an increase in the proportion of the dairy production collected that is sold in the form of processed products (traditional Indian products such as ghee, but also dairy ice

cream, yoghurts, chocolates, etc.). It appears that this trend is based, not only on the desire to avoid any distortions of consumer prices, but primarily on an awareness that the market in dairy products as a whole is limited and that any expansion of the range of products on offer enables these limits to be extended. This shows that the saturation threshold of the solvent part of the demand for liquid milk consumption is close to being reached.

Position of Flood on the market

2.44. The real extent to which the Flood operation has penetrated the market in milk and milk products is not clear. The IDC's annual reports show that, over the past five years, Flood sales have increased by almost 8 % per annum on the markets of those large urban centres that have grown rapidly; these sales currently amount to some 3 000 000 litres per day (approximately 1 decilitre per inhabitant). If the average consumption of milk per inhabitant in the large urban centres is as high as the NDDB has declared, the market share in these centres would be about 40 %. In the case of Bombay and Madras, this percentage was greater than 50 % for 1983-84, according to the Indian Government's assessment committee, but Delhi and especially Calcutta experienced greater problems with organization and collection. According to other information provided by Flood, sales in other towns and cities total 2 000 000 litres per day, which brings the total sold in the urban centres in 1984-85 to about 5 000 000 litres per day. This represents one-third of the total sales made in the urban centres in 1978, as estimated by the World Bank, and probably about a quarter of actual sales in the urban centres.

2.45. Flood supplies 290 towns and cities. However, even in Gujarat it is clear that a large quantity of liquid milk continues to be supplied to the cities by the private sector. The relative weakness of the cooperative organization of dairy producers near the urban centres reflects the power of traditional commerce. The fact that the private sector is still large, even in the regions where Flood has been established for 15 years, also shows that consumers consider that this sector's products are of acceptable quality and are offered at competitive prices.

2.46. India has virtually achieved self-sufficiency in dairy supplies at current consumer prices, and particularly in liquid milk. The Flood operation is currently producing sufficient skimmed-milk powder to meet the demand for reconstituted liquid milk during the dry season, but continues to rely on Community gifts for reconstitution, as it prefers to use its own liquid milk for manufacturing other dairy products, such as dairy ice-cream, cheese, butter, ghee and food for infants, which are more attractive, since

they are less subject to price controls and competition from 'traditional' commerce.

Milk powder market

2.47. In 1980-81, the Flood milk collections in the rural regions totalled approximately 935 000 tonnes and, in 1984-85, 2 111 000 tonnes, about one-third of which was marketed outside the four large urban centres. The dairies located in the large urban centres sold almost 3 000 000 litres per day, but more than 35 % of this quantity consisted of recombined milk. The IDC pointed out that milk powder production in the context of Flood had totalled 274 350 tonnes between 1 April 1980 and 31 March 1985. Only 17 % (45 718 tonnes) were placed in the IDC pool along with the Community gifts. In 1983-84, the Ministry of Agriculture estimated total domestic production of milk powder at 93 000 tonnes, of which 59 000 tonnes were produced by Flood undertakings (40 % of skimmed-milk powder, 49 % of milk powder for infants and 11 % of whole-milk powder).

2.48. Community imports in the form of gifts have enabled the cooperative unions to use their surpluses from the rainy season, not for the reconstitution of milk in the dry season, but for the production of other products which are less dependent upon price controls and often more profitable than liquid milk. Amongst these products, one of 'Anand's' most widely sold items is milk powder for baby food. The Court noted that at least 30 000 tonnes of skimmed-milk powder from the Community had been directed to dairies other than the metropolitan dairies, including factories manufacturing baby food. Furthermore, the bulk of the gifts of butteroil was sold as edible oil, since only the skimmed-milk powder could be used to 'dilute' or 'sweeten' home-produced milk with a high fat content. Therefore without being absolutely certain, the Court cannot rule out the fact that substantial quantities of skimmed-milk powder were used to manufacture baby food. This also points to the fact that, as regards the question of supplying the liquid-milk needs of those who can afford to pay for it, the Flood operation may now be considered to be in a position to take over responsibility for the production of the skimmed-milk powder that has hitherto been provided by the Community.

3. PLANNING, SUPERVISION AND MONITORING

3.1. The financial return from the local sale of products supplied as food aid proves to be much lower than the commercial value of these products. The value of the Community's gifts of goods was fixed, for the financial counterpart of the project, at a level distinctly lower than the IDC's selling price. This selling price was itself fixed

below the floor price of domestic products. Consequently, the funds allocated to the investment are only part of the exchange value actually obtained by the IDC and the cooperative federations. Although it appears that all the funds actually generated do contribute to the development of the dairy industry, on the other hand the Community contribution to the counterpart funds has clearly been under-estimated in the IDC's accounts, and the Indian authorities have not observed the 'general conditions' governing food aid consignments which they accepted.

3.2. Most of the funds generated for the purpose of the Flood II operation by the sale of gifts of Community goods produced interest that accumulated in the IDC's bank account, the balance of which as at 30 November 1985 amounted to 239 Cr Rs. These funds have not contributed in any way to the Community development aid operations in India. If Flood II really needs milk powder, but not all the funds generated by selling it, it ought to be possible to find other development projects which could be financed with the aid of the surplus. If the funds generated were likely to be allocated subsequently to the project, there was nothing to prevent them from being lent in the context of development projects.

3.3. The planning of the Flood operation in fact appears to be inadequate and inappropriate in a number of cases. Thanks to the NDDB's technical and administrative resources, the Commission should have been able to obtain proposals defining quantitative objectives and a more accurate and realistic timetable, before granting its aid. However, the optimistic plans provided justification for the large quantity of appropriations and the high degree of discretion granted to the NDDB as regards the management of the project.

3.4. In order to monitor Flood, the Commission based itself mainly on the regular reports submitted by the project officers and brief visits by its own representatives. Assessments made by the WFP/FAO and, in 1984, by a committee appointed by the Indian Government provided additional information.

3.5. Neither the monitoring nor the assessment of the operation were entirely satisfactory. Not even the Indian Government's assessment committee, which relied less than the foreign auditors on the project officers for obtaining its information, was able to appraise the project in full, for lack of comparative data, and it observed that the total absence of basic data hampered it in its work. Although it brought certain problems to light and submitted constructive proposals, none of its recommendations were implemented.

3.6. A small proportion of the counterpart funds would have been sufficient to finance an in-depth assessment. Many lessons could also have been learnt from other dairy industry projects in India. Flood II took over World Bank projects executed in Rajasthan, Karnataka and Kerala, and there were other large projects apart from the Flood

operation. A survey of the various aspects of the increase in milk collections in Maharashtra over the past few years could have provided material for useful comparisons.

3.7. Although the Commission is aware of the existence of high amounts of unspent funds and of the inadequate nature of the basis for assessing counterpart funds, no measure designed to tackle any of these problems has been taken. It was only in 1986 that the Commission, faced with a request from India for aid for a Flood III operation, carried out a joint assessment with the World Bank, the results of which generally agree with the Court's analyses.

4. CONCLUSIONS

4.1. The quantity and quality of deliveries were, on the whole, up to expectations. Credit for this result must go to the *ad hoc* organization set up in Brussels, involving the full-time participation of an official from the Indian permanent representation, to check the products prior to shipment. Moreover, if reference is made to the general principles on which 'traditional' EEC food aid is based (see paragraphs 1 and 2), the Community's participation in the Flood operation merits a positive assessment, on the whole, particularly if it is compared with certain food aid operations carried out by the Community to assist other recipient countries. It has in fact been possible to add large quantities of dried milk and butteroil, amounting to a substantial total over a number of years, to the food resources of the recipient State by making up part of its food deficit without at the same time disrupting too greatly the normal market conditions in the Indian Union for the products concerned. It has been possible to generate considerable financial resources, which have enabled substantial investments to be financed in the sector of the production, processing and marketing of milk and milk products. The overall usefulness of these investments cannot be denied. Special emphasis must also be laid on the fact that domestic production of milk and milk products has, on the whole, been encouraged rather than discouraged.

4.2. Nevertheless, if reference is made to the specific objectives of the Flood operation (see paragraph 4), it has to be admitted that they have only been achieved on a very piecemeal basis as regards the increase in the yield of dairy livestock, the increase in milk consumption per inhabitant, the advantages to the poor of the rural and urban areas, the improvement in the supplying of the market in the large urban centres, membership of cooperatives by dairy producers and the extension of the Anand model to the whole of India. It is regrettable that, in the introductory notes to the allocation proposals submitted for the opinion of the Food Aid Committee, the Commission referred too

often to over-optimistic Indian documents instead of making its own assessments.

4.3. Generally speaking, in the light of the current state of the price and income structure in India, it may be noted that, although the Flood II operation has achieved a number of the objectives which it was in fact capable of achieving, it has at the same time come close to satisfying in its entirety that proportion of total demand that is accounted for by persons who can afford to pay. Now that the scale of incomes in India is stable for the time being and the production cost to the farmer of a litre of milk has also stabilized at a fairly high level, the question of increasing solvent demand throughout the Indian Union has started to arise. In some geographical areas there are still markets to be investigated, just as the existing markets may be further expanded slightly through increased diversification in the products processed from milk. However, a number of limiting factors have already become apparent. It is out of the question that the producer price of the milk collected should be lowered, in the light of the nature of the production structures of Indian farms. A radical reduction in the processing, transportation and marketing costs, which are proportionally (30 % of the consumer selling price) lower than those in more developed countries, is likewise out of the question. As for the scale of incomes, it is clear that it only changes slowly, even in the towns, and that access to the consumption of dairy products broadens only very gradually.

4.4. The truth is that, due to the agronomical, climatic and demographic conditions in India, it was — and is —

not possible for milk in this country to be anything but expensive. Solvent outlets for the product being what they are, Community aid in its present form has now achieved its objective. It is only because Community aid provided Flood, via the IDC, with a considerable amount of additional finance for the implementation of its investment programme, that the Indian authorities have recently expressed the desire for this aid to continue. The quantitative need, in relation to the present level of solvent demand, no longer exists.

4.5. This finding naturally leaves unresolved the frequently raised problem of satisfying the physical nutritional needs of a large part of the Indian population which is unable to express these needs in financial terms. Even if famine, in the strictest sense of the term, appears to be diminishing, qualitative protein requirements are still not being met. For this reason, there is still justification for distributing free dairy products in various forms, particularly to schoolchildren. It is evident, however, that the Indians in charge of the Flood operation were right to ask that these distributions should not interfere with the network for the production, processing and marketing of milk and milk products to persons who can afford to pay, for fear of creating disruptions. In this respect, a lot depends on the extent of the measure implemented and on the quality of the distribution networks used. Certain NGOs, in particular, could have been more involved in the operation. However this may be, there is no conceivable alternative to working under the guidance of the Indian authorities, but these authorities do not appear to date to have shown any interest in an increase in this type of food aid from the Communities.

The report was adopted by the Court of Auditors in Luxembourg at its meeting of 29 October 1987.

For the Court of Auditors

Marcel MART

President

(1) OJ No L 281, 1. 11. 1975, p. 89.

(2) OJ No L 352, 14. 12. 1982, p. 1.

ANNEX

STRUCTURE OF THE ANAND COOPERATIVE MODEL

The essential components of the three-tier organizational system typical of the Anand cooperative model, which evolved during the 1970s, are as follows:

- (a) in each village, the dairy producers form their own dairy cooperative society, elect their board of directors and order it to appoint a secretary (from the village) who will be paid by the cooperative to run it;
- (b) each morning and evening, the cooperative purchases milk from each producer in the village. The milk is quantified and its fat content is checked by the staff of the cooperative (who also come from the village). The producers are normally paid in cash when they come to sell the milk from the next milking session;
- (c) the cooperatives located within a radius of 50-75 km meet as a union of district cooperatives. The board of directors, which is elected by the producers, appoints a professional administrator to be head of the executive. Each union has its own dairy and arranges for the collection, twice a day, of milk from the cooperatives, which it then pasteurizes. Some of the milk is sent in insulated tanks to the large cities, to be consumed there in liquid form; the remainder (which is a substantial quantity during the season following the monsoon) is processed into products with a high added value, such as baby food, cheese, etc. Each union can process and market 100 000 — 500 000 litres of milk per day. One union also supplies and markets, through the cooperatives, technical inputs designed to increase milk production, such as mobile veterinary care and artificial insemination services and balanced concentrates for animal feed;
- (d) finally, a group of five to seven unions forms a federation of cooperatives in each State. In this case too, representatives elected by the producers determine the policies followed by these federations.

REPLIES OF THE COMMISSION

The report of the Court of Auditors presents positions which, in general, are in agreement with the evaluation presented by the Commission in its report to the Council and European Parliament (COM(86) 138 final).

The Commission notes the overall positive appreciation of this project which the Commission considers has proved that food aid can be used as a very useful development tool.

2. ORIGIN AND USE OF FUNDS IN THE CONTEXT OF THE OPERATION FLOOD II

Resources derived from Community food aid

2.3 – 2.9. The purpose of the EC participation through food aid was to:

1. expand the market for milk and milk products and stabilize milk supplies over the year;
2. participate financially in Indian local dairy development with counterpart funds resulting from the sales of the delivered commodities.

It is evident that a project of this type starting from a situation with a large unsatisfied market and a high seasonal local milk production will require the delivery of commodities at a rate where counterpart funds are generated faster than these funds can be absorbed in project expenditures. This has provided for a build-up of reserves as noted in paragraph 2.9. However, it does not indicate that the funds are wasted in any way. They clearly will serve dairy development as they are earmarked to finance an important part of Operation Flood III (about 21 % of overall costs). It is correct that the counterpart value through the maintaining of a book-keeping price fixed in 1978 for the commodity supply appears low (paragraph 2.5), and hence the build-up of financial resources from

sales are in the so called 'pooled account'. However, as the amounts in the pooled account are for dairy development, it makes in practice no difference. All the funds generated by the EC commodity aid will be allocated to that purpose. In the context of operation Flood (OF) III, this problem will not arise, as a special EC account will be credited with the total sales proceeds.

Expenditure on each type of measure

Measures to assist production

Stage reached in attaining the objectives of the Flood operation

2.15 – 2.18. The Commission agrees that the initial objectives were clearly set too high and they were soon revised in agreement with the World Bank to be achieved in two phases. However, it should be noted that the rate of achievement of the objective of involving village societies was 142 % and the increase in dairy processing capacity was 119 %. Even if the very important objective of milk procurement was only achieved with 52 %, it should be noted that the actual annual increases over the period 1978-85 was 20,5 % per year which has to be considered an exceptional achievement in any project of this type.

Milk powder market

2.47 – 2.48. The development of higher value added dairy products such as milk powder, babyfood, milk sweets, etc. present highly remunerative possibilities which

contribute to developing the Indian market and paying the producers high prices for their milk.

3. PLANNING, SUPERVISION AND MONITORING

3.1–3.4. Concerning the Commission's administrative engagement, it should be recognized that this programme was conceived at a time where the Commission had very limited means available in following the project, eg. the CEC Delegation was only established in New Delhi in 1983. Hence the Commission has relied, understandably, on the information and evaluations provided by the local authorities and the World Bank which, as co-donor, was responsible for the overall project monitoring and evaluation. It is evident that a new Community participation in OF III will be given all the attention by the Commission that such an important project merits.

4. CONCLUSIONS

In noting the Court's overall positive appreciation of the project, the Commission considers that it is important, also in order to remedy the weaknesses which are still inherent in the project, that the Community participate through the food aid instrument in the implementing of OF III (1987-94) which is conceived to consolidate and complete OF II. However, it does not mean that EC dairy commodities will be provided at times when local production of milk would be able to satisfy the demand as was the case in 1986, at the time of the Court of Auditors' visit to India and for which year no EC commitments were made either.

Finally, the objective of Operation Flood to create a viable and self-sustainable cooperative dairy industry should not be confused with social use of dairy products, i.e. free distribution, etc., which evidently are receiving support by the EC also. As part of food aid channelled via NGOs, the Community is annually providing dairy products for a value of over 3,5 Mio ECU in India for social objectives