

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(74) 300 final

Brussels, 6 March 1974

FOOD CRISIS AND THE COMMUNITY'S RESPONSIBILITIES TOWARDS DEVELOPING COUNTRIES

MEMORNADUM ON FOOD AID POLICY OF THE EUROPEAN ECONOMIC COMMUNITY

(Communication from the Commission to the Council)

FOOD CRISIS AND THE COMMUNITY'S RESPONSIBILITIES TOWARDS
DEVELOPING COUNTRIES

<u>Contents</u>	<u>Page</u>
I. <u>THE NATURE OF THE CRISIS</u>	1
Its Recent Symptoms	1
Its Short-Term Causes	2
Its Longer-Term Causes	3
Its Consequences for Developing Countries	4
II. <u>THE COMMUNITY'S RESPONSIBILITIES</u>	6
Greater Stability of Commodity Markets	7
Availability of Supplies	7
Financial Assistance	7
Food Aid Policy of the Community	8

FOOD CRISIS AND THE COMMUNITY'S RESPONSIBILITIES TOWARDS
DEVELOPING COUNTRIES

1. The developing countries are confronted with a food crisis of seriousness unequalled since the years immediately following the Second World War. The general scarcity of basic foodstuffs and their high prices give rise to grave concern, even alarm, in many places, and the outline of the future is uncertain. In those circumstances, Europe must show its awareness of the sudden dramatic deterioration in the situation of the poorest countries, and must rise to its responsibilities towards the victims of the crisis.

I. THE NATURE OF THE CRISIS

2. Its Recent Symptoms - During the last two years, there have been serious food shortages, occasionally reaching famine proportions in such places as the Sahel zone of Africa including Ethiopia, Bangladesh, and some other countries in Asia and Latin America. Related to these localized shortages, there have been exceptionally steep rises in prices of most basic foodstuffs throughout the world, which have accentuated the difficulties of meeting basic food needs in developing countries.

3. While some developing countries may have derived an advantage from higher prices of a few export commodities, the benefits to these countries have been very unevenly spread and, except in the case of such special commodities as oil and some other minerals in permanent shortage, these benefits are precarious and minimal in comparison with the general disadvantages caused by price increases in basic food imports.

4. Its Short-Term Causes - The main immediate cause of the crisis has been recurrent drought and other unfavourable weather conditions in many parts of the world, resulting in extensive production

cuts, sharp rise in import demand, immensely heavy purchases of grains by the Soviet Union last year, and a heavy drawing down of carryover stocks throughout the world.

5. Natural hazards alone can not, however, account in full for this situation. In addition, there has been a series of monetary crises, coupled with fierce inflationary pressures in much of the world, and with extremely strong speculative tendencies, originating primarily in foreign exchange fluctuations and, in turn, re-inforcing the physical shortages of many food products. Moreover, there is now a growing energy crisis, whose full consequences cannot as yet be foreseen, but which is putting new pressures also on the economies of many developing countries.⁽¹⁾

6. Its Longer-Term Causes - The catastrophic effects of recent shortages of basic food products on the economies of developing countries have been superimposed on the long-term problems of their food production failing to catch up with their food demand. In the last few years, the developing countries as a whole have not been making the advances in their agriculture which they need to make, and which - in the quite recent past - were regarded as being within relatively close reach as a result of the technological progress, like the development of high yielding varieties of cereals.

7. Certainly, in the first two years of the United Nations' Second Development Decade, agricultural production in developing countries has fallen short of the annual production targets set for this period. Some of the reasons for the so far limited progress of "Green Revolution" in these countries may turn out to be comparatively short-term in character, such as the recent problem of world fertilizer prices and supplies.

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(1) From three directions : through the higher cost of oil imports themselves, through lower export earnings following a possible downturn in economic activity of the industrialized world, and through resulting rises in prices of non-oil imports from the developed countries.

8. Unfortunately, there exist other, longer-term impediments, such as the rapidly growing population, the existing rigidities in their institutional and social systems, and the growing dependence of their agriculture on scarce capital and technology for rising yields. These suggest that major increases in per caput food production may not be easy to achieve in many developing countries in the short and medium-term.

9. Its Consequences for Developing Countries - In general, the recent food shortages and steep increases in food prices have caused not only economic dislocation but also serious social, and political unrest in many developing countries, where higher food prices typically mean higher chances of hunger or malnutrition for the bulk of the population. Many food deficit developing countries have simply been priced out of world markets at a time when food aid levels have been cut, in some cases drastically, and there remains the serious doubt whether sufficient supplies are available at the world level to meet any major emergencies which might arise in the near future.

10. Even more important, such food production increases as seem to be feasible in many developing countries in the medium term are not likely to be sufficient to cover the expected increases in food demand by their populations. As a result, the food import requirements of developing countries as a whole are likely to increase significantly in the next 5-10 years, as indicated in FAO commodity projections up to 1980 summarized in the attached Memorandum.⁽¹⁾

II. THE COMMUNITY'S RESPONSABILITIES

11. It would be highly inequitable, as well as dangerously short-sighted on the part of the industrialized countries, and more particularly of Europe, to allow a situation in which the weaker members of the world community of nations should consistently be those that are forced to bear the additional burdens caused by rapid changes on the world economic scene. It must therefore be hoped that the near future will mark a decisive step forward in the world's sense of responsibility for dealing with such anomalies.

(1) See paras. 3 and 4 of the Memorandum.

12. Since food products in question are produced largely in the developed countries of the temperate zone, it is essential for the latter countries to take account of the rising food import needs of the Third World to prevent its populations from suffering a further reduction in the already inadequate nutritional standards. It must be hoped in particular that the international community will be moving towards a more rational policy of management of food supplies on a world wide basis, including the world food security policy (as proposed by FAO), and some degree of international co-ordination of national production policies. In this context, the Community cannot remain passive, and must be ready to show example and take appropriate policy initiatives, consistent with its obligations towards developing countries, imposed on the enlarged Community by its immense economic power. This is all the more important in the present period when we deplore the impact of sudden increases in oil prices on the economies of the poorest developing countries, while seemingly ignoring comparable effects on such countries of steep price increases in their vital food imports. If ever, the present is the time for Europe to affirm its concern with this situation.

13. Greater Stability of Commodity Markets - And, it is very much to be desired that the forthcoming negotiations in GATT and possibly in other bodies should lead to a formulation of more rational trade policies, resulting in greater degree of market stability for basic food products throughout the world. A larger number, and a more effective character of international commodity arrangements is one obvious means of promoting this objective. There is no doubt that the Community has an essential role to play in the processes which ensure a greater degree of stability in international markets; several statements have already been made in this respect, and proposals to this effect will be forthcoming shortly.

14. Availability of Supplies - It is to be hoped that in the long run food production in developing countries will grow sufficiently, though there remains a problem of meeting their food deficit in the short- and medium-term. There is no doubt that the agriculture of western Europe has a technical capacity for meeting at least part of

that deficit. Western Europe is a large producer of basic foodstuffs, some of which (like dairy products) are a valuable source of much needed proteins in the developing countries.⁽¹⁾

15. Financial Assistance - Without any question, part of the prospective food deficit of the developing countries can, and will continue to be, met through commercial purchases, provided that food is available at reasonable prices in the world markets. However, even under most optimistic assumption concerning future export earnings of the developing countries, these are not likely to be large enough to pay for the required food imports in their entirety. Consequently, a large, and possibly growing part of their food deficit will have to be met through foreign assistance.

16. The Community is required at the present time to adopt wide-ranging decisions on financial assistance to the developing countries. The Commission is conscious that its proposals on food aid fit into the broader framework of this assistance, and must be in conformity with the overall objectives of the Community towards the third world. It may be observed in the present context that a part of the Community's financial aid to the developing countries could usefully be spent on structural improvements in their food production sector, since such improvements alone can provide a satisfactory long-term answer to the critical food problem which faces them.

17. Food Aid Policy of the Community - In order to live up to its responsibilities, the Community must, therefore, have a recourse to a food aid policy, at least during the next 5-10 years. In fact, if one goes along with the FAO's view of the future, one finds it difficult to see how the Community could refuse to mobilize developmental resources in the form of a substantial and coherent food aid policy, bearing in mind the existing productive capacity of the European agriculture in commodities that could assure a suitable food aid basket for a guaranteed number of years.

(1) In fact, Western Europe is in the process of becoming net exporter of dairy products, at a time when some of the major traditional exporters among the developed countries (e.g. the United States) are shifting to a net import basis.

18. The Community has the possibilities for undertaking a more ambitious food aid policy of its own which would provide for :

- a continuity of food aid supplies from one year to another by means of a (five) (three) year indicative programme to be implemented by firm annual commitments, both expressed in quantitative terms;
- a diversified food aid basket, selected in relation to the nutritional requirements of developing countries and the Community's normal product availabilities; and
- an increase in its present size.

19. The main principles along which a desirable food aid policy of the Community could be formulated and implemented, include :⁽¹⁾

- open market sales of the Community's food aid, except in emergencies, and in cases of aid aimed at raising nutritional standards of specific population groups;
- the utilization of the resulting counterpart funds not only in the context of specific development projects, but also in support of easily identifiable sectors or sub-sectors of well functioning development plans or programmes;
- the channeling of the bulk of the Community's food aid directly to developing countries, while passing substantial, and possibly increasing, quantities through multilateral agencies, notably WFP and Red Cross; and
- the authority to be given to the Commission to take executive decisions, if necessary with the assistance of government experts on development and co-operation matters.

20. Up to now, the Community's food aid has, in the case of cereals, taken the form partly of actions by the Community itself, and partly of those by the States. Food aid in other products has been implemented through Community actions alone. To go further in developing the role of the Community, it would seem desirable also to adopt a principle that all future food aid, including that in cereals, should take the form of Community actions. The reasons are these of coherence, efficacy, and close relation between the food aid policy of the Community, and its

(1) These principles are stated in greater detail in the attached Memorandum.

commercial and agricultural policies which are of a community character.

21. However, since national actions amount at present to about 700.000 tons, some Member States - while favouring a progressive communitarization of food aid - may not be prepared for an immediate drastic cut in their national actions. Should that be the case, the bilateral actions of Member States would in the transitory stage fall within the limits of the indicative programme (i.e. between 1.700.000 and 2.500.000 tons).

22. Quantitative proposals for the first indicative three year programme to be carried out through Community actions alone, are shown in the Table below ⁽¹⁾. The firm supply commitments would be determined annually within the indicated limits, in the light of circumstances prevailing in a particular year.

Indicative Programme (1974/75-1976/77)

(Range of Annual Commitments)

Product	Minimum Commitment (Tons)	Maximum Commitment (Tons)	Quantities under 1973/74 Programmes
Cereals	1,700,000 (6) (1,000,000)(7)	2,500,000 (6) (1,800,000)(7)	580,000 (3) (1,287,000)(3)
Skim Milk Powder	80,000	120,000	80,000 (4)
Butter-Oil	45,000	65,000	45,000 (4)
Sugar (1)	10,000	40,000	6,000 (5)
Other Products (2)	-	-	-

- (1) The Community's food aid in sugar would be directed to the poorest among the developing countries, and would be used mainly in furthering nutritional objectives, such as those underlying UNRWA operations.
- (2) A cash component for their acquisition (to balance the "basket" from a nutritional point of view) which would range between the minimum limit of 20,000,000 uc and 30,000,000 uc.
- (3) I.e. 45 % of 1,287,000 tons which represents total EEC commitment under International Food Aid Convention.
- (4) Quantities proposed by the Commission but not yet approved by the Council.
- (5) Approved by the Council.
- (6) If all actions are of a community character.
- (7) If a part of aid continues in the form of national actions.

- (1) And the tentative cost estimates of the programme are shown in the Financial Annex to the Memorandum.

23. The proposed supply commitments for the 1974/75 season, and the tentative cost of the proposal, based on the recent internal EEC prices (net of export subsidies where appropriate), are given in the Financial Annex.

24. In conclusion, the Council is requested to approve :

- the principle of the medium-term indicative programme of 3 years within which food aid commitments of the Community will be determined on an annual basis;
- the size of the first indicative programme (1974/75-1976/77), shown in the preceding Table;
- the size of the annual programme 1974/75, representing the lower limits of the indicative programme (summarized in the Financial Annex to this document), and
- the general principles for implementing the Community's food aid policy, stated in paras 19 and 20 of the present document, and explained in greater detail in the attached Memorandum.

MEMORANDUM ON FOOD AID POLICY OF THE EUROPEAN ECONOMIC COMMUNITY

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<u>Contents</u>	<u>Page</u>
<u>INTRODUCTION</u>	1
<u>I. CASE FOR ADOPTION OF A COHERENT COMMUNITY FOOD AID POLICY</u>	1
Rising Food Aid Needs of Developing Countries	1
Role of Food Aid in Economic Development	4
Deficiencies of the Present EEC System	6
The Community's Capacity for Expanding Food Aid	6
<u>II. SALIENT FEATURES OF THE PROPOSED POLICY</u>	8
<u>(a) Characteristics of the Community's Proposed Commitments</u>	8
(i) Continuity of Supplies	8
(ii) Diversified Food Aid Basket	9
(iii) Increased Size of the Commitment	10
<u>(b) Principles of Food Aid Utilization in Recipient Countries</u>	10
(i) Open Market Sales	10
(ii) Utilization of Counterpart Funds	12
<u>(c) Community's Food Aid Distribution</u>	14
(i) Direct and Indirect Aid	14
(ii) Policy Towards WFP	15
(iii) Community Versus National Actions	16
<u>(d) Procedural and Management Aspects</u>	17
<u>III. PROPOSALS FOR THE FIRST INDICATIVE AND ANNUAL PROGRAMMES</u>	18
(a) Indicative 3 Year Programme (1974/75-1976/77)	18
(b) The 1974/75 Programme	21
<u>STATISTICAL ANNEX</u>	
<u>FINANCIAL ANNEX</u>	

FOOD AID POLICY OF THE EUROPEAN ECONOMIC COMMUNITY

INTRODUCTION

1. For a number of reasons, mentioned in the preceding document (Food Crisis and the Community's Responsibilities towards Developing Countries), the adoption of a substantial and coherent food aid policy of the Community is becoming an urgent necessity. The present paper elaborates the reasons, and suggests the general principles along which such a policy could be formulated and implemented.

2. The Commission wishes to emphasize the importance attached to the examination of its proposals, due to the combination of factors, including :

- the necessity of reacting favourably to the appeals of the Director-General of FAO for a world food security system, of which food aid would no doubt be an important element;
- the likelihood of food aid becoming once again a subject of discussions during the forthcoming trade negotiations, similar to the Kennedy Round situation which gave rise to International Food Aid Convention and indirectly to the present food aid operations of the Community;
- the need for a positive contribution by the Community to the World Food Conference to be held in November 1974, for which preparatory work has already begun; and
- the current decline in the size of the food aid programmes of the United States, coinciding with the world wide scarcity of foodstuffs.

I. CASE FOR ADOPTION OF A COHERENT COMMUNITY FOOD AID POLICY

Rising Food Aid Needs of Developing Countries

3. Because of their rapid population growth and the, so far, limited success of their "Green Revolution", the food import requirements of developing countries - already considerable - are likely to

climb steeply in the next 5-10 years. According to FAO estimates, from approximately \$ 4 billion in 1970; they may reach about \$ 7 billion by 1980 (1) (see Annex Table 1). What part of the estimated requirements of approximately \$ 7 billion (1) in 1980 is likely to be met through commercial imports of the developing countries, and what is likely to be the size of the remaining "effective demand gap" ? In line with FAO calculations, food imports on commercial terms may increase by some 35 per cent between 1970 and 1980 (2) from \$ 3,1 billion to between \$ 4,3 and \$ 4,8 billion (see Annex Table 2). There would thus remain a residual "effective demand gap" of between \$ 2,2 and \$ 2,7 billion at 1970 prices, the latter figure representing almost 40 per cent of the estimated food import requirements of developing countries, and nearly three times the original level of \$ 1,0 billion in 1970 (3).

4. Estimates of this kind are bound to be subject to a wide margin of error, but they indicate in general terms the nature of the problem, which is the growing imbalance between food production and consumption in the developing countries. The excess of unsatisfied needs

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- (1) At 1970 prices; at the most recent prices available, the figure of \$ 7 billion would have to be at least doubled (see Annex Tables 1 and 2).
- (2) In the absence of information on the main operational factors which might be expected to determine the level of food imports on commercial terms by 1980 (such as prospective export earnings, movements in international commodity prices, and development priorities affecting the allocation of foreign exchange between alternative imported goods), FAO assumed that the level of real GDP was the only factor influencing the volume of commercial food imports. A good statistical relationship was obtained between agricultural imports into developing countries and their GDP in real terms, from which it was inferred that in 1970 each one per cent increase in GDP generated increase in agricultural imports of 0,72 per cent. This coefficient was subsequently applied to the commercial import figures of the items shown in Annex Table 1, and use was made of the GDP growth rates in FAO agricultural Commodity Projections, 1970-1980;
- (3) Though in the conditions prevailing towards the end of 1973 and beginning of 1974, no forecast of any kind can be made with respect to the future balance of payments position of the developing countries

over supplies is of course much greater than the effective demand gap because most people in developing countries need far more food than they can afford to buy. From a purely nutritional point of view, for example, requirements of milk protein as a food are almost unlimited. Thus, if only about half a billion of undernourished people in the developing world were to get a daily ration of only 10 g. of milk protein, this would mean about 5.5 million tons of skim milk powder annually, i.e. nearly twice the present total world output of this dairy product.

5. The growing imbalance between food production and consumption in developing countries can be met in three ways other than by further cutting down their food consumption standards. Either :

- (a) developing countries will have to divert increasing amounts of their limited foreign exchange earnings from capital goods and industrial raw materials to food purchases, or
- (b) their indigenous food production will have to increase at a faster rate than assumed in FAO's projections, which is unlikely, since the current world wide shortage of fertilizers and other structural impediments could in fact make FAO's production projections for 1980 unduly optimistic as far as many developing countries are concerned; or
- (c) their food deficit will have to be met through food aid, possibly on an increasing scale, or by financial aid.

6. Adopting the first alternative would slow down the development process in countries where imports of industrial products are necessary; in some countries, it could even jeopardize any prospect of development, or mark the beginning of a recession. The second alternative would be highly desirable, and it is in this area that financial aid and technical assistance of the developed countries have a most significant role to play. Unfortunately, due to various obstacles, a rapid increase of agricultural production may not be easy to achieve in the short- and medium-term in many developing countries.

7. In conclusion, this leaves expanded food aid as a means for meeting their rising food deficit in the next 5 to 10 years, especially since the prospects of sufficiently large increases in the financial aid to the Third World are limited, especially in view of the recent additional difficulties of the industrial countries, resulting from the growing energy crisis.

Role of Food Aid in Economic Development

8. It is generally recognized that food aid is not a satisfactory permanent solution to the food problem of developing countries, and that it is essential for them to expand their own agricultural production. Nevertheless, certain uses of food aid contribute to economic development in ways over which there are no serious doubts. Famine relief, continuing charity to the starving, building up national reserve stocks as buffers against the ordinary vagaries of supply in developing countries, command general support. Again, food aid may in the short- and medium-terms prove to be the only way domestic supplies can be supplemented as a means of raising the caloric and protein intake of a rapidly growing but seriously underfed population. In all such cases, it will be readily conceded that social welfare, productivity of workers, and therefore economic development is likely to be enhanced.

9. Moreover, in the absence of food aid, it is quite clear that many developing countries would need to devote a part of their foreign exchange resources to purchases of food imports. In fact, for developing countries where the shortage of food is often the limiting factor to accelerated economic development, food aid properly conceived in respect to its timing, magnitude, and composition may be just as important as other forms of aid. Whenever foreign exchange is the factor restricting the use of available domestic factors of production and whenever aid in the form of food can be said to be additional to the planned level of export earnings, capital inflow and other forms of aid, it will serve, in effect, as a valuable resource for the country's development.

10. It must be recognized that in so far as food aid is not absorbed by additional consumption (i.e. consumption which would not have taken place in the absence of food aid), there is always a danger

of its displacing commercial exports and thus of distorting the normal patterns of international trade. However this danger can be reduced or even totally eliminated by strict observance of the internationally accepted procedures and principles of Surplus Disposal (1).

11. Also, food aid can reduce the returns to the local farmers in receiving countries below what they might otherwise have been, weakening incentives to produce. Obviously, any disincentive to agricultural production in a developing country, resulting from aid programmes, would be a serious disadvantage. Here again, however, the danger can be reduced by careful handling, and in particular by relating amounts of aid granted to total production and consumption requirements of the recipient countries and, in case of open market sales, by stipulating that foods received should not be sold below normally prevailing internal prices.

12. Generalizing from the experience of the last 20 years, it can be concluded that a number of developing countries have achieved a rate of development which it would not have been possible to finance without the balance of payments relief equivalent to that provided by food aid. The latter made it possible to pursue their development plans with less risk of inflationary pressures resulting from food shortages, and without reducing imports of machinery and other goods essential to their development. Food aid has led to an expansion of employment greater than would have otherwise occurred. Also, there is no doubt that food aid has provided better nourishment for vulnerable groups of the population, while emergency food aid has helped to mitigate the adverse effects of natural disasters on the progress of development.

(1) Such as FAO Principles and Guiding Lines of Surplus Disposal, including procedures for notification and reporting of food aid transactions, for the establishment of Usual Marketing Requirements (a condition committing the recipient countries to import a pre-determined quantity commercially) for specific types of transactions, and for intergovernmental consultations on transactions which had been identified as likely to cause harmful interference with normal pattern of production and international trade. ./.

Deficiencies of the Present EEC System

13. As part of its contribution towards freedom from hunger in the world, the European Community has been engaged in food aid operations since 1968. In the wake of the Kennedy Round of Negotiations the Community and its member States undertook to supply 1,035,000 tons of cereals annually to the developing countries for a period of three years, as part of the International Food Aid Convention concluded in 1967. At the end of this period a further convention was signed in 1971 for a 3 year period, and currently the food aid commitment of the enlarged EEC in cereals totals 1,287,000 tons for 1973-74, of which 45 per cent is dealt with by Community actions and 55 per cent by national actions of member States.

14. With the passage of time, the Community food aid has been extended to other products - powdered skim milk, butter-oil, sugar, and powdered eggs - but there are three features which distinguish this from the cereals aid. In the first place, it is given by the Community without any prior international commitment; secondly, it has been carried out exclusively by way of Community as distinct from national actions; and finally its size is a function entirely of the internal market situation within the Community, which may vary widely from one year to another.

15. While the Community's food aid operations have grown, and can in their brief history be credited with significant achievements, particularly in emergency situations, they have not so far amounted to a purposeful food aid policy. They have in particular displayed such weaknesses as :

- their modest quantitative size in relation to food aid requirements of the developing world and to food aid programmes financed by other developed countries;⁽¹⁾
- their excessive dependence in the case of dairy products on the common agricultural policy, and on the unintentionally accumulated surplus stocks; and above all
- their lack of advance supply commitments, with the resulting difficulties for medium-term planning of supplies in the Community and for their integration in the development plans and programmes of the recipient countries. Their role in this respect has so far been that of mitigating shortages and enabling existing plans to be more nearly fulfilled than of raising the planned rate of development.

16. The need to remedy these deficiencies has been emphasized on several occasions by the European Parliament. The same need was recognized by member States in agreeing that in future "any supplementary food aid programme should be organized more systematically and on a more regular basis than in the past, while at the same time being better adapted to the development plans of recipient countries".⁽²⁾

The Community's Capacity for Expanding Food Aid

17. The Community has an overall capacity for undertaking a food aid policy better adapted to the needs of the developing countries and to its international responsibilities. It has acquired a good deal of experience in this field, and it is a large producer of basic foodstuffs. The Community's present volume of aid in cereals is modest (1 per cent) in relation to total

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(1) The current Community food aid in cereals of 580,000 tons for 1973-74, forming part of the total commitment of the Community and its member States of 1,287,000 tons, compares with the total of 16 million tons p.a. of cereal aid from all sources in recent years, including sales on concessional terms.

(2) Report of the Working Party on Development Cooperation, Brussels, 19 June 1973, page 72.

cereal production of over 100 million tons in the Community of Nine⁽¹⁾
 The same is true of dairy products, in the case of which the Community is at present faced with a structural tendency to surplus production.

18. It has been suggested in some quarters that a substantial food aid policy of the Community might contribute towards higher agricultural production than would otherwise be desirable. However, this need not happen at all, considering the relatively small size of the proposed food aid commitments in relation to production, and the fact that agricultural production in Europe is largely influenced by technological and structural factors.

19. The Community has self-interest in adopting a sizeable and continuing food aid commitment towards the Third World. This would offer various advantages of a political and economic character, including :

- creation of a major instrument of the enlarged Community's global policy towards developing countries, currently under discussion in line with the mandate received from the Summit Conference of October 1972;
- generation of good will among developing countries as a whole, and especially among the non-associate countries, some of which are among the most populous and worst fed in the world;
- encouragement given to commercial exports of agricultural and, possibly also of non-agricultural products⁽²⁾ from member States, in line with the experience of some traditional food aid donor countries; and
- bringing the public development assistance contributions of the member States closer to the goals of the 2nd Development Decade.

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(1) If it were considered, for example, that food aid should bear a specific relationship to the donor's food productive capacity, the Community's cereal production of 104 million tons (compared with over 395 million tons produced by all major donor countries) would suggest a maximum food aid level for the Community and member States of 4 million tons p.a.; i.e. about one fourth of the overall volume of food aid in cereals, of approximately 16 million tons p.a. (including concessional sales).

(2) In so far as free grants of, for example, skim milk powder for purposes of dairy development in recipient countries would in due time create a commercial demand for dairy plant equipment from the same sources.

20. Above all, the adoption of a substantive European food aid policy, motivated partly by humanitarian considerations, would go a long way to improve the Community's image in the world at large, as well as in the European public opinion. In addition, the Community would find itself setting a pattern of behaviour for other developed countries to follow.

II. SALIENT FEATURES OF THE PROPOSED POLICY

21. A desirable food aid policy of the Community would need to be related primarily to the objectives of the Community in the Third World, while taking account of product availabilities resulting from the common agricultural policy, the latter factor being one of means rather than ends of the proposed policy.

22. Its overriding objectives would be to ensure that a well diversified food aid basket could be made available at a time and place where it might be most needed, that the basket would be large enough to have an impact on development planning, and that at a time of short supplies, such as the present, the poorest countries of the world would not be left to starve.

(a) Characteristics of the Community's Proposed Commitments

23. Continuity of Food Aid Supplies - To allow for rational planning of the continuity of supplies, and for forward guidance to developing countries and to different client organizations, the Commission proposes the establishment of a medium-term 3 year indicative programme. This programme would provide a broad framework for determining the Community's annual food aid contribution. Since food aid needs may vary from one year to another, the indicative medium-term programme would be expressed as ranges for each product. To avoid the distorting effects of price changes on food aid availabilities, the range limits would be set in terms of minimum and maximum quantities.

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(1) Requests are being received by the Community from developing countries for multi-annual food aid undertakings which could become a significant element in their development planning.

24. The actual size of annual commitments would not automatically increase in the course of the programme period from the minimum to maximum levels, but would be determined in the light of circumstances in a particular year, though no annual commitment would be inferior to the indicative minimum limit for the programme as a whole.

25. Proposals concerning annual allocations of the Community's food aid among countries and organizations would be prepared in close co-operation with the appropriate international bodies. In particular, the guidance of FAO would be sought concerning the size and nature of the expected demand for food aid in any particular year or region.

26. Continuity of supplies from one year to another presupposes the existence of stockholding policies for the products concerned. Ideas to this effect have been recently formulated by the Commission in the case of soft wheat (1). Similar provisions may have to be adopted also for other components of the Community's food aid "basket" (2).

27. Diversified Food Aid Basket - The food aid "basket" of the Community might include two categories of products. First, there would be a limited number of commodities, selected in relation to the nutritional requirements of developing countries and the Community's normal product availabilities. As in the past, these would include cereals (notably wheat and rice (3); skim milk powder; and butter (notably in the form of butteroil). Moreover, since the Community has been receiving requests for food aid in sugar, some modest quantities of sugar could also be included (see par. 60). These products would form the hard core of the "basket".

(1) Modification of the Common Agricultural Policy - Memorandum of the Commission to the Council COM(73) 1850, 31 October 1973.

(2) It might at some stage be necessary in this connection to decide : what constitutes an adequate minimum stock level in the Community; how large is the normal "pipeline" component of the stock; what should be considered a "carryover" element of stocks to be kept in reserve from one year to another; and what part of the latter should be earmarked for food aid purposes, broken down by "normal" and "emergency" purposes.

(3) Larger quantities of rice would in future be earmarked as food aid, in view of the consumer preference for rice in many developing countries.

28. Secondly, there might be a group of other products which have from time to time proved useful in various food aid schemes, especially in emergencies, such as processed cereals, egg powder, etc... Occasionally, these could be added to balance the "basket" from a nutritional point of view, but they would not be subject to medium-term quantitative programming. Instead, a fixed cash component would be set aside for their acquisition, internally or in world markets, as and where the need arises.

29. Increased Size of the Commitment - The size of the Community's own food aid actions (excluding national actions) would thus have to be related to the quantitative and qualitative needs of the developing countries, to the Community's productive capacity, and to the size of the food aid programmes of other major donor countries. There is no question of the Community being able financially to meet fully or even largely the gap created by the projected increase in food requirements of developing countries. In practice, moreover, the amounts of food aid which could be absorbed without damage to agriculture in the receiving countries or to world trade would almost certainly be less than those indicated in FAO projections. However, if the Community's food aid policy is to have the desired impact, its present volume would have to be significantly increased.

Principles of Food Aid Utilization in Recipient Countries

30. Open Market Sales - As a method of financing economic development, open market sales of food aid should be distinguished from the food in kind distribution to specific groups of population, as practiced by the World Food Programme and based, for example, on a calculation of the food required to provide a dietary supplement to less favoured categories of people, and to workers engaged on a particular project.

31. From the point of view of the recipient countries, open market sales increase government funds, and do not require the recipient

government to assume extra administrative and financial burdens.⁽¹⁾ In many developing countries, administrative capacity is at a premium, and distribution in kind makes heavy demands on this scarce resource.

32. Certainly, open market sales represent a simpler and less expensive way of handling food aid, as well as one that is more welcome to developing countries themselves. They are the most widely used form of food aid distribution, and have accounted for the bulk of all food aid channelled to developing countries since the beginning of the United States' P.L. 480 in the early 50's. Far from hurting recipient countries, the open market sales technique has been successfully used in the past to combat harmful inflationary pressures associated with the process of economic growth.

33. On the other hand, the distribution in kind approach can be said to reduce the risk of harmful interference with international trade and production in recipient countries in so far as food aid is given away directly, without passing through marketing channels. However, even though open market sales may a priori produce adverse effects in recipient countries or on third party interests, such effects can be avoided if suitable precautions are taken, as mentioned in paras 11 and 12 above.

34. Consequently, direct food aid of the Community should as a general principle continue to be sold in the open markets of recipient countries, except in emergencies, in aid transactions aimed at raising nutritional standards of particular groups of the population, as well as in some projects or programmes mentioned in para 41 below.

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(1) E.g. of developing individual schemes, or of their extraction from an overall development programme; the preparation of specific food budgets; the receipt, storage, transportation, and physical distribution of food to end users; the separation of these activities for specific supervision; the provision of the necessary non-food resources, separate audit, inspection, verification, and evaluation.

35. Utilization of Counterpart Funds - The counterpart funds in local currencies, resulting from the open market sales of the Community's aid should be placed in a special account and utilized in the context of specific development projects or programmes selected by developing countries and agreed by the Community prior to the delivery of food aid, in line with pre-established general criteria. In exceptional cases, the recipient countries might be allowed to use local currency funds to cover recurrent expenses of the food aid projects or programmes in question. In general, priority should be given to projects and programmes which encourage increased agricultural production in the recipient countries.

36. The Community should continue leaving all decisions on the timing of the expenditure of counterpart funds to the recipient governments themselves. This approach is clearly more enlightened, and probably also more realistic than that underlying some other forms of food aid distribution, since it is usually the control measures over project choice, release of counterpart funds, and end-use supervision that complicate administration, increase red tape, and cause most friction between recipient countries and bilateral agencies.

37. In many cases, it would be a mistake to regard the creation of counterpart funds as anything more than an accounting device. They do not constitute a real development resource in as much as the only increase in the real resources available to the aid receiving country consists in extra supplies of food. The extent of the benefit depends on how far the country takes advantage of the presence of these products to step up the rate of development.

38. At the same time, in some cases local currency counterpart funds may represent a useful source of finance especially in countries having difficulty in raising sufficient funds for a development purposes through more conventional methods. They may also have a certain advantage from the recipient countries' point of view in being limited in

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amount to the value of extra foods from which they originate. Finally, there is some justification for the donor authority having a minimum of control over the use of funds, so as to ensure that they are not used for other than genuine development purposes.

39. In an economically more advanced country, the tying up of counterpart funds to individual development projects is not necessary, and may in fact be both wasteful (since keeping track of project fulfillment is in these circumstances less important than evaluating the programme as a whole), and unduly restrictive of the uses to which the Community food aid could be put constructively. In these conditions, counterpart funds can be more useful in supporting a development programme or one of its sectors. This is the programme approach, widely applied by major bilateral donor countries.

40. In countries without reasonably comprehensive development programmes, the project approach may be more appropriate. Clearly, the Community should keep its options as to whether it wishes to apply the project or programme approach in particular cases. It would be undesirable to limit the use of counterpart funds to financing individual projects, as has been the case up to now. Obviously, in cases where food aid can be used to support well prepared and well functioning development programmes, the future range of counterpart fund uses should, in addition, include possibilities of sale proceeds in local currencies :

- (a) financing relatively self-contained and easily identifiable sectors or sub-sectors of a development plan or programme, such as rural infrastructure, agricultural processing, irrigation works, etc...;⁽¹⁾ and
- (b) being tied to a suitable group of inter-disciplinary projects with a common, clearly defined developmental objective, such as the

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(1) An example of successful application of counterpart funds in this situation has been the Rural Works Programme in Pakistan, financed partly out of government funds and partly from the counterpart funds generated by the United States P.L. 480 supplies. The programme was generally intended to explore those areas where encouragement by the Government could help meeting the local requirements through self-help. The Programme, which has now lasted for 10 years, has been particularly successful in the areas of irrigation, road building, bridge construction, and flood control and more generally in linking the village life with the mainstream of development activity.

setting up of national food reserves, or various commodity development schemes of the type promoted by FAO, etc...⁽¹⁾

Community's Food Aid Distribution

41. Direct Aid Indirect Aid - The Community should give most of its food aid directly to developing countries. One reason is that the Community is not a simple intergovernmental institution. In the eyes of the world, it has an identity and a personality of its own. Its growing international responsibilities, especially towards developing countries, were spelled out clearly by the Summit Conference in Paris last October. In principle, the Community assume these responsibilities itself. Food aid is an essential instrument of development co-operation currently available to the Community in regard to non-associated developing countries.⁽²⁾ Since the Community receives more and more requests for direct food aid from such countries, and because this tendency is likely to grow in future, it is only proper that the Community should give priority to such requests.

42. At the same time, the Community should channel substantial, and possibly increasing, quantities through multilateral institutions, notably WFP which is the specialized agency of the United Nations in matters of food aid. Decisions concerning the distribution of the Community's food aid as between direct and indirect actions will be taken bearing in mind the relative merits of each method.

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- (1) Such as the International Scheme for Co-ordination of Dairy Development, or International Meat Development Scheme, currently launched by FAO. The use of the Community's food aid in support of the dairy and livestock development schemes would be especially desirable as a means of combatting the existing scarcity of animal proteins in the diets of the developing countries.
- (2) For a geographic distribution of the Community's food aid operations in cereals see Annex Table 7.

43. The existence of international organizations specialized in other forms of development assistance (such as UNDP, IBRD, etc...) has not freed the Community from its obligation to work out and implement its own policy, in accordance with its own objectives and rules. The same should apply to food aid. To act otherwise would amount to withholding a major instrument of development assistance.

44. Policy Towards the World Food Programme - The approaches of the Community's and WFP's in matters of food aid result in significant differences for the distribution of food aid on a geographic basis. Thus, the granting of the Community's aid depends primarily on the overall need of a country for the product concerned, account being taken primarily of its internal supply/demand situation, the degree of its development, its balance of payments position, and the existence of alternative aid supply sources. On the other hand, the concession of the WFP's project aid, while taking account of the above considerations, places particular emphasis on the ability of recipient countries to meet the project requirements of the WFP, though it is often possible in this way to reach directly the most underprivileged groups in the population.

45. As a result of this complementarity of approaches, the WFP's project aid has up to now tended to be concentrated in countries with relatively advanced infrastructure, offering a reasonable assurance of meeting the project's pre-conditions, while the Community's direct aid tends to favour least advanced countries in need of food aid primarily as a support to their balance of payments. For example, over 50 per cent of the Community's total aid in 1972-73 has been directed to the least developed group of countries, as defined by the U.N. At the same time, as of 31 December 1972, only 14 per cent of all WFP's engagements were located in that group of countries, while 40 per cent were to be found among the relatively advanced developing countries of the Near East and North Africa.⁽¹⁾ The largest recipient of the Community's food aid has been Bangladesh, while among the prominent beneficiaries of the WFP's aid there are such relatively more advanced developing countries as Turkey, Algeria, Mexico, and Columbia.

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(1) See Table 23 of the Annual Report of the Executive Director of WFP, WFP/IGC : 23/5, Add. 1, March 1973.

46. The relations between the Community and WFP should continue to develop in the spirit of mutual confidence, it being understood that :

- (a) the principle of direct actions is indispensable to the Community for reasons stated above;
- (b) the open market sales of the Community are basically complementary to the distribution in kind schemes of the WFP; and
- (c) the existence of direct food aid actions, side by side with the multi-lateral activities of WFP, is in the final analysis of interest to the developing countries as a group.

47. In practice, the best form of cooperation between the Community and WFP would be to rely on frequent consultations and exchanges of information between their respective staffs. This is doubly important where bilateral and multilateral food aid programmes operate side by side in the same countries. It would be desirable, if provisions could be made for WFP field personnel (project officers) occasionally to perform supervisory control functions over the Community projects, and if possibilities could be explored of certain joint ventures in appropriate circumstances. In addition to information concerning food quantities to be channelled through WFP in any given year, reasonable indications should be given as regards prospects for the following year, so as to enable that Organization to plan better its operations.

48. Community Versus National Actions

Up to now, the Community's food aid has, in the case of cereals, taken the form partly of actions by the Community itself, and partly of those by the States. Food aid in other products has been implemented through Community actions alone. To go further in developing the role of the Community, it would seem desirable also to adopt a principle that all future food aid, including that in cereals, should take the form of Community actions. The reasons are these of coherence, efficacy, and close relation between the food aid policy of the Community, and its commercial and agricultural policies which are of a community character. However, since national actions amount at present to about 700.000 tons, some Member States - while favouring a progressive communitarization of food aid - may not be prepared for an immediate drastic cut in their national actions. Should that be the case, the bilateral actions of Member States would in the transitory stage fall within the limits of the indicative programme (i.e. between 1.700.000 and 2.500.000 tons).

Procedural and Management Aspects

49. The food aid policy requires efficient and rapid procedures for its implementation. This is why it will be essential to re-allocate within the Community the responsibilities for implementing food aid agreements between the Council and the Commission. The existing procedures are not adapted to the requirements of efficient management. Not only the broad questions of principle but also the smallest details of agreement execution are subject to Council debate and approval.

50. In effect, the existing procedures consist of two phases. First, the Council takes a decision offering food aid to certain developing countries and international organizations. This decision allows opening of negotiations with the country concerned. Normally, such a decision is implicit in the Council's acceptance of an annual food aid programme, but in case of emergency, it is taken on an ad hoc basis as and when the emergency occurs. Secondly, the Council must also approve the terms of every agreement, after its negotiation with the recipient country and international organizations, including such details as the nature of product, conditions of its distribution, the proposed use of counterpart funds, etc...

51. As a result, several months may pass before the Council's decisions can be effectively implemented. In effect, after completing negotiations with the recipient country and international organizations concerned, it is necessary, according to the present practice, to bring the matter once again before the Council to obtain a decision authorizing the definitive conclusion of the agreement.

52. The Commission considers that it would be necessary to adopt more flexible procedures with a view to improving working efficiency and shortening delays in the execution of the Community actions. It is therefore proposed that in the future the Council should decide on the adoption of indicative medium-term and annual programmes, and on allocation of the Community's food aid among beneficiary countries and international organizations, as well as on basic conditions underlying the distribution of the Community's food aid. The Commission would act on behalf of the Community vis à vis beneficiary countries and international organizations as regards the definition of relevant rights and obligations concerning implementation of actions decided by the Council.

53. In discharging its functions, the Commission should be assisted by a Committee of the type of a Management Committee, consisting of member States' experts on development and co-operation, familiar with agricultural and nutritional problem.

54. Concerning emergency situations, especially those relating to natural disasters and conflicts, the Commission envisages a two-stage procedure, whereby the Commission itself :

- would have authority to decide on the first, limited amounts of aid to be dispatched during the early days immediately following the disaster, if necessary by air transport; and it
- would propose to the Council to take a decision - by the accelerated written procedure - concerning the dispatch of the remaining quantities of food aid.

55. Expanding food aid activities of the Community would not require the creation of a vast executive structure. The basic approach, with its emphasis on programme technique and open market sales, is administratively simple and does not require elaborate machinery. Nor would it be necessary to outpost staff in the receiving countries. As far as associate countries of the Community are concerned, the necessary follow up functions would be performed by FED control delegates. In the non-associate countries, they would be carried out by periodic field visits of the Community's Headquarters staff, supplemented, as needed by the information from the embassies of member States, which would follow the execution of agreements in a general way.

III. PROPOSALS FOR THE FIRST INDICATIVE AND ANNUAL PROGRAMMES

Indicative 3 Year Programme (1974/75-1976/77)

56. In the light of the preceding considerations, the Commission proposes the adoption of a three year indicative food aid programme, beginning with the 1974/75 season, to be carried out through Community actions alone. The proposed limits of the programme are shown in the following table.

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Indicative Programme

(Range of Annual Commitments)

tonnes

Products	Minimum commitment	Maximum commitment	Quantities under programme 1973/74
Cereals	1.000.000 (1) 1.700.000 (2)	1.800.000 (1) 2.500.000 (2)	580.000 1.287.000
Skim milk powder	80.000	120.000	80.000
Butteroil	45.000	65.000	45.000
Sugar	10.000	40.000	6.0000
Other products (3)	-	-	-

(1) national actions (700.000 t) to be added to the Community totals

(2) in the absence of national actions

(3) minimum and maximum commitments, expressed in value terms between 20.000.000 uc and 30.000.000 uc.

57. In the case of cereals, the lower limit of the Community's proposed undertaking of 1,7 million tons p.a., (compared with 1,287,000 tons in 1973/74), is determined primarily by the growing requests for Community aid (already exceeding 2 million tons in 1973/74), and by the imminent decline in food aid programmes of the United States (1) and other donor countries (such as Japan). The upper-limit of 2,5 million tons can, in addition, be justified by the exceptionally high import requirements of some developing countries, and by their unquestionable difficulties in meeting that deficit through commercial imports as well as by the need of a large number of developing countries to build or rebuild their own national food reserves, following the events of last year and appeals to this effect by FAO.

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(1) Bangladesh alone has a deficit in cereals of close to 2,5 million tons p.a., and is likely in the next five years to need food aid of the order of 2 million tons p.a.

58. As regards skim milk powder, the proposed indicative range would be of the order of (80 to 120 thousand tons). The lower limit corresponds to the amount proposed as food aid for 1974, and falls far short of the requests received. The higher limit is predicated on the disappearance of the United States' concessional transactions in dairy products.⁽¹⁾ It also takes account of the rapidly growing demand for milk products in developing countries, of the special need for closing the "protein gap" of the Third World,⁽²⁾ and of the particular suitability of skim milk powder in emergency situations. Both limits are well below the estimated absorptive capacity of the currently feasible dairy development projects in developing countries, estimated at between 250 and 300 thousand tons⁽³⁾ and below the peak level of dairy world food aid (bilateral and multilateral) in the first half of 1960's, when skim milk powder shipments averaged around 250,000 tons annually.

59. The lower limit of the proposed range of butteroil of 45,000 tons corresponds to the amount proposed for 1974. The upper limit of 65,000 tons represents a conservative estimate of the absorptive consumption capacity of the developing countries, and of technical possibilities of the European industry to transform butter into butteroil.

60. For sugar, the quantities suggested are very small in relation to the needs of developing countries. The Community's food aid in sugar would be directed to the poorest among the developing countries, and would be used mainly in furthering nutritional objectives, such as those underlying UNRWA interventions.

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(1) Due to the United States turning structurally from a net exporting to a net importing position for dairy products.

(2) If only about half a billion of undernourished people in the developing world were to obtain a daily ration of 10 grams of milk protein, this would mean about 5,5 million tons of skim milk powder annually, i.e. nearly twice the present total world output of this dairy product.

(3) See Table 2, Milk Products as Food Aid, CCP 68/8/1.

The 1974-1975 Programme

61. In addition, the Commission proposes to the Council the adoption of the firm supply commitments for the 1974-1975 scheme, representing the minimum limits of the first indicative programme, as follows :

Cereals	1,000,000 tons (1)
Skim Milk Powder	1,700,000 " (2)
	80,000 "
Butteroil	45,000 "
Sugar	10,000 "
Other Products (3)	-

62. The Commission feels that while these quantities are likely to be far short of the requirements of the developing countries in 1974-1975, a year of experience in operating the new programme may be necessary before the quantities committed can be raised to reflect closer the requirements of the developing countries.

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- (1) National actions (700,000 T) to be added to the Community total
 (2) In the absence of national actions
 (3) The minimum and maximum commitments being respectively 20 Muc and 30 Muc.

STATISTICAL ANNEX

TABLE 1 - Projected growth of food import requirements in food deficit developing countries, 1961-63 to 1980

	<u>1961-63</u> <u>Av. actual</u>	<u>1964-66</u> <u>Av. actual</u>	<u>1970</u> <u>est.</u>	<u>1980</u> <u>projected</u>
<u>Estimated volume of imports needed (..... thousand metric tons</u>)				
Cereals	23 320	29 441	29 649	36 247
of which : Africa	2 610	2 814	3 693	5 382
Latin America	5 550	6 811	7 594	10 507
Near East	4 000	4 703	5 387	9 418
Far East	11 160	15 113	12 975	10 940
Milk and milk products (a)	1 088	3 767	5 089	19 770
Fats and oils (b)	1 040	1 380	1 934	4 046
Sugar	3 370	3 859	4 218	5 174
Meat	515	541	685	1 839
 <u>Value of import requirements at</u>				
<u>1970 prices</u> (..... thousand million U.S. \$				
Cereals	1.7	2.2	2.2	2.5 (6.1)(1)
Milk and milk products (a)	0.1	0.3	0.4	1.5 (2.2)(1)
Fats and oils (b)	0.3	0.4	0.5	1.1 (1.9)(1)
Sugar	0.4	0.4	0.5	0.6 (1.4)(1)
Meat	0.4	0.4	0.5	1.3 (2.6)(1)
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TOTAL	2.9	3.7	4.1	7.0 (14.2)(1)

(a) in terms of milk equivalent, excluding butter

(b) including butter

(1) at international prices prevailing during the last quarter of 1973

Source : FAO Estimates

TABLE 2 - Estimation of the gap between projected import requirements and commercial imports (at 1970 prices)

	<u>1970</u> est.	<u>1980</u> <u>projected</u>
	(thousand million US \$)	
<u>Estimated overall import requirements</u>	4.1	7.0 (14.2) ^(c)
<u>Estimated commercial imports</u>	3.1	4.3 ^(a) - 4.8 ^(b) (8.6) ^(c) (9.6) ^(c)
<u>Economic or "effective demand" gap</u>	1.0	2.7 ^(a) - 2.2 ^(b) (5.4) ^(c) (4.4) ^(c)

(a) assuming an import elasticity of 0.72 in 1970

(b) assuming an import elasticity of 1.10 in 1970

(c) at prices prevailing during the last quarter of 1973

TABLE 3

AVAILABILITY AND UTILIZATION OF WHEAT
IN THE COMMUNITY OF "SIX"

X 000 tonnes

	1970/71	1971/72
Production	29.509	34.075
Imports (from outside EEC)	4.650	3.209
Diminution of stocks		
<u>TOTAL AVAILABILITY</u>	34.159	37.284
Human consumption	20.015	19.993
Livestock feed	8.013	8.608
Increase in stocks	486	1.438
Other utilization	2.112	2.066
Exports (to outside EEC)	3.533 (1)	5.179(2)
<u>TOTAL UTILIZATION</u>	34.159	37.284

(1) of which 828.000 tons as food aid

(2) of which 615.000 tons as food aid

Source : EUROSTAT- Statistique agricole 1/1973

TABLE 4

AVAILABILITY AND UTILIZATION OF DRY SKIMMED MILK
IN E.E.C. OF "SIX" (1)

1.000 t.

	1969/70	1970/71
Production	1.201	1.151
Imports (2)	170	158
Diminution of stocks	61	153
<u>TOTAL AVAILABILITY</u>	1.432	1.462
Human consumption	296	274
Livestock feed	689	592
Increase in stocks	-	-
Other utilization (1)	85	-
Exports (2)	447 (3)	596 (4)
<u>TOTAL UTILIZATION</u>	1.432	1.462

(1) excluding Italy

(2) including intra EC

(3) of which 25.000 t. food aid (1970)

(4) of which 47.000 t. food aid (1971)

Source : OSCE - Statistiques agricoles 1972 - n. 5

TABLE 5

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AVAILABILITY AND UTILISATION OF BUTTER IN EEC OF "SIX"

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1.000 t.

	1969/70	1970/71
Production	1.126	1.042
Imports	5	5
Diminution of stocks	52	150
<u>Total availability</u>	1.189	1.197
Human consumption	1.056	997
Livestock feed	-	-
Increase in stocks	-	-
Other utilisations	-	20
Exports	127 (1)	180 (2)
<u>Total utilisation</u>	1.183	1.197

(1) Of which 14.000 t. food aid (1970)

(2) Of which 14.000 t. food aid (1971)

Source : O.S.C.E. Statistiques agricoles - 1972 - N. 5

TABLE 6 - AVAILABILITY AND UTILISATION OF SUGAR IN EEC OF "SIX" (1)

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1.000 t.

	1969/70	1970/71
Production	7.012	7.040 (3)
Imports (2)	1.136	1.195
Diminution of stocks	-	334
<u>Total availability</u>	<u>8.148</u>	<u>8.569</u>
Human consumption	6.130	6.434
Livestocks feeds	263	181
Increase in stocks	338	-
Others utilisations	35	47
Exports (2)	1.382	1.907
<u>Total utilisation</u>	<u>8.148</u>	<u>8.569</u>

(1) France 1969/70 : metropolitan France only.

France 1970/71 : overseas departments included.

(2) Including intra-EEC trade.

(3) Including 361.000 t. cane sugar.

Source : O.S.C.E. - Statistique agricole 1972 - n° 1.

TABLE 7 - GEOGRAPHIC DISTRIBUTION OF THE COMMUNITY'S FOOD AID IN CEREALS, 1968-69/1972-73

	1968-69 ⁽²⁾	1969-70 ⁽³⁾	1970-71 ⁽⁴⁾	1971-72 ⁽⁵⁾	1972-73 ⁽⁶⁾	TOTAL ⁽⁷⁾
	<u>per cent</u>	<u>per cent</u>	<u>per cent</u>	<u>per cent</u>	<u>per cent</u>	<u>per cent</u>
Europa ⁽¹⁾	16,6	15,3	10,4	-	0,5	7,5
Maghreb	6,6	10,4	18,7	18,1	5,4	11,8
Africa	9,4	18,7	10,9	16,1	23,1	16,2
Near East	-	8,6	18,4	13,0	6,5	9,5
Asia and Far East	61,8	45,7	31,5	40,6	45,7	44,5
Latin America	-	-	4,3	3,3	11,8	4,5
Internat.Organ.	5,6	1,3	5,8	8,9	7,0	6,0
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	100	100	100	100	100	100

(1) Malta and Turkey

(2) Total Community's actions : 301.000 Tons

(3) " " " 336.900 Tons

(4) " " " 353.140 Tons

(5) " " " 414.000 Tons

(6) " " " 464.400 Tons

(7) Total Community's actions
from 1968-69 to 1972-73 : 1.869.440 Tons

FINANCIAL ANNEX

I. Appropriations in the 1974 Budget

A. Chapter 90

1. Cereals	113,000,000 uc. (1)
2. Milk products	13,000,000 uc. (2) (3)
3. Sugar	2,000,000 uc.
4. Other expenses	5,000,000 uc.

B. FEOGA

1. Butteroil	51,000,000 uc. (2)
2. Skim Milk Powder	39,000,000 uc. (2) (3)

C. TOTAL 223,000,000 uc.

(1) The 1973/74 Programme, and the remainder of the earlier programmes

(2) Estimate, export subsidies excluded. The budget appropriations actually include export subsidies.

(3) The 1973/74 programme and the remainder of the 1972/73 programme.

(4) A proposal of the Commission is currently under consideration by the Council, aimed at grouping under the chapter 90 the total of appropriations for food aid (cf. COM(73) 2150 final).

II. Estimates of Appropriations for 1975

The product prices, representing the real cost of food aid (i.e. without counting export subsidies where appropriate), were calculated as follows :

- wheat : average intervention price 74/75 (110 uc/t), plus delivery to FAS stage (4 uc/t)
- husked rice : current market price ⁽¹⁾ (230 uc/t), plus delivery to FAS stage (4 uc/t)
- milk powder : current intervention price 74/75 (760 uc/t), plus delivery to FAS stage (5 uc/t), less current export subsidy (110 uc/t)
- butteroil : current internal price 74/75 (2420 uc/t), plus delivery to FAS stage (5 uc/t), less current export subsidy (1320 uc/t)
- sugar : current intervention price : for first quality sugar packed in jute sacks (250 uc/t) plus delivery to FAS stage (5 uc/t).

(1) In the present market situation, rice will have to be purchased in the Community's market.

1. QUANTITIES AND VALUES (FAS)

	Price in uc/t	Quantity (t)	Value in uc
Wheat	114	950.000 (1)	108.300.000
Husked rice	236	50.000 (1)	11.800.000
Powdered skim milk	656	80.000	52.480.000
Butteroil	1.106	45.000	49.770.000
Sugar	270	10.000	2.700.000
			<u>225.050.000</u>

2. DISTRIBUTION AND TRANSPORT COSTS

Cereals (wheat and rice)	40	333,000 (1/3 of quantities in (1) above)	13.300.000
Powdered skim milk	100	40.000 (50% of quantities in (1) above)	4.000.000
Butteroil	100	22.500 (50% of quantities in (1) above)	2.250.000
Sugar	100	10.000	1.000.000
			<u>20.550.000</u>
3. OTHER PRODUCTS			<u>20.000.000</u>
		SUB TOTAL	265.600.000
4. <u>PROVISION OF 15 % (TO COVER INCREASES IN BASIC PRICES, TRANSPORT COSTS, ETC)</u>			<u>39.840.000</u>
		TOTAL	<u>305.440.000 (2)</u>

(1) Assuming the existence of national actions (700.000 T), additional to Community actions (1.000.000 T)

(2) Assuming no national actions, i.e. 1.700.000 T of Community actions (of which 25.000 tons would be rice), the total cost would be 411 Muc, i.e. 188 Muc more than the appropriations in the 1974 Community budget, and 97 Muc more than the appropriations in the Community budget, plus national actions (estimated at 91 Muc.)

III. The Annual Credit Requirements (1)

1. On the assumption that national actions would be additional to Community actions in cereals

1975	305 Muc.
1976	335 Muc.
1977	369 Muc.

2. In the absence of national actions, i.e. assuming a Community total of 1.700.000 T. in cereals

1975	411 Muc.
1976	452 Muc.
1977	487 Muc.