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PRESS REPORT
CIRCULAR LETTER

- * AGREEMENT TO CONTINUE EC DAIRY AID TO INDIA TILL 1994 WILL BE SIGNED SOON
- * CAMPAIGNING ON OPERATION FLOOD LEADS TO IMPORTANT CONCESSIONS OF THE EUROPEAN COMMUNITY(EC)
- * NEW CRITICAL REPORTS OF THE EUROPEAN PARLIAMENT AND THE COURT OF AUDITORS OF THE EC ON OPERATION FLOOD

After years of debate and controversy in India and Europe on Operation Flood, the European Community recently decided to support the third phase of this national dairy development programme in India with new multi-annual food aid supplies. From 1970 till 1986 the EC has already been providing Operation Flood with around half a million ton of skimmed milk powder(SMP) and butteroil(BO). Most probably in March this year India and the EC will sign an agreement on Operation Flood III(1987-1994) for the supply of 75.000 ton of SMP and 25.000 ton of BO. In fact 40% of these amounts have already been delivered last year or will be delivered in the first half of this year.

The World Bank will also support Operation Flood III with a loan of \$360 million (Rs. 4680 million) on a total project budget of around \$700 million. The rest of Flood III will be financed with funds generated by new EC dairy aid(Rs. 2126 million) and with the existing resources of the National Dairy Development Board (Rs. 1960 million). The latter are largely deriving from unspent counterpart funds of EC support to Operation Flood II.

Campaigning on Operation Flood by European non-governmental organizations(NGO's) - among which the India Committee of the Netherlands - has resulted in some important concessions of the EC with regard to the conditions under which new dairy aid will be given.

Most important are a number of specific measures which are meant to avoid that EC donated dairy products will continue to depress the price and production of Indian milk and milkproducts. A report just published by the European Court of Auditors on 'food aid supplied to India between 1978 and 1985' states unambiguously on this issue : " 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."

Without explicitly admitting that this has been the case since 1970, the European Commission - the executive body of the European Community - now reached an agreement with the Indian authorities on some 'special conditions' related to the use of dairy aid commodities. The first one of these reads :

" In order to maintain and strengthen a price policy providing remunerative prices to the producers and stimulating local production, the food aid supplies should be priced at the same level as indigenous milk price, taking into account the cost of an efficient transformation into milk powder."

This condition and others(see Annexe 1) can be found in the 'Draft Commission

Decision allocating food aid to India', which was submitted by the European Commission to the Food Aid Committee of the EC member states. This Committee working on behalf of the Council of Ministers of the member states gave it's approval.

India and the EC also agreed to have an annual review of the required amount of dairy aid and, if necessary, to replace it with financial aid. A new system to monitor, review and evaluate the implementation of Operation Flood III will be jointly set up as well.

Furthermore it is stipulated that food aid for Flood III is exclusively destined for recombination into liquid milk. According to the report of the European Court of Auditors, "the bulk of gifts of butteroil was sold as edible oil" and "without being absolutely certain, the Court cannot rule out that substantial quantities of skimmed milk powder were used to manufacture baby food."

Another concession of the Indian project authorities and the European Commission to their critics, is the "increased emphasis on buffalo improvement" in Operation Flood III. In the recent report by the European Commission on 'Community support to India's dairy industry development' of August 1987, it is said that "cattle crossbreeding may have been overemphasized" and "genetic improvement will be reoriented towards buffaloes and local breeds, reserving half breeds to more efficient producing farmers and regions". A number of Indian scientists and organizations however, are opposed to any large increase in the number of cross-bred cows for all farmers. Large scale cross-breeding reduces the availability of suitable draught animals. They also need a lot of concentrate feed which is in very short supply in India. This would in turn lead to a higher price and an even greater shortage of concentrate feed for local draught and milk animals.

It can also be seen as a positive development that some unrealistic targets of Operation Flood II have been drastically revised. Where Flood II wanted to enroll 10 million milk producing farmers as cooperative members by 1985, the aim of Flood III is now to cover 7 million farmers in 70.000 cooperatives by 1994!. At the moment there are around 4,7 million members in 47.000 cooperatives. According to the European Commission due attention will be given by the project to "fully apply farmers control over the whole system from local cooperatives to national federations". Although of course desirable, one can ask how - given the present situation - such a major goal can be achieved and more importantly which part of the farmers will be in control.

On the related issue of the impact of Operation Flood on the poor in India, the European Commission has chosen to largely ignore the criticism from many independent sources on the disappointing and sometimes negative effects of this programme. Even the European Court of Auditors states: "In the light of fodder and capital requirements, large scale milk producers have a real advantage". Reading the above mentioned documents of the European Commission however, one comes to the conclusion that the original objectives of the programme - which emphasized the benefits for poor producers and consumers - have been discarded by the Indian project authorities (the NDDB) and the European Commission. Not even a word is said in these documents about the position of women (who infact do most of the dairy work), although the independent consultants of the EC - funded Review Mission state in their report: "there are indications that - as dairying acquires more public status and brings in more cash income - women will be participating less in the ensuing benefits". Vigorous and innovative action is recommended to improve the position of women at all levels of the cooperative structure, including their election to key positions. Several Indian non-governmental women's organizations are also working on that and jointly published elaborate 'recommendations for policy planning for women in dairy production' (in the book "Indian Women - A study of their role in the dairy movement" by Marty Chen and others).

Another important point regarding Operation Flood III refers to the objective to

reach self-sufficiency in milk production. This was first to be reached in 1975, then in 1985 and now the European Commission tells us that the third phase of Operation Flood will allow India to become "totally self-sufficient" by 1994. According to the 'Draft Commission Decision allocating food aid to India' however, India's total requirements for dairy imports in 1988 might reach 60.000 ton of SMP and 20.000 ton of BO (see also Annexe 2). As the EC will only supply 18.000 ton of SMP and 6.000 ton of BO as food aid, this leads to the conclusion that India will have to import commercially large quantities of dairy products. This might partly be due to the after-effects of the extreme drought conditions of last year, but there are clear indications that commercial imports of dairy commodities will also be necessary in the future and might be even increasing. On the basis of the report by the European Commission of August 1987, it can be calculated that the average annual increase in milk production of an Operation Flood producer will not be more than 1,5%. The demand for milk will, according to various sources, most probably be increasing by 4 or 5%.

From the above we can draw the conclusion that it is very likely that India, or rather Operation Flood, has become dependant on commercial imports of dairy products and that the EC has created a market for itself and other western dairy exporting countries. Continuing with dairy aid for another seven years is not the solution to this problem, but will only aggravate it in the long run. More EC dairy aid for Operation Flood will help to further expand a system of capital-intensive dairying in India, whose real costs are temporarily covered up by the finances generated with food aid. The type of dairy development upheld this way, at some point of time has to go through a painful process of adjustment and consolidation. Operation Flood is, according to the India Committee of the Netherlands, now addicted to dairy aid and cannot escape to be weaned away someday.

On the basis of these and other arguments the ICN recently made an urgent call upon the European Parliament: "NO MORE DAIRY AID FOR OPERATION FLOOD IN INDIA WITHOUT POLICY CHANGE IN FAVOUR OF THE POOR". The ICN further stated:

"The European Community should stop its dairy aid to India's dairy development programme Operation Flood III. This can best be done after the proposed quantities of SMP and BO for 1988 (18.000 t. and 6.000 t. respectively) have been delivered, because this gives the project authorities some time to adjust to the new situation.

Any additional aid for Operation Flood III, preferably financial aid and not dairy aid, should only be considered if there is a clear policy change in favour of the poor, among which women in particular, and if competition between European dairy aid and indigenous milk production is strictly avoided. In this case any financial transfers or proceeds from dairy aid should be used to support the implementation of these policy changes."

The immediate reason for this appeal was the fact that the European Parliament recently (22-1-1988) voted on its own report (including a resolution) on Operation Flood III. The report was drawn up on behalf of the Parliament's Committee on Development and Cooperation by Mr. Wilfried Telkämper, a member of Parliament of the Green parties who cooperate in the Green Alternative European Link (GRAEL). The original text of the resolution and the proposed final version (including amendments), supported by the GRAEL and the socialist and communist parties, was sharply critical of Operation Flood and insisted that after meeting some requirements dairy aid should be given for one year, after which any further aid should be made conditional on the progress made on a number of specific shortcomings. This large left wing of the European Parliament felt that the effects of Operation Flood are not in accordance with the original social objectives and does not want the European Commission to make a multi-annual food aid commitment to this programme. Instead it wanted the Parliament itself to decide each year on any further aid. Some other interesting amendments on the final resolution supported by the left-wing parties were:

- "proposes that out of the sales proceeds of any future dairy aid to India, other more employment oriented patterns of cooperative dairy development

should be financed instead of just imitating the capital-intensive model of AMUL in Gujarat." and

- "asks for a substantial regional reallocation of disbursements as the north-western part (especially Gujarat) has been treated most preferentially uptill now, which has made the eastern part of India dependant on it"

Besides the left parties in the European Parliament say that, because of the uncertain results of Operation Flood, they do not encourage the European Commission to implement similar programmes in other developing countries.

All of the above points were however (narrowly) outvoted by the right wing majority of the Parliament. Nevertheless the final resolution adopted, although generally welcoming "the major positive effects of Operation Flood", insists on a number of important policy changes in the programme. This compromise resolution, which was as a whole accepted without a vote against, for example "insists on Community support for Operation Flood being made compatible with improving the lot of landless, marginal and small milk producers", "demands that all is done to actively promote women's participation as members of cooperatives and as elected members in their governing bodies at all levels" and "emphasises the need for supplementary feeding programmes in favour of vulnerable groups for which milk is of special value (small children, nursing and expecting mothers etc.)" The European Parliament's resolution also advocates a number of measures to avoid competition between imported and local milk and to assure a reasonable price to the producer. Furthermore the Parliament is of the opinion that "the use in India of locally produced concentrate feed which is currently being exported should be encouraged" and that "for buffaloes, genetic improvement should concentrate on indigenous breeds best suited to local conditions".

Compared to the latter and several other recommendations it is rather contradictory that the resolution also asks for the export of European cows to projects of Indian and European 'charities'. This specific point was brought forward as an amendment by two conservative members of parliament and accepted by a small majority. Mr. Cheysson, European Commissioner for North-South relations and on behalf of the European Commission politically responsible for the Operation Flood negotiations, advised the European Parliament - quite rightly - to vote against this amendment.

The majority of the European Parliament accepted the proposal of the Commission to continue Operation Flood "while emphasizing that EC food aid contributions planned for Operation Flood III will steadily decline".

The powers of the Parliament within the European Community are limited. Their resolution on Flood has the actual status of an advice, although a unanimously accepted resolution like this one certainly carries weight with the European Commission, the member states and the public opinion. The Parliament's influence on the position of the Commission seems however mainly the result of its active interest and participation in the political and public debate on the issue during the last two years. This can be exemplified by the Round Table discussion on Operation Flood which was organized by the GRAEL in the Parliament two days before the voting on the resolution. Both advocates (including representatives of the Indian Embassy in the EC and of the European Commission) and critics (including representatives of NGO's) together formed a panel, debating among themselves and with participating MP's and others.

It can be expected that the European Parliament will closely follow the implementation of Operation Flood III. The Parliament accepted an amendment of the GRAEL calling for an evaluation - in combination with the progress reports - which should focus specific attention on a number of crucial and controversial aspects (see point 15 Annexe 3). The Parliament as a whole was also quite irritated because of the insufficient information regarding the negotiations and decisions on Operation Flood and insisted to be provided with the complete consultants Review Report and the report 'in preparation' by the European Court of Auditors.

Less than two weeks after the European Parliament voted on its resolution, a special report on Operation Flood II of the European Court of Auditors was published and, as usual, accompanied by the replies of the European Commission. The report of the Court itself however, was already adopted on 29 October 1987. One therefore cannot help to get the strong impression that the Commission has delayed its (short) replies and thereby the publication of the Court's report, until after the resolution of the Parliament was passed. This impression is reinforced because the Court of Auditors report is highly critical of many aspects of Operation Flood and explicitly doubts whether new dairy aid would be necessary.

In its general conclusions the Court employs a two-pronged approach. On the one hand it is of the opinion that "if reference is made to the general principles on which 'traditional' dairy aid is based, the Community's participation in the Flood operation merits a positive assessment, particularly if it is compared with certain food operations carried out by the Community to assist other recipient countries".

On the other hand the Court concludes : "Nevertheless, if reference is made to the specific objectives of the Flood operation, it has to be admitted that they only have 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."

But maybe the most important reason for the European Commission to delay the Publication of the Court's report, is the quite explicit recognition that Operation Flood could do without new EC dairy aid. The report states: "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 skimmed milk powder that has hitherto been provided by the Community". Also in its conclusions the Court says : "Community aid in its present form has now achieved its objective. It is because Community aid provided Flood, via the Indian Dairy Corporation, 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".

In December 1985 the India Committee of the Netherlands started its campaign 'EEC MILK OUT OF INDIA' with four main 'points for action':

- * phase out dairy aid to India within two years
- * no dairy aid for bottle feeding
- * no aid for exotic cross-breeding in India
- * stop EEC animal feed imports from India

For over two years we have together with other European NGO's campaigned on these and other issues related to Operation Flood. There have been quite a number of positive reactions to the campaign from Indian social scientists, other experts on Operation Flood and non-governmental organizations. Some of them, like the Indian Dairy Action Group (IDAG) and the social scientist Dr. Shanti George, wrote on their own initiative to the European Commission and the European Parliament on the changes they felt were necessary in Operation Flood III.

For the moment confining ourselves to the above mentioned four points, we can now sum up what has politically been achieved at this point of time.

EC dairy aid will not be phased out within two years as we urged, but it is a positive development that the quantity of new annual dairy aid will only be around one third of the average allocation during Operation Flood II. A major

result of the campaign however are the 'special conditions' to avoid that new dairy aid will depress the price and production of milk of the Indian milk producers. The main way to do this is closely related to the condition mentioned in the campaign manifesto for any further dairy aid to Operation Flood : "the donated dairy products should be sold to the dairy plants for a price which makes recombined milk slightly more expensive than fresh milk."

The direct and indirect support the EC has been given to the promotion of bottle feeding in India has been or will be drastically reduced or even stopped if the new agreement on Operation Flood III is implemented. Direct use of EC skimmed milk powder for commercial baby food production is banned by the condition that dairy aid is exclusively destined for recombination into liquid milk.

Indirectly the EC is linked with the promotion of bottle feeding in India because dairy aid enabled cooperative dairy plants to use about half of India's indigenously produced milk powder for manufacturing baby food, because the donated products filled the resulting gap in city milk supply. In our campaign we urged only to deliver dairy aid to India, if the cooperative companies using these products would abide by the Indian National Code for Protection and Promotion of Breast Feeding issued in 1983 by the Government of India. This Code includes a ban on any public advertizing or other forms of promotion of breast milk substitutes. At the end of 1985 important articles of this Code were still violated by the cooperative as well as the multinational dairy industry. Indian organizations cooperating in the National Alliance for the Nutrition of Infants, played a very active and important role in the realization of the Code and its adoption as a law in November 1986. Already after March 1986 however the cooperative dairy industry of Gujarat, who is the marketleader in babyfood with its product Amulspray, stopped advertizing. Possibly our campaign together with active Indian opposition and international campaigning on bottle feeding, helped AMUL to make that decision.

Criticism of Indian scientists, the India Committee of the Netherlands and other NGO's on the planned large scale cross-breeding programme of Operation Flood II, seems to have had an impact on the project plans of Operation Flood III. According to documents of the European Commission a reorientation from cross-breeding to genetic improvement of buffaloes and local cattle breeds, "seems to be sufficiently considered in the definition of the new programme." This general statement leaves of course room for cross-breeding and falls short of our appeal not to use any counterpart funds of EC dairy aid for this purpose. On the other hand this new focus on local breeding is - if it is not only an eyewash of the European Commission and the project authorities - an important policy change which should be welcomed. The ICN also urged the Dutch Ministry of Development Cooperation not to go ahead with their plans to support cross-breeding programmes in India. No programme of this kind was financed up till now.

The last 'point for action' of our campaign - to stop EC animal feed imports from India - was of course the most difficult one to get results on. Compared to aid it is even much more complicated to reorient trade in favour of the interests of less privileged groups. But bringing the export of very scarce Indian animal feed to the attention of the European and Indian public and politicians, certainly stimulated the debate on the issue. There have been publications in the press and questions were raised a number of times in the Indian Parliament. Reacting to a written question of Mr. Ram Awadesh Singh on 31st of July 1987 in the Rajya Sabha why the exports of cattle feed were not stopped in view of acute shortage of cattle feeds and recurrent droughts, the Minister of Agriculture stated that 'a proposal has been mooted to stop the exports of cattle feeds in view of the existing drought conditions'. It is not clear what actually happened, but at least the export of cattle feed has now become a matter of political debate.

The European Commission rejected the idea to stop or curb the import of Indian

animal feed, while the Court of Auditors notes somewhat ironically : " India exports 1 million tonnes of oil cake per annum (about 1/3 of quantity extracted nationwide from oilseeds) largely to feed overproductive European cattle". If India would not export any animal feed, it could produce annually between 20 and 30 times more milk than the average amount it will receive during Operation Flood III. But because this export leads to soaring prices of animal feed in India (see Annexe 4), many local producers are not able to afford this price. Because untill now EC dairy aid is depressing the local milk price, one can really speak of a vicious circle of EC dairy aid and Indian animal feed exports. This circle will be partly broken if dairy imports under Flood III would stop competing with local production, but EC animal feed imports from India will for the present continue to hamper Indian dairy development.

A more general result of the campaign 'EEC MILK OUT OF INDIA' and other NGO-activities on this issue, is that it definitely helped to make Operation Flood and similar EC food aid programmes to come into a political issue in Europe. The Indian correspondent in Brussels of the (Indian) newspaper Economic Times and the magazine Commerce, wrote an article in the latter under the headline 'Operation Flood - Non-governmental organizations behind controversy' (Commerce, September 12-18, 1987). There Mr. Malcolm Subhan stated : "The controversy over Operation Flood might not have erupted in Brussels, and certainly not with such force, but for a number of non-governmental organizations." In a more recent article 'EEC aid for Operation Flood - Tussle continues' (Commerce, January 9-15, 1988) he gives as his opinion that : "The opponents of Community aid for Flood III have suffered a severe setback of course; but they also made a number of gains, which are reflected in the terms on which the aid is being given." Hardly anybody would have expected two and a half years ago however, that even the much officially praised Operation Flood programme would have to accomodate partly to it's critics. And no doubt the 'tussle' on Operation Flood will not end, neither in India nor in Europe.

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ANNEXE 2 (from Draft Commission Decision allocating food aid to India)

Due to the persistent drought, the local milk procurements have continued to fall and milk rationing has been introduced in the major cities. India is therefore for 1987 importing commercially 10 000 t of SMP and 10 000 t of BO and might have to import even larger quantities in 1988. The total import requirements for 1988 might reach 60 000 t of SMP and 20 000 t of BO. For this reason, a larger than average quantity of EC food aid is proposed.

ANNEXE 4

FEED INTERNATIONAL, JULY, 1987

ROGER GILBERT

Export policy forces up domestic feed costs

"Which comes first: The chicken, egg or milk for the Indian consumer, or cheaper inputs for overseas consumers?" That's the question Mr A. Abrahams of Lipton Feeds in Bangalore is asking his government.



Gilbert

It is not unlike the question millions of consumers within the European Economic Community have asked their policy makers over recent years when they witness good-quality agricultural products sold off at rock-bottom prices to third countries, while they continue to pay full prices for the same products.

But it is not the plight of over-production which afflicts India and forced Mr Abrahams to voice his question in public. He is critical of his government for adopting a policy which encourages the exportation of oilseed extractions, a policy aimed at increasing foreign exchange earnings. But its effect on the feed compounding industry and livestock producer has been significant.

Although India is a major oilseed producer—producing over 15 million tons of oilseeds in 1985-86—it remains the world's largest net importer of edible vegetable oils, averaging 1.2 million tons per year for the past eight years. Interestingly, the country remains a net exporter of oilseed extractions. As more stringent quality control regulations have been introduced and adopted by European countries in recent years and regular buyers of Indian extractions have developed their own supplies, sales on the international market have declined since 1984.

In one year, returns fell US\$20 million to less than US\$120 million. That led the government to introduce a 10% Cash Compensatory Scheme (CCS). However, it raised returns last year by only US\$4 million.

In order for the country to reach its projected 1990 livestock production goals (Table 1) it can no longer afford to encourage the exportation of oil meals, says Mr Abrahams.

"Such dramatic increases in livestock production must be matched by increased animal feedstuff production, of which oilseed extractions is a crucial ingredient. The government's introduction in the February 1986 budget of a CCS of 10% on exports of

extractions, has fanned the flames of inflation and has made domestic prices for extraction flare up to the detriment of the Indian farmer, whilst in no way improving the recovery of India. A study of international prices versus domestic prices over a four month period during early 1986 illustrates the futility of such action," he says.

While soybean extractions CIF Rotterdam fluctuated between US\$194 and US\$200 per ton between February and May, the price for soybean extractions in India rose from 1700 Rupees (US\$136) to 2500 Rupees (US\$200)

per ton, a 68% increase. Rice bran extractions within India experienced a similar increase in the same period, rising from 420 Rupees to 650 Rupees per ton, while CIF Rotterdam prices rose from US\$78 to US\$86 per ton.

"Commodity exports must develop on the intrinsic strengths of costs, geographical advantage and most of all, on quality and productivity. Schemes such as the CCS only serve to give the overseas buyer an advantage and upsets the supply of feed ingredients and their prices. They disrupt the pattern of growth in domestic consumption and work to the detriment of the Indian farmer," he adds.

From : DRAFT COMMISSION DECISION
allocating food aid to India
of The Commission of the European Communities

6. Special Conditions (agreed with the Indian Authorities)

Supply and use of products

1. In order to maintain and strengthen a price policy providing remunerative prices to the producers and stimulating local production, the food aid supplies should be priced at the same level as indigenous milk price, taking into account the cost of an efficient transformation into milk powder.
2. In the framework of a multiannual commitment, the EC contribution is defined as food aid (SMP and BO). Annual review will take place of the requirements of commodities which will result in allocation of quantities in the framework of the overall multiannual commitment of 75 000 t of SMP and 25 000 t of butteroil. The counterpart funds will be posted in the interest-bearing EC-OF III account of IDC. This account will be debited for the financial contributions identified with the EC financing, in accordance with the financing plan. Should it happen one year that a smaller than average quantity of food aid is required to meet deficits in local supplies, the unused quantities will be transferred to the following year, except in the case where the financial obligations under the financing plan require EC fund generation. In this case, the use of financial substitution to food aid will take place and the funds be deposited in the EC-OF III account of IDC.
3. The food aid is exclusively destined for recombination into liquid milk. Any other use will have to receive the prior approval of the Commission.

Review and Evaluation

4. As part of the project implementation, a system of reviewing the annual programme jointly between the project authorities, the World Bank and the CEC will be followed.
5. The Commission will receive periodic progress reports on the implementation of Operation Flood III, (starting 1 September 1987 to 31 August 1994). The adaptations to the reporting systems will be decided jointly between the project authorities, the World Bank and the CEC.
6. Representatives of the Commission and of the Court of Auditors of the European Communities will be afforded all facilities to visit the project and have access to all documentation related to project implementation, as well as to the use of EEC financing. In particular, all documents and inputs should be made available to the EC's visiting missions.

Cofinancing Commitment

7. The EC participation in OF III is subject to the signature of the loan agreement between India and the World Bank on the latter's participation in the project.

EEC-India cooperation with particular reference to Operation 'Flood'
Doc. A 2-247/87

RESOLUTION

on EEC-India cooperation, particularly as regards Operation Flood

The European Parliament,

- having regard to the motion for a resolution tabled by Mr van der Lek and Mrs van Dijk on the European Community "Operation Flood" programme of aid for India (Doc. B2-67/87),
 - having regard to the published extracts from the joint EEC/World Bank review Mission's report about India's Operation Flood II activities (December 1986),
 - having regard to the report from the Commission to the Council and the European Parliament on the implementation of India's Operation Flood II financed through the European Communities through the supply of food aid (COM(86) 138 final),
 - having regard to the report of the Commission services to the Council and European Parliament on Community support to India's dairy industry development (PE 116.348),
 - having regard to the report of the Committee on Development and Cooperation (Doc. A2-247/87),
- A. Noting that in recent years assistance in the form of food aid to Operation Flood has accounted for roughly half of Community aid to India, the remainder consisting mainly of project and programme aid including trade promotion under Budget Chapter 93, with co-financing of projects with NGOs (Budget Article 941) accounting for some 3-4 % of the total;
 - B. Noting that India has the largest cattle and buffalo population in the world, which is providing through draught power around three-quarters of the total energy supply in the rural areas; that according to official Indian statistics nearly half of India's rural households own milch animals (cows, buffalos, goats), most herds consisting of only 1 or 2 animals, and that some 51% of milk is produced by landless labourers or farmers with less than 2-hectare holdings;
 - C. Noting that, due to the shortage of feed, and because of the fact that milk production mainly constitutes a useful by-product, productivity is very low and, because of the seasonal nature of milk production, dry season production drops to about half the flush season level;
 - D. Noting that the main purpose of Operation Flood is to change this traditional pattern and ensure a regular, year round supply of good quality milk and milk products at reasonable cost to consumers in India's major urban centres through an integrated system of cooperatives involving, in particular, small and landless milk producers organised in local cooperative societies, cooperatively owned processing plants and transport networks, and cooperative distribution and marketing outlets, at the same time offering a substantially better price to producers;

- E. Noting that the Indian authorities would prefer the Community's contribution to Operation Flood to be in the form of food aid in dairy products rather than a cash contribution as
- these products could be reconstituted into milk to cover eventual dry season shortfall in production if the nationally produced milkpowder is not sufficient
 - these products could be sold at local prices in India, thereby increasing their cash value by some 75% over its international market value
 - any contribution in cash would go to the Indian Finance Ministry and could not directly be used by the IDC (Indian Dairy Corporation) and the NDDB (National Dairy Development Board),
- F. Noting that the Review Mission's report on Operation Flood II, published in December 1986, was critical of certain aspects of the implementation of the second phase of Operation Flood, proposing modifications which should be incorporated into the third phase and that the original targets of Operation Flood, i.e. helping the poor, landless and small farmers, should be taken into account more seriously;
- G. Noting that both the Indian authorities and the Commission apart from certain critics ("weaknesses have become apparent") regard Operation Flood I and Operation Flood II as mainly successful,
- H. Noting that the Indian authorities have proposed a third phase for Operation Flood to run to the end of 1994, which would be financed as follows:
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|--------------------------------------|-----|
| * World Bank/IDA loans | 54% |
| * EC Food Aid | 25% |
| * Indian Dairy Corporation resources | 21% |
- (left-over counterpart funds of EEC support from Operation Flood II),
- I. Noting that statistically India is self-sufficient in milk and milk products due in part to Operations Flood I and II and that the main problems in supplying milk to everyone all over the country are of distribution and pricing as well as the fact that skimmed-milk powder and butteroil are being used for the production of sophisticated dairy products, especially babyfood,
- J. Noting that the European Community food aid contribution over 7 years, as requested by the Indian authorities, would consist of 75,000 tonnes of skimmed milk powder and 25,000 tonnes of butteroil and that the profit from selling these commodities in India, where prices for milk and milk products are approximately 75% more than world market prices, would contribute to the further build-up of the Indian dairy system under Operation Flood III,
- K. Noting that the quantities of EC food aid to be committed under Operation Flood III are much smaller than those for Operation I and II and that the yearly volumes to be actually delivered will fall steadily during Operation Flood III,
1. Insists on the Commission providing the complete joint EEC/World Bank Mission's Report and the report on Operation Flood in preparation by the European Court of Auditors to all members of the European Parliament who request them;

2. Regrets that information regarding negotiations and decisions on Operation Flood were communicated to the European Parliament in an insufficient way and insists on better communication in future;
3. Welcomes nevertheless the major positive effects of Operation Flood, particularly the encouragement of a cooperative approach, and the establishment of direct links between production in rural areas and marketing and distribution in urban areas, thus allowing for an increase in production which may generate employment opportunities in rural areas and prevent migration to the cities;
4. Insists on Community support for Operation Flood being made compatible with improving the lot of landless, marginal and small milk producers by raising their income levels and integrating them into the process of Indian rural development through active participation in local and regional cooperative societies;
5. Calls for the reinforcement, on a permanent basis, and the extension of veterinary health services for small milk producers provided free or at low costs in conjunction with Operation Flood;
6. Aware of the fact that women, as traditional small-holders of cattle, have an important role in dairy farming; concerned that the changes to be brought about by Operation Flood III can be to their disadvantage as public status grows and cash income rises; demands therefore that all is done actively to promote women's participation as members of cooperatives and as elected members in their governing bodies at all levels;
7. Stresses the importance of the principle of complementarity between milk production and other agricultural activities in India whereby in the traditional rural economy, cattle and buffalo are kept both as draught animals and for milk, are fed on crop residues that would otherwise not be consumed, and produce dung that is used as manure and dried for fuel;
8. Sees the need for improving the milk yield of Indian cows and buffaloes through better feeding and genetic improvements; insists, nevertheless, that
 - a) for buffaloes, genetic improvement should concentrate on indigenous breeds best suited to local conditions,
 - b) animal fodder cultivation must not be at the expense of food crop production, neither should fodder be produced at a cost that would adversely affect the profitability of dairying,
 - c) the use in India of locally produced concentrate feed which is currently being exported should be encouraged;
9. Recognises that experimental projects supported by the Indian Government and European charities have shown that certain breeds of European cow are also suited to the Indian environment and can substantially increase the milk yield of local herds, and asks the European Commission to grant aid to the expert charities involved for the expansion of this project work, including aid for the export of more cows of suitable breeds;

10. Emphasises the need for supplementary feeding programmes in favour of vulnerable groups for which milk is of special value (small children, nursing and expecting mothers etc.);
11. Notes that while wholesale and retail milk prices have risen steadily since the inception of Operation Flood, prices of certain other commodities have shown greater increases; stresses the importance of pricing milk correctly so that the producer receives a reasonable financial return while the consumer pays a reasonable price;
12. Insists on establishing a price policy for dairy products donated by the EC which would make it not less expensive to reconstitute milk from imported milk powder in comparison with local fresh milk or local reconstituted milk in order to avoid competition between imported and local milk;
13. Believes that every effort should be made to absorb all the milk made available by producers affiliated to Operation Flood cooperatives even in the flush milk production period, also through encouraging rural consumption and processing of milk products;
14. Considers it most important that the milk supply situation in India be carefully monitored; calls upon the Commission to inform Parliament directly should imports of EC milk powder or butteroil result in disruption or create surpluses to the detriment of local producers;
15. Calls for an evaluation in combination with the progress report which will focus specific attention on the following :
 - * the necessity of the continuation of EEC food aid to India in the form of dairy products,
 - * the effects of this EEC food aid on pricing, production, and regional inequality of the indigenous dairy sector, in Operation Flood and non-Operation Flood areas,
 - * the effects of Operation Flood on landless dairy producers with less than 1 ha. of land, with a specific focus on the position of women,
 - * the possibilities to expand the provision of subsidized milk through EEC dairy aid for poor consumers for whom milk is of special value;
16. Accepts in view of the foregoing paragraphs the proposal to continue Operation Flood while emphasizing that EC food aid contributions planned for Operation Flood III will steadily decline;
17. Calls upon the Commission to draw upon the experience of Operation Flood and to put this example to good use if so requested by other States, but insists that the Commission fully informs the Parliament before entering into negotiations on comparable programmes with other states;
18. Instructs its President to forward this resolution to the Council and Commission and the Government of the Republic of India.

Adopted on 22 January 1988 with 84 in favour, 0 against and 1 abstention