:LC 14.2/2:84-803 ENR

84-803 ENR

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

NORTHERN KENTUCKY UNIVERSITY
LIBRARY

PRIMER ON P.L. 480--PROGRAM HISTORY, DESCRIPTION, AND OPERATIONS: A BRIEF COMPILATION OF EXPLANATORY DOCUMENTS

GOVERNMENT DOCUMENTS
COLLECTION

Compiled by

Susan B. Epstein
Analyst
Environment and Natural Resources Policy Division
November 13, 1984

ABSTRACT

July 10, 1984 marked the 30th Anniversary of P.L. 480 (the Food for Peace Program). Over the last three decades, the program has distributed almost 653 billion pounds of food products at a value of nearly $40 billion to hungry people around the world. About 1.8 billion people in more than 100 countries have directly benefitted from P.L. 480. At the same time, practically every state in the U.S. gains from increased commodity exports resulting from the food aid program which is financed in large part by U.S. taxpayers. Proponents note further that U.S. foreign policy objectives are aided by the program and that humanitarian benefits are very large. Critics of P.L. 480 argue that the U.S. foreign food aid program is largely a farm subsidy arrangement that "dumps" surplus commodities on developing nations with little regard for their nutritional needs or their ability to absorb the goods. Moreover some studies indicate that food aid may sometimes displace normal commercial exports, may provide disincencentives to the agricultural sector in the developing country, and may camouflage the need for political or economic change in the recipient country. This compilation of documents provides the reader with basic historical, descriptive, and operational information on the largest U.S. foreign food aid program--P.L. 480.

TABLE OF CONTENTS

Page

Overview of Program Objectives, Structure and Procedures 1

Program Objectives and Amendments 1

Current Program Structure 5

The Program Planning Process 8

Congressional Appropriations 8

Initial Allocations 8

How P.L. 480 Programs Operate 10

Title I 10

Title II 12

Title III 14

P.L. 480--Title I/III Program Flowchart 16

P.L. 480--Title II Program Flowchart 17

U.S. Agricultural Exports Under Government-Financed Programs Declined 18

P.L. 480 Program Exports, FY 1955-1984 19

Total P.L. 480 As A Proportion of Total U.S. Agriculture Exports 20

Estimated Value of P.L. 480 Export Shares by State 21

Funding Levels 22

P.L. 480 Program Levels, FY73--FY85 23

Critics of P.L. 480 24

Free Food Bankrupts Foreign Farmers 25

Does Food for Peace Stunt Growth? 26

World Hunger: Selected References 27

AN OVERVIEW OF PROGRAM OBJECTIVES, STRUCTURE AND PROCEDURES*

Program Objectives and Amendments

In 1954 the 83rd Congress passed the Agricultural Trade Development and Assistance Act (Public Law 83-480), thereby establishing the U.S. international food assistance program commonly referred to as the "P.L. 480," or "Food for Peace," program. Throughout its history, the P.L. 480 program has served a variety of objectives. Summarized in the Preamble to the Act, as amended, those objectives include:

> ". . . to expand international trade; to develop and expand export markets for U.S. agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition, and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

Since the program's creation there have been shifts in the emphasis placed on these different objectives, in response to changes in the domestic and international environments in which the program must operate. Yet all four types of objectives--promoting agricultural trade, providing humanitarian relief, aiding the economic advancement of developing countries, and promoting U.S. foreign policy--remain central to the program's existence and operation.

To understand the importance of the P.L. 480 program's various objectives it might be helpful to recall the domestic and international contexts in which the program was created. Problems of supply-demand imbalance have plagued U.S. agrriculture repeately since the early 1900's. In the early 1950's U.S. agriculture was experiencing a period of production exceeding demand that depressed prices, and thus farmes' incomes. During both world wars, for example, the United States was the major source of food and fiber for the nations of Europe. Soon after both wars, however, foreign demand decreased as Europe's own agricultural productive capacity was restored. As a consequence, the prices received by U.S. farmers for their commodities deteriorated sharply.

---

*Fuell, Lawrence D., "The P.L. 480 (Food for Peace) Program: Titles I/III Terms and Conditions; Planning and Implementation Procedures," U.S. Department of Agriculture, Foreign Agricultural Service, April 1982.

Beginning in the 1930's, Congress passed legislation aimed at improving agricultural commodity prices including legislation that established price supports and restricted production through acreage set-asides. But except for brief respites during the Second World War, and at the start of the Korean War when governments stockpiled against possible shortages, surpluses continued to accumulate in U.S. Government inventories, at considerable taxpayer expense.

Concurrent with these agricutural trends, there were important political and economic trends that contributed to the impetus for creating the P.L. 480 program. First, there was a growing awareness after the second world war, within the U.S. government as well as among the general public, that America's economic prosperity was interdependent with that of other nations. America's farmers became aware that their highest income occurred when foreign demand for their products were high. Second, at the end of the second world war the United States emerged as the major economic power in the world. American leadership and willingness to assume a more activist role in the international system were demonstrated by such policies and programs as the Truman Doctrine and the Marshall Plan. The P.L. 480 program reflects this same kind of commitment. A third, international economic trend that was particularly acute after World War II was a shortage of foreign exchange in Europe and the developing countries with which to buy goods from the United States. The potential demand was there for U.S. agricultural and other commodities, but not the financial means to purchase them.

It was in this context that the P.L. 480 program was created. The growing cost of stockpiling farm surpluses, a willingness to continue aid efforts to Europe and the developing countries begun with the Marshall Plan, and the lack of foreign exchange on the part of U.S. trade partners, were all central to the establishment of the program. At the time of the program's enactment, recipient countries paid for U.S. agricultural commodities with their own noncovertible currencies. These currencies, owned by the United States, almost always stayed in the recipient country and were spent as the United States and the recipient country agreed. Thus, the United States saved foreign currency it otherwise would have needed to spend in the recipient country. Conversely, the recipient country saved foreign exchange which it could use to buy other needed imports.

As originally written P.L. 480 authorized three types of commodity transfers: sales of commodities to be paid for with the local currency of the recipient countries (title I), donations of commodities to meet famine and other extraordinary relief requirements (title II) and barter exchanges of commodities for strategic materials (title III). The bulk of transfers during the first years of the program's operation were in the form of sales for local currencies.

During the first 10 years of the program's operation expanding U.S. agricultural trade was probably the chief impetus of the P.L. 480 program. However, other interests also played an imporant role. By the late 1950's, for example, as the economies of West European countries regained their pre-war strength, concern for the U.S. balance of payments position grew. In 1958 alone, U.S. gold reserves declined by more than $2 billion. As a result, efforts were made to improve the U.S. balance of payments position, without weakening P.L. 480 program objectives. Through the years, amendments to the law were passed which increased the possible uses of local currencies generated by P.L. 480 sales agreements. This reduced the need to purchase local currencies with dollars for conducting official U.S. government business. In addition, starting in 1959, recipient countries could purchase commodities on a dollar credit (DC) sales basis, with long-term repayment periods, rather than making immediate payments using local currencies. This authority was contained in a new title IV of the Act.

In 1966 an important turning point in the history of the P.L. 480 program was reached. By this time the huge surpluses that had marked U.S. agriculture in the 1950's and early 1960's had diminished. The problems of world hunger and economic advancement in the developing countries were subjects of increased discussion and debate inside as well as outside the government. In light of these and other trends, the Food for Peace Act was passed by Congress in 1966.

None of the original objectives of the program was abandoned by the Food for Peace Act, but the intent of the Act concerning humanitarian and development objectives in developing countries was strenghened. References to U.S. agricultural surpluses were deleted from the language of the Act, although commodity "availability" remained a prerequisite for P.L. 480 shipments. In addition "self-help" provisions were required to be added to each sales agreement. These provisions specify some of the ways in which the government in a recipient country will use the local currencies generated by the resale fo P.L. 480 commodities.

The Food for Peace Act of 1966 also sought to improve the impact of the program on the U.S. balance of payments position. An amendment to the Act required that the President take steps to assure a progressive transition from sales for foreign currencies to dollar credit (DC) sales agreements, or, for those counties not capable of going directly to DC sales, to a new type of sales agreements called "convertible local currency credit" (CLCC) sales agreements. CLCC agreements are essentially the same as DC agreements, except that they offer more time for principal repayment (40 instead of 20 years); a longer grace period to begin principal repayment (up to 10 years vs. a maximum of 2 years for DC sales agreements); and they permit, at the option of the U.S. government, payment in convertible currency of a third country. Both authorities--to enter into DC and CLCC sales agreements--were included in an amended title I of the Act.

A second turning point in the history of the P.L. 480 program occurred during the early 1970's. In 1972 there was a worldwide reduction in grain production due to inclement weather and other production conditions. At the same time new and unexpected commercial export demands were made on U.S. agricultural supplies, including large purchases of wheat and feed grains by the U.S.S.R. Instead of the large surpluses and low prices that plagued U.S. agriculture two decades earlier, the situation in 1972-1973 was one of drastically reduced reserves and sharply rising prices.

The upshot of these new agricultural conditions for the P.L. 480 program was reduced levels of commodities available for export through the program. Some developing countries found it necessary to enter regular commercial markets for food commodities, at a time when commodity prices were at all time highs due to limited supplies. The volume of agricultural products exported under the P.L. 480 program fell to its lowest level ever in fiscal years 1973 and 1974 due to the availability requirements of the program.

Added to the economic pressures created by a tight food situation, in 1973 the Organization of Petroleum Exporting Countries (OPEC) quadrupled its prices for petroleum. Because oil and food are major imports of most developing countries, the economic situation of many of these countries worsened.

In this context of heightened national and international concern over the world food situation (the first World Food Conference was convened in Rome in 1974), further revisions were made in the P.L. 480 program legislation that were designed to strengthen the humanitarian and development assistance emphases of the program. The principal changes since 1975 including the following:

--An amendment was added to the Act by the International Development and Food Assistance Act of 1973, and further amended by the International Development and Food Assistance Act of 1977, which required that at least 73% of title I assistance provided each fiscal year should be allocated to those nations which meet the poverty criteria of the International Development Association of the International Bank for Reconstruction and Development (i.e., per capita national income).

--A requirement that a minimum of 1.3 million metric tons of agricultural commodities be distributed through Title II donations, with one million metric tons of that minimum to be distributed through private voluntary organizaitons (PVO's) and the World Food Program (WFP) of the United Nations, was added by the International Development and Food Assistance Act of 1973. The 1977 International Development and Food

Assistance Act increased these levels to 1.6 million metric tons of Title II donations, with a 1.3 million metric tons subminimum by 1980. In 1981 the minimal allocation of resources to be distributed through PYO's and the WFP was changed to 1.2 million metric tons, and includes only that food used in regular non-emergency feeding programs.

--A Food for Development Program was added to title III of the Act by the International Development and Food Assistance Act of 1977. These provisions permitted sales agreements under the authority of title I that would include (1) multi-year commitments of U.S. food aid to a country, (2) loan repayment forgiveness, and (3) a greater development assistance emphasis, especially in the areas of agricultural development.

--The Secretary of Agriculture was given the authority, by the Food and Agriculture Act of 1977, to determine that some part of the domestic supply of commodities be available under P.L. 480 in times of urgent need, even if U.S. supplies would not otherwise be available.

These and other revisions have strengthened the role of the P.L. 480 program for satisfying humanitarian food needs, and encouraging long-term economic development in countries receiving P.L. 480 commodities. The program continues to be a valuable tool for agricultural commodity supply management, as well as for building and maintaining overseas markets for U.S. agricultural commodities. Similarly, the program continues to be a valuable tool for promoting the foreign policy interests of the United States.

Current Program Structure

The P.L. 480 program, as currently operated, provides two types of commodity transfers: concessional sales (Title I), and donations or grants (Title II). Title III of the Act, as amended, contains provisions of the recently established Food for Development program, which, in conjunction with Title I sales agreements, are designed to strengthen the impact of U.S. food aid on the "basic needs" of the rural poor in countries receiving such aid. Title IV contains several general provisions.

In terms of the value of commodities exported, title I sales agreements are the most important of the two types of agricultural transfers made through the P.L. 480 program. More than 70 percent of the value of all P.L. 480 transfers made since the program began and through

fiscal year 1980 have been in the form of Title I sales agreements. These sales agreements are all concessional ones--that is, sales made on terms more favorable to the recipient country than the terms of normal commercial sales. In practice this means long-term repayments and low interest rates. Prior to 1972 most sales agreements were local currency (LC) sales agreements, payable immediately upon receipt of the commodities, but payable in the local currency of the recipient country. Currently, all states agrements are either dollar credit (DC) or convertible local currency credit (CLCC) sales agreements. Repayment is deferred, but in dollars, or, at the option of the U.S. government, in convertible currencies of a third country.

The various terms and conditions, as well as the steps in the implementation of Title I sales agreements, will be discussed in detail in the next two parts of this publication. Briefly, the United States Department of Agriculture, through the Commodity Credit Corporation (CCC), finances the sale and export of agricultural commodities under Title I sales agreements. The actual sales are made by private U.S. suppliers to foreign importers or to a foreign government purchasing agency. The commodities are then resold in the recipient countries, and the local currency proceeds are used by the government of the recipient country for purposes specified in the sales agreement (e.g., to implement the "self-help" provisions of the sales agreement).

Title II transfers are grants or donations of agricultural commodities under the P.L. 480 program. Title II grants may be made on a government-to-government basis. Most Title II grants, however, are made to, and distributed by, private voluntary organizations (PVO's) such as CARE (Cooperative for American Relief Everywhere) and CRS (Catholic Relief Services), or international organizations such as the UN's World Food Program. It is stipulated in the program legislation that the President utilize only those PVO's registered with and approved by the Advisory Committee on Voluntary Foreign Aid in distributing commodities under this title.

Title II food grants support regular ongoing programs such as school feeding, maternal/child health programs, and food-for-work community development projects, as well as emergency disaster reliief activities. All commodities furnished under Title II must be clearly identified as furnished by the people of the United States.

Title III authorizes multiyear food for development programs for the purchase of a specific annual value of agricultural commodities, by the recipient-country, to be delivered over a period of one to five years. Commodities made available under Title III programs are financed by CCC under the authority of title I. However, title III permits local currency proceeds utilized for development purposes specified in the Act to be credited against the dollar repayment obligation incurred by the

title I ales agreements. Thus title I sales agreements that include a title III food for development program annex are referred to as title I/III sales agreements. In return for these multiyear commitment and loan forgiveness provisions, the recipient country must undertake development effort(s) which complement, but do not replace, other development assistance provided by AID, other donors, or by the foreign government's own development programs. That is, the effort(s) must be additional to what is currently under way, already committed by donors, and specifically included in the recipient country's own development budget.

Title III programs must support activities designed to increase the access of the poor to a growing and improving food supply, and to increase the well-being of the poor in the rural sector of the society. These activities may include agricultural and rural development, nutrition programs, and other health services and population planning projects. Particular emphasis should be placed on policies and associated programs which effectively assist small farmers and landless agricultural laborers, by expanding their access to the rural economy through services and institutions at the local level, and by providing opportunities for the poor, who are dependent upon agriculture and agricultural-related activities, to better their lives through their own efforts.

Title IV of the Act covers the general provisions of the program. Among those provisions is the requirement that the Secretary of Agriculture shall determine commodity availability for shipment under the P.L. 480 program, taking into account productive capacity, domestic requirements, farm and consumer price levels, commercial exports, and adequate carry-over requirements. As mentioned already above, in 1977, an amendment was added to the law permitting the Secretary of Agriculture to waive this availability requirement, if that official determines that some part of the U.S. supply should be used to carry out urgent humanitarian purposes of the Act.

Besides the authority discussed above, under which the program currently operates, there are also three other provisions authorized by the Act, but which are not being used at present. One of these is the authority for USDA to enter into sales agreements with a private trade entity (PTE), rather than a government agency, in the recipient country. Private trade agreements specify precisely the use to which the commodity sales proceeds will be put, such as the construction of grain terminals or port facilities.

A second authorized but unused provision of the program is the barter authority granted to CCC contained in Title III of the Act. According to that provision, CCC is authorized to exchange CCC-owned commodities for strategic materials or off-shore construction programs.

Finally, included in Title IV are provisions for a farmer-to-farmer assistance program. These provisions allow for contracts with land-grant colleges to recruit people to train farmers of developing countries, abroad or in the United States, and to conduct research in tropical and subtropical agriculture. Funds were authorized but never appropriated by Congress for this program. Consequently, it has never been implemented.

The Program Planning Process

The P.L. 480 program budget operates by fiscal years (FY) which begin on October 1, and end on September 30 (FY 1982, for example, began on October 1, 1981, and ended on September 30, 1982). The process of planning the P.L. 480 program budget for a given fiscal year begins some eighteen months in advance of the start of that fiscal year. Responsibility for planning and implementing the P.L. 480 program is shared by several agencies of the U.S. government. The principal agencies involved in the P.L. 480 program planning process are the Department of Agriculture (USDA), the International Development Cooperation Agency and Agency for International Development (IDCA/AID), the Department of State, the Office of Management and Budget (OMB), and the Department of the Treasury. Other agencies which may play a role depending on the issue under discussion, particularly during the formulation of sales agreements with specific recipient countries, include the National Security Council (NSC), and the Department of Commerce.

Congressional Appropriations

In February the President is required to submit to Congress the proposed federal budget for the fiscal year that begins on October 1 of that same year. That part of the budget concerning the P.L. 480 program is sent to the agricultural appropriation subcommittees in both the Senate and the House of Representatives. Funds for the program are appropriated each year. Program authorization, however, has recently been extended on a four year basis. The most recent re-authorization of the P.L. 480 program is contained in the Agriculture and Food Act of 1981 (Public Law 97-98). Program authorization expires December 30, 1985.

Besides the appropriations committees of Congress, three other committees have P.L. 480 oversight responsibilities. These are the Agriculture, Nutrition and Forestry Committee in the Senate; and the Agriculture Committee and the Foreign Affairs Committee in the House of Representatives. The interest shown in the program by two substantively different committees in the House reflects the multiple purposes of the program, serving both domestic agriculture and international development and foreign policy interests.

Initial Allocations

At the start of each fiscal year USDA is required to submit to Congress a list of recipient countries to which P.L. 480 title I/III resources are expected to be allocated in that fiscal year. The document sent to Congress is referred to as the "initial allocation table." The information contained in that table, including the types and volume of commodities transferred, is updated quarterly for the Congress. Preparing the initial allocations

table provides the opportunity to make further amendments or confirm the tentative decisions made a year earlier. In the intervening period, a much clearer picture of agricultural supply conditions will have become available. In addition, other changes of a political or general economic nature in the international system might have occurred that require program adjustments. Last, but certainly not least, Congress may have legislated policy changes during its renewal of the program's authorization and/or appropriation that require adjustments.

HOW P.L. 480 PROGRAMS OPERATE*

TITLE I

Title I of P.L. 480 provides for concessional sales of agricultural commodities to friendly countries. Until the end of 1971, the law permitted sales agreements which provided for payment in local currencies on delivery. Since 1972, sales agreements have been negotiated only for long-term credit repayable in dollars or in currencies convertible to dollars. Convertible local currency agreements usually allow a longer period for repayment than dollar credit agreements and are used when a complete transition from local currency sales to dollar credit is not feasible.

Dollar credit agreements may provide for a specific down payment in dollars, foreign currency or both, upon delivery of the commodities. The balance of the agreement is repaid in dollars in approximately equal annual installments over a period of up to 20 years. Such agreements may also include a grace period of up to 2 years, during which principal payments are not required.

Repayment under convertible local currency agreements is in dollars or, at the option of the United States, in convertible foreign currency. The maximum term available under this type of financing is 40 years, including a grace period up to 10 years. A down payment, in dollars, foreign currency, or both, also may be required in this kind of agreement. Interest rates under both types of financing are set by law at minimums of 2 percent during a grace period and 3 percent thereafter. The minimum rates have been used in the majority of title I sales agreements.

Although the Commodity Credit Corporation finances the sale and export of commodities under title I, actual sales are made by private U.S. suppliers to foreign importers, government agencies, or private trade entities.

Section 401 of the Act provides that the Secretary of Agriculture must determine the availability for concessional export of commodities included in sales agreements. In determining this availability, the Secretary must consider U.S. productive capacity, domestic requirements, farm and consumer price levels, adequacy of carryover stocks, and anticipated exports for dollars.

Each sales agreement under title I begins with a request, from a foreign government or private trade entity for commodities. The request

---

*U.S. Congress. Senate. Committee on Agriculture, and Forestry. American Foreign Food Assistance, Public Law 480 and Related Materials. Washington, U.S. Govt. Print. Off., 1976, pp. 1-4.

is generally submitted to the American Embassy in the host country, and is then transmitted directly to Washington accompanied by recommendations of the Embassy and supporting evidence of need for commodities in excess of likely domestic production and normal commercial imports. Such factors as production and consumption patterns, export of similar commodities and the supply position of the participating country are considered.

In Washington the request is forwarded to the Department of Agriculture, where the submission is analyzed. From that analysis, USDA develops a program which provides for suitable commodity quantities, establishes levels of required commercial imports from the United States and friendly countries (usual marketing requirements), and includes self-help measures suitable to the needs of the requesting country. The program proposal also deals with the use of sales proceeds to be generated under the proposed agreement, on the basis of recommendations of AID, and incorporates all other necessary details.

The Department of Agriculture submits its proposed program to the P.L. 480 Interagency Staff Committee (ISC). This committee is chaired by the Department of Agriculture and includes Treasury, State/AID, Defense, Commerce, and Office of Management and Budget representatives. The committee considers factor bearing on the program, such as:

a. The country's need for the commodity, foreign exchange position, and overall economic status;

b. The possible impact of a title I program on U.S. dollar sales and other export programs, as well as U.S. needs for local currency;

c. The effect of such a program on export markets of friendly supply countries; and

d. The relationship of the proposed progam to the foreign aid program and the foreign policy of the United States.

Once committee approval is obtained, the proposed credit terms are submitted to the National Advisory Council on International Monetary and Financial Policies and consultations with friendly third countries are undertaken. Congressional agricultural committees are informed of the proposed program at this time. Negotiating instructions are prepared in Washington and forwarded to the concerned U.S. Embassy. Negotiations are carried on by the Ambassador or his designees with officials of the host government. Private trade entity agreements follow the same procedure but are generally negotiated in Washington by officials of USDA and the requesting organizations.

Once a title I sales agreement is negotiated and signed, purchase authorizations are issued by the Department of Agriculture. The purchase authorizations provide for financing of specific commodity sales

and specify conditions under which financing will be made available. Where the applicable sales agreement provides for a relatively small amount of a commodity, a purchase authorization may be issued for the full amount in the agreement. Where agreement amounts are large, authorizations are generally spaced over the supply period, which is usually either a calendar year or a U.S. Government fiscal year. For private trade entity agreements, purchase authorizations are timed to coincide with the project requirements of the private trade entity.

Concurrently with the issuance of a purchase authorization, the importing country or private trade entity generally applies to the Commodity Credit Corporation for a "letter of commitment." The letter of commitment is a document issued by the CCC to the importing country's designated American bank, promising to reimburse the bank for any payments made to American suppliers for approved sales made under the purchase authorization. When an agreement requires an initial payment, the letter of commitment provides financing only for the balance of a purchase authorization's value. For example, when title I sales agreements provide for an initial payment of 5 percent, all purchase authorizations issued under that agreement will indicate CCC financing of 95 percent of the value of the authorization. The remainder must be paid by the importing country, usually through letters of credit.

Seven days after issuance of the purchase authorization, contracts may be signed between an importer and U.S. commodity suppliers. All sales contracts are subject to review and approval by USDA to insure that they meet the requirements of purchase authorizations and fall within a prevailing range of market prices. Suppliers then deliver the commodities to vessels specified by the importing country, and obtain documents such as on-board bills of lading, inspection, and weigh certificates, USDA Notice of Vessel Approval, etc., which must be presented to the importing country's designated American bank for payment. The bank pays for supplier and forwards the required documents including commodity title documents, to the "approved applicant," usually a bank. CCC notifies the American Embassy in the importing country of the disbursement.

TITLE II

Food donations are provided under title II to support mother and child feeding activities, school feeding projects, food-for-work, and emergency efforts to alleviate the sufferings of victims of natural and man-made disasters.

Title II programs are carried out under a variety of arrangements. Each program must have a "cooperating sponsor." The sponsor may be the government of a recipient country, a U.S. nonprofit voluntary agency or

a combination of such agencies, or intergovernmental organizations such as the World Food Program of the United Nations.

The administration of the title II program is shared jointly by the Agency for International Development (AID) and the U.S. Department of Agriculture (USDA). AID is generally responsible for program operations while USDA determines commodity availabilities together with their volumes and values. AID and USDA participate jointly in the programming process through the Interagency Staff Committee. With the exception of those commodities made available to voluntary agencies, USDA arranges ocean transportation for all title II commodities.

Program proposals originate from the overseas staffs of U.S. non-profit voluntary agencies or from AID overseas missions, generally after a specific request by the recipient country. Program proposals submitted by voluntary agencies are coordinated at overseas posts with AID, Food for Peace officers or other U.S. staff members designated for such responsibility. Such assigned or designated U.S. foreign service staff members advise and assist voluntary agencies in program development and implementation. They also receive, analyze, and comment on proposals for bilateral food grant assistance. U.S. overseas missions also coordinate and cooperate with the representatives of the United Nations agencies such as UNICEF, or the World Food Program regarding proposals for food grant assistance under multilateral arragements.

In addition, U.S. overseas missions analyze and comment on all food grant proposals as they relate to the host country's development objectives. Finally, the missions are responsible for monitoring all voluntary agency and government-to-government programs.

Based on these above responsibilities and arrangements, AID in Washington coordinates the approval of programs through the Interagency Staff Committee, authorizes the implementation of approved programs, and initiates the procedures which result in title II commodities becoming available to cooperating sponsors and recipients. The program coordination process in Washington includes the Department of Treasury and Commerce and the Office of Management and Budget.

Title III

Recipient countries with which title I/III sales agreements are entered into must satisfy all of the terms and conditions applicable to Title I agreements, plus the following additional eligibility requirements. Each recipient country must:

1. have a need for external resources to improve its food production, marketing, distribution, and storage systems;

2. meet the per capita income criterion (in 1982 this was maximum of $730) necessary to qualify for development loans from the International Development Association of the International Bank for Reconstruction and Development (the World Bank);

3. be able to use effectively the resources made available by the resale of the food commodities;

4. indicate a willingness to take steps to improve its food production, marketing, distribution, and storage systems.

Another important title I/III eligibility requirement, sometimes referred to as the "additionality requirement," is that title I/III assistance must complement, but not replace, other development resources already planned by AID, other donors, or the foreign government itself.

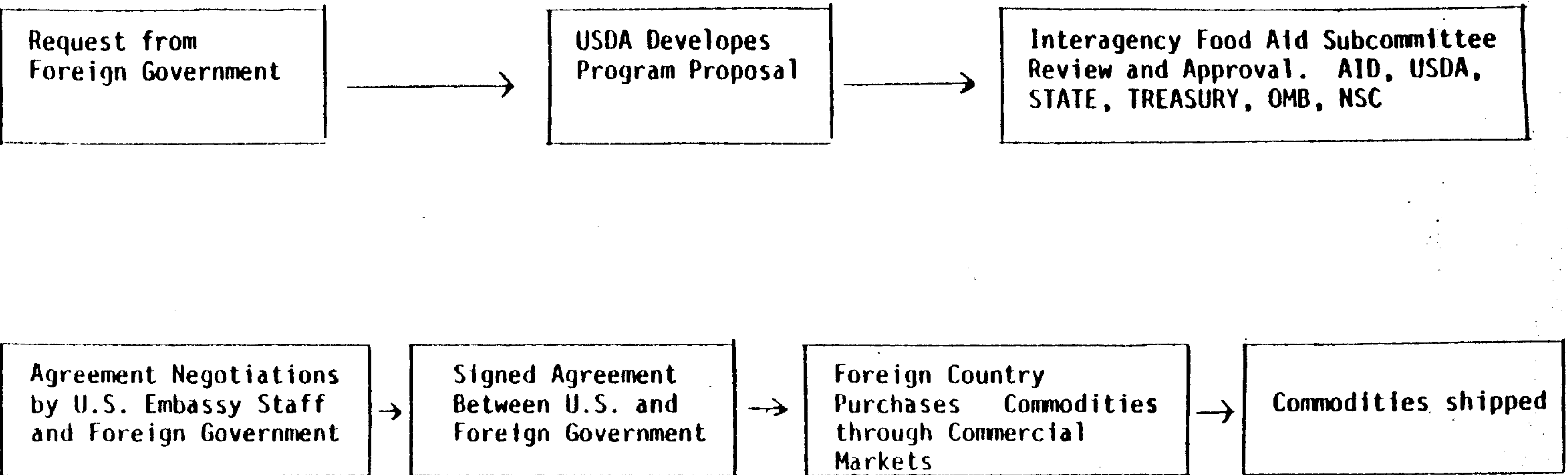
The implementation of title I sales agreements that include a title III food for development program follow the same procedure as described above. In addition, title I/III sales agreements are subject to certain provisions concerning the recipient country's compliance with the development commitments of the agreement, and its eligibility for the forgiveness of loan repayment.

The government of the importing country must report quarterly on deposits and disbursements of local currency in connection with the food for development program. The U.S. Embassy must determine that the local currency equivalent of the dollars disbursed by CCC has been deposited in a special account, review the disbursements of those local currencies from the special account by the importing country, and certify that those disbursements meet the conditions qualifying them for application against loan repayments. The embassy must report quarterly on this disbursement to CCC.

The complete title I debt will be deemed to be offset only when there is full disbursement, for authorized purposes, of the local currencies

which were deposited by the foreign government into a special account, in an amount equal to the dollar value of the CCC credit (regardless of fluctuations in the exchange rate that may have occurred during the life of the program). Full forgiveness does not apply in the case of "relatively least developed countries" (RLDC"s) which choose to utilize disbursements from the special account to offset other title I debt coming due from previous agreements. The U.S. Embassy must certify to CCC that all the local currencies generated have been disbursed, before full forgiveness of loan repayment can occur.

P.L. 480 - TITLE I/III PROGRAM FLOWCHART

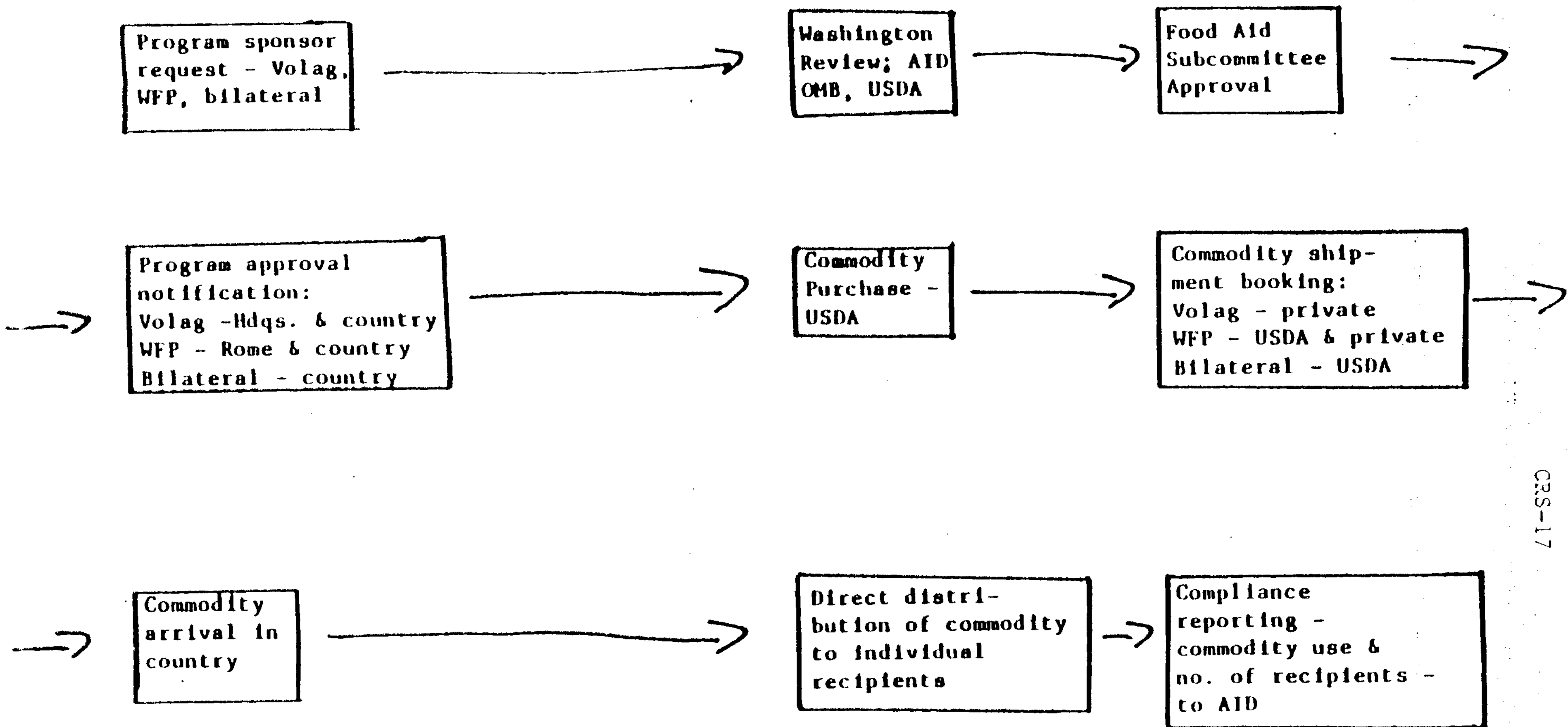


*Agency Objectives

USDA	AID	STATE	TREASURY	OMB	NSC
1) Market Development 2) Surplus Disposal	1) Economic Development 2) Humanitarian	1) Foreign Policy	1) Financial Review	1) Budgetary Overview	1) National Security

Prepared by USDA.

TITLE II: PROGRAM DEVELOPMENT & IMPLEMENTATION, MAJOR STEPS
PRIMARY ADMINISTRATIVE RESPONSIBILITY
AID



Volag--voluntary agency
WFP --World Food Program
AID --Aid for International Development
OMB --Office of Management and Budget
USDA --U.S. Department of Agriculture.

USDA/OGSM/PL 480
6/18/79

U.S. AGRICULTURAL EXPORTS UNDER GOVERNMENT-FINANCED PROGRAMS DECLINED*

For the second consecutive year, U.S. agricultural exports under concessional Government-financed programs declined. The total value for calendar year 1983 fell 10 percent to $1.14 billion and a volume of 5.6 million metric tons. Exports of Public Law (P.L. 480 Title II donations declined. Egypt, Pakistan India, Bangladesh, and Sudan were the leading recipients for concessional shipments. Major commodities exported were wheat ($478 million), rice ($147 million), soybean oil ($128 million), wheat flour ($126 million), and corn ($103 million). Government programs accounted for 4 percent of all U.S. agricultural shipments.

P.L. 480 title I long-term credit sales rose slightly in value to $756 million in 1983, but volume dropped 6 percent below those in 1982. Title I sales accounted for 66 percent of concessional Government-financed programs in 1983. Wheat accounted for half of the Title I sales in 1983 and went to 19 countries, including Egypt, Sudan, Morocco, Bolivia, Sri Lanka, and El Salvador.

Rice, the second leading commodity under Title I sales, rose 39 percent to $132 million. Export volume of 382,000 metric tons represented a 22-percent increase over 1982 due mainly to delays in shipments under P.L. 480. Rice shipments under Title I went primariy to Indonesia, Somalia, Peru, Liberia, and Bangladesh.

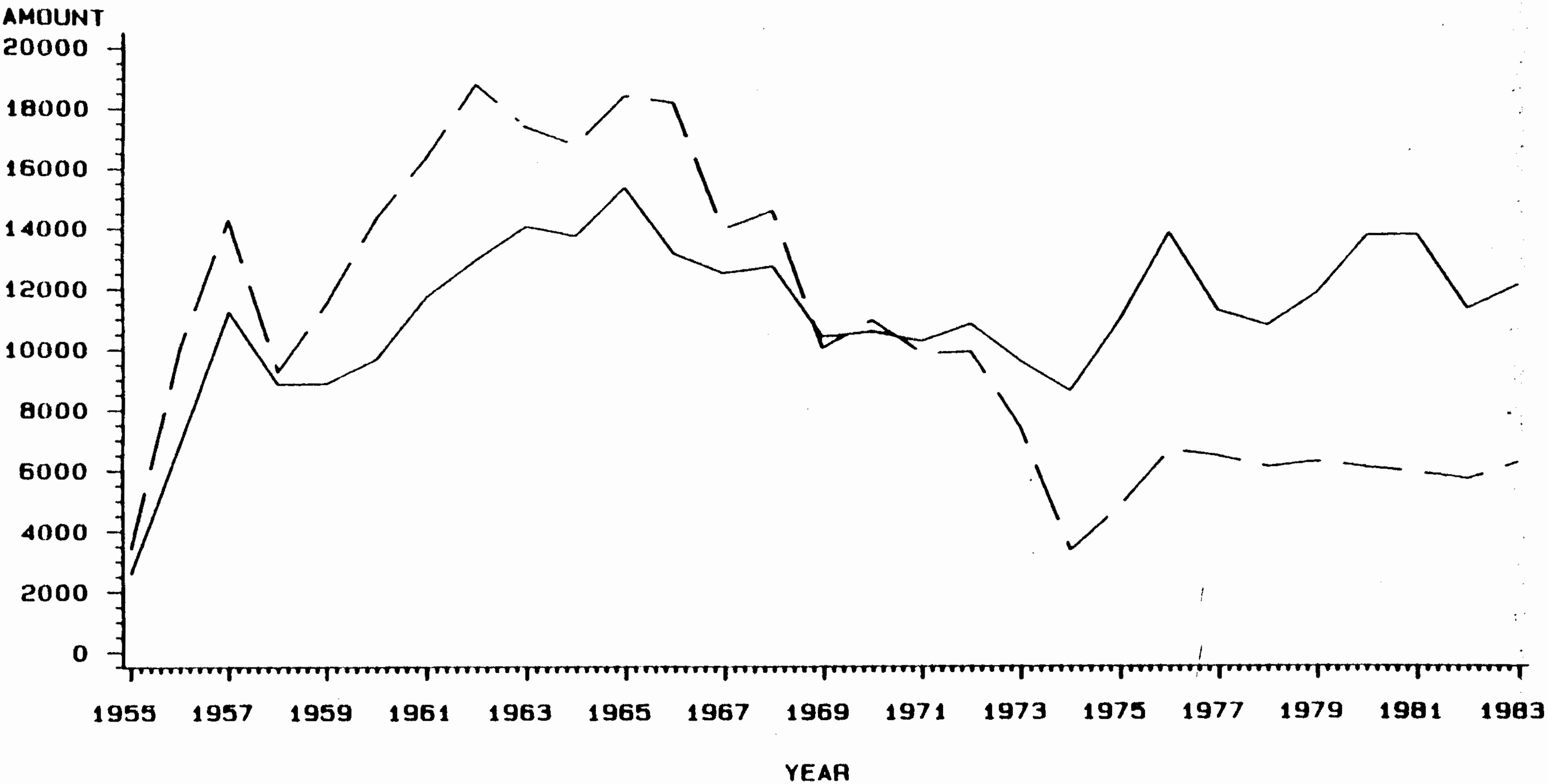
Shipments under Title II donations totaled $286 million and 1.4 million metric tons in calendar year 1983, down 25 percent from the previous year. Half of Title II donations were distributed through voluntary relief agencies, one-third through the World Food Program, and the remainder under government-to-government arrangements.

India, Poland, and Peru received over half the voluntary relief donations. Wheat and wheat products, soybean oil, and nonfat dry milk were major commodities distributed to these countries under relief donations. Pakistan and India received 50 percent of the World Food Program donations. Bangladesh, the largest recipient of government-to-government wheat shipments, received over half of the total value.

Agency for International Development (AID) disbursements totaled $98 million, 10 percent of concessional sales. About 89 percent of AID disbursements went to Egypt, with corn the major commodity. (Fannye Lockley, World Analysis Branch)

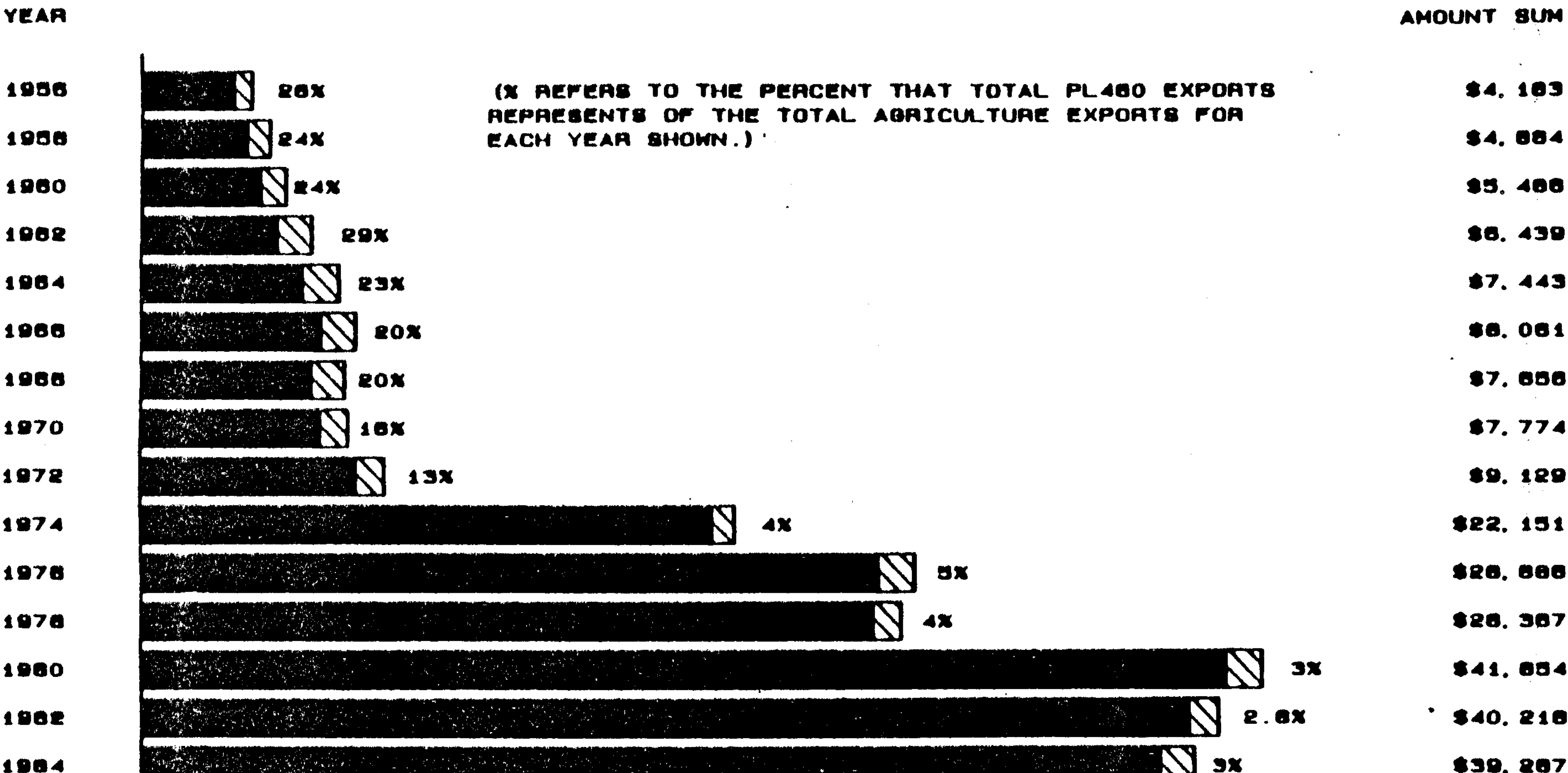
---

*Foreign Agricultural Trade of the United States, U.S. Department of Agriculture, March/April 1984, p. 110.


P.L. 480 PROGRAM EXPORTS, FY 1955–1984
(METRIC TON GRAIN EQUIVALENT BASIS)
AMOUNT
20000
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
1955
1957
1959
1961
1963
1965
1967
1969
1971
1973
1975
1977
1979
1981
1983
YEAR
LEGEND: TYPE ——— $100 THOUSAND – – – METRIC TONS
U.S. DEPARTMENT OF AGRICULTURE, FOREIGN AGRICULTURE SERVICE
TESTIMONY BY DEPUTY SECRETARY OF AGRICULTURE:
RICHARD E. LYNG BEFORE THE
HOUSE SELECT COMMITTEE ON HUNGER, JUNE 26, 1984
TABLE PREPARED BY CRS

TOTAL PL480 AS A PROPORTION OF TOTAL U.S. AGRICULTURE EXPORTS:

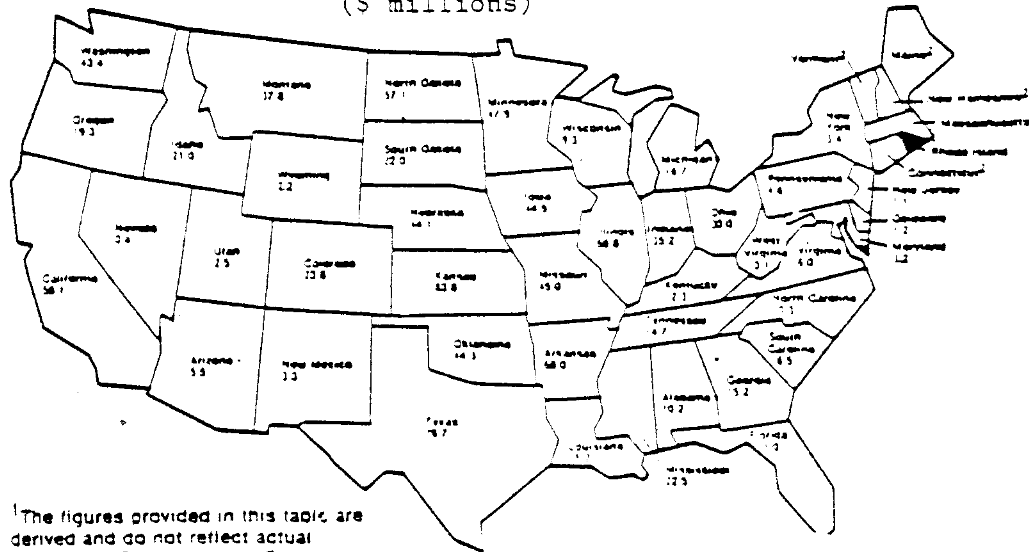
FY1956 - 1984.



SOURCE: USDA FOREIGN AGRICULTURAL TRADE OF U.S. NOVEMBER/DECEMBER, 1980, U.S. EXPORTS, USDA, MAY 17, 1984. TESTIMONY BY RICHARD E LYNG, JUNE 26, 1984.

TABLE PREPARED BY CRS

Estimated Value of P.L. 480 Export Shares by State[1]



[1]The figures provided in this table are derived and do not reflect actual shipments. The reference "Export Shares" is used because as commodities proceed through the production cycle they may transit through a number of states thereby making it difficult to assign a point of origin for the final product.

[2] Less than $100,000

No P.L. 480 activity

Source: USDA, Foreign Agricultural Service, Foreign Agriculture, July, 1984, p. 15.

FUNDING LEVELS*

The P.L. 480 annual appropriation is deposited with the Commodity Credit Corporation (CCC) which finances Food for Peace sales agreements and donations. If amounts appropriated are greater than actual needs in any one year, the excess is used to reduce future appropriation requests. If the appropriations are less than actual needs other CCC funds may be used temporarily to finance the balance of the costs.

P.L. 480 budgetary costs and program levels for any one year may not be identical. For example, during FY1983 P.L. 480 programs had a program level of $1,509.5 million. The appropriation for that year was $1.028 million. Title I sales are made on credit and repayments reduce P.L. 480 budget costs by partially financing the program level of subsequent years. Commodities shipped under Title II may have been acquired under the domestic price support program. The P.L. 480 program pays CCC the export market price for these commodities.

Funds available for P.L. 480 in FY1973 through FY1984 are indicated below in Table 1.

The amounts of commodities shipped under P.L. 480 depend not only on actual funding levels, but also on domestic commodity prices. If P.L. 480 program levels remain constant and domestic commodity prices rise, the quantity of commodities shipped will decline (unless a supplemental appropriation is made). Thus, in the early and mid-1970s when agricultural stocks were limited, causing price increases, quantities shipped under the food aid program declined. Over the past ten years, program levels have varied from a low of $963 million in 1974 to a high of $1.69 billion in 1981. Over the same period, the quantities shipped under the program have varied from under four million metric tons in 1974 to more than 6 million metric tons in the 1980s. It should be noted however, that in the previous decade of the 1960s, the quantity shipped was consistently in the range of 15-18 million metric tons.

---

*Epstein, Susan B., "U.S. Bilateral and Multilateral Food Assistance Programs," Environment and Natural Resources Policy Division, Congressional Research Service, Library of Congress, July 9, 1984. 36 p.

TABLE 1

P.L. 480 (FOOD FOR PEACE) PROGRAM LEVELS FY73-83 ACTUAL
FY84 AND FY85 ESTIMATE
(Millions of Dollars)

	FY73	FY74	FY75	FY76	TQ	FY77	FY78	FY79	FY80	FY81 c/	FY82 d/	FY83 e/	FY84	FY85
Titles I/III a/ Program Level	$ 744.5	$ 578.1	$ 767.2	$ 645.0	$ 332.6	$ 798.6	$ 733.7	$ 827.1	$ 908.8	$ 846.4	$ 832.1	$ 841.2	$ 872.0	$ 985.0
Appropriation (BA)	371.4	239.1	425.2	449.5	56.0	680.5	276.9	339.4	266.2	441.3	392.1	428.5	402.0	669.0
Carryover Funds b/	-13.5	15.1	48.3	-85.8	209.1	-289.8	72.5	89.2	210.7	-34.8	22.0	6.5	-----	-----
Receipts	386.6	324.0	293.7	281.3	67.4	407.9	384.3	398.5	431.9	439.9	418.0	408.2	470.0	316.0
Title II Program Level	396.1	384.8	460.4	327.4	155.8	459.5	458.8	547.3	596.5	847.3	515.3	557.2	650.0	650.0
Appropriation (BA)	523.6	314.6	353.3	640.5	90.2	488.8	646.0	466.5	620.1	787.6	607.9	599.5	650.0	650.0
Carryover Funds b/	-127.5	70.3	107.1	-313.0	65.6	-29.9	-187.2	80.8	-23.6	59.7	-92.6	-42.5	-----	-----
Total Program Level	1,140.6	963.0	1,227.6	972.4	488.3	1,258.1	1,192.5	1,374.4	1,505.3	1,693.7	1,347.4	1,400.2	1,522.0	1,635.0
Appropriation (BA)	895.0	553.6	778.5	1,089.9	146.2	1,169.3	922.9	805.9	886.3	1,228.9	1,000.0	1,028.0	1,052.0	1,319.0
Carryover Funds b/	-141.0	85.4	155.4	-398.8	274.7	-319.0	-114.6	170.0	187.1	24.9	-70.6	-36.9	-----	-----
Receipts	386.6	324.0	293.7	281.3	67.4	407.9	384.3	398.5	431.9	439.9	418.0	408.2	470.0	316.0

a/ Funds for Title III (Food for Development) were first spent in FY78.

b/ Years in which carryover fund amounts are positive reflect the use of the previous year's funds to finance the current year's program level; years in which these amounts are negative indicate that current year funds were used to finance the succeeding year's program level.

c/ Reflects transfer of $35 million from Title II to Titles I/III.

d/ Reflects transfer of $67 million from Title II to Titles I/III.

e/ Refelcts transfer of $50.5 million from Title II to Titles I/III.

NOTE: The P.L. 480 Program is financed by appropriations, receipts from principal repayments and loan interest under Title I, and carryover funds. Numbers do not always total due to rounding.

Source: Executive Office of the President, The Budget of the United States Government - Appendix for fiscal years 1975-78; U.S. Department of Agriculture, "Budget Explanatory Notes" for fiscal years 1978-85.

CRITICS OF P.L. 480

Critics of the program raise a number of serious questions. Some have suggested that food aid is more highly correlated with U.S. commodity surpluses that with world hunger needs, saying that the necessary quantities and nutrients are often not the prime concern of the United States. They see the program as largely another U.S. farm subsidy financed by the taxpayer, and one which sometimes displaces normal commercial exports. Some critics contend U.S. food aid creates disincentive effects in the recipient countries which reportedly encourage reduction in agricutural production and allow the recipient governments to be somewhat lax in taking necessary political and economic steps to improve their domestic food situation. Critics have also questioned the appropriateness of donating traditional American food items (such as cheese, white flour, and blended products) to other cultures. These people point out that there are drawbacks to introducing foods which may be misused (i.e. infant formula), as well as introducing new foods to preschool and school-age children who may subsequently acquire new tastes and preferences for food that they likely will be unable to obtain in the future.

While some experts contend that food aid can negatively affect a recipient country, others feel that the positive effects often outweigh the negative effects of food aid. These proponents of aid believe the positive and negative effects should be weighed on an individual country-by-country basis.

The inherent problems of food aid are better understood by donors and recipients now than in 1954. This awareness in itself reportedly helps to reduce the negative effects.

CRS-25
CRS MAIN FILE COPY
WALL STREET JOURNAL
Reproduced with the permission of the Dow Jones & Company, Inc. ©1984
JUL 2 1984 p. 18

THE WALL STREET JOURNAL, MONDAY, JULY 2, 1984

Free Food Bankrupts Foreign Farmers

By James Bovard

Food for Peace is probably our most harmful foreign aid program. Each year the federal government dumps more than $1 billion of surplus commodities onto Third World countries. This food occasionally feeds people who otherwise would go hungry, but the usual effect is to undercut poor farmers and disrupt local agricultural markets.

Food for Peace has always been a bit of a mongrel program, serving whatever purpose politicians choose at that moment. Until 1980, it gave surplus tobacco to poor countries. The program currently helps avert starvation by giving away Agriculture Department surplus cotton. Food for Peace (also known as PL 480) is jointly administered by the USDA and the Agency for International Development, and the two often quarrel.

Food for Peace originally was designed in 1954 to help the Eisenhower administration get rid of embarrassingly large farm surpluses. The original law included a cargo preference provision requiring half of all PL 480 food to be shipped in American-flag ships. This provision supposedly helps ensure a healthy merchant marine for national defense emergencies. But a 1983 Senate Agriculture Committee report concluded: "Rather than encouraging the development of improved U.S. vessels, the program encourages the continued use of semi-obsolete and even unsafe vessels which are of little use for commercial or defense purposes." Due to inflated U.S. shipping costs, cargo preference adds more than $50 million to the program's cost.

Misconceptions About Aid

Many Americans have the impression that most U.S. food relief goes to areas hit by foreign disasters or emergencies. Actually, only 14% of PL 480 food went to such areas last year, and even that aid is often counterproductive, disrupting local economies and discouraging governments from reforming destructive agricultural policies. The usual routine for other PL 480 programs, as one congressional staffer described it, is for an AID person to come into a country, find an excuse for a project and then continue it for 15 years, regardless of need or results. Many such programs have fed the same people for more than a decade, thereby permanently decreasing the demand for locally produced food and creating an entrenched welfare class.

In the 1950s and 1960s, massive U.S. wheat dumping in India disrupted the country's agricultural market and bankrupted thousands of Indian farmers. George Dunlop, chief of staff of the Senate Agriculture Committee, speculated that food aid may have been responsible for millions of Indians starving. Mr. Dunlop and Reagan administration officials insist that the program no longer puts farmers in recipient countries out of business, but the evidence does not flatter their contention.

PL 480 is still often run with the goal of giving away the most food in the shortest time. The Kansas City Times reported that in 1982 the Peruvian agriculture minister pleaded with USDA not to send his country any more rice, fearing that it would glut the local market and drive down prices for struggling farmers. But the U.S. rice lobby turned up the heat on USDA, and the Peruvian government was told that it could either have the rice or no food at all.

The same type of policy fiascos occur in sub-Sahara Africa, which received 14% of PL 480 donations in 1983. Most African governments force farmers to sell their crops to the government at a third to a half of their market value. Per-capita food production in Africa has decreased 20% since 1960, and PL 480 donations have helped governments perpetuate the destructive status quo. The easier it is for governments to get welfare, the less incentive they have to reform their own policies.

> *Many programs have fed the same people for over a decade, thereby decreasing the demand for locally produced food and creating a permanent welfare class.*

Haiti is another country wounded by U.S. free food. A development consultant told the House Subcommittee on Foreign Operations a few years ago, "Farmers in Haiti are known to not even bring their crops to market the week that [PL 480 food] is distributed since they are unable to get a fair price while whole bags of U.S. food are being sold." Where there is a sharp increase in the supply of food, prices will inevitably fall and local farmers will be hurt.

PL 480 also is often ineffective in international disasters when a speedy response is essential. People have starved while bureaucrats haggled and decrepit boats puttered across the ocean.

In 1976 an earthquake hit Guatemala, killing 23,000 people and leaving over a million homeless. But just prior to the disaster, the country had harvested one of the largest wheat crops on record, and food was plentiful. Yet the U.S. dumped 27,000 metric tons of wheat on the country. The U.S. "gift" knocked the bottom out of the local grain markets and made it harder for villages to recover. The Guatemalan government finally had to forbid the importation of any more basic grains.

PL 480 aid is divided under three titles. Title I sells food to countries at concessional prices, roughly 65% lower than market price. Title II donates food to be used for local development projects and for malnourished groups. Title III donates food but only on condition that countries are making an effort to improve their development policies. Very few countries have applied for Title III conditional aid, as they know they will get free or cheap food regardless of what policies they follow.

Roughly a quarter of Title II donations go for the Food for Work (FFW) program. FFW recipients receive food in return for working on labor intensive projects. These projects are supposed to be designed to increase agricultural productivity.

But workers often labor to improve the private property of government officials or of large landowners. An AID analysis of FFW in Bangladesh, which has the largest number of FFW projects, concluded that FFW "results in increased inequity" and "strengthens the exploitive semi-feudal system which now controls most aspects of the village life. . . ." Workers were underpaid, and the government of Bangladesh used U.S. wheat for other purposes and paid laborers with poor quality, infested wheat. A 1975 Food and Agriculture Organization report concluded that FFW projects in Haiti "have extremely deleterious effects on the peasant communities and cause great erosion of the reservoir of mutual service relationships of the traditional peasantry."

In many areas, rural residents neglect their own farms to collect generous amounts of food for doing little or no work on government-supervised projects. FFW has, like food stamps in the U.S., contributed to a shortage of agricultural labor at harvest time.

Much of the donated food is targeted for school food or health programs for mothers and their children. AID claims that this prevents displacement of local production and reduces malnutrition. But an AID audit of targeted assistance in India, which has the largest program, concluded, "The maternal/child health program has not improved nutrition and the school feeding program has had no impact on increasing school enrollment or reducing the drop-out rate. . . ." Another AID audit concluded that "program methodology in Kenya (and elsewhere in Africa) creates an unlimited demand for food. . . . The long-term feeding programs in the same areas for 10 years or more have great potential for food production and family planning disincentives. . . ." In other countries, such as Haiti, the local AID office has never even attempted to determine the impact of PL 480 food on recipients' nutritional status.

If the USDA really believes that giving food to the poor has no effect on local farmers, then presumably Agriculture Secretary John Block would not object if the European Economic Community sent over a billion pounds of surplus cheese to feed all the hungry Americans they hear about.

Recipient governments often sell PL 480 food and use the proceeds for various doubtful purposes, such as buying arms. Mauritius insisted on receiving only the highest quality rice—and then used the donated food for its hotel trade. In other cases, food aid is squandered because of government price controls. According to one former AID official, bread is so cheap in Egypt that American PL 480 wheat is baked into loaves and fed to donkeys.

When food aid does not undercut local farmers, it often replaces food that the recipient country would have purchased on international markets anyway. One analysis found that almost 90% of PL 480 donations to Brazil simply replaced grain that nation would have purchased from the U.S. and other grain exporters. The General Accounting Office reports that many countries have decreased their commercial purchases from the U.S. while continuing to receive PL 480 handouts.

Opposition Is Widespread

Not only does PL 480 hurt Third World farmers, it also helps perpetuate floundering U.S. agricultural policies. USDA price supports have led to the government accumulating a huge wheat stockpile and billions of pounds of slowly rotting dairy products. PL 480 gives congressmen a respectable-looking vehicle for disposing of the evidence of our farm policy failures.

Opposition to food aid is widespread among even liberal activists—the same groups that often favor handouts on principle. The Canadian Council for International Cooperation recommends that "except in cases of emergencies, food aid be abolished." Laurence R. Simon of Oxfam-America, a liberal self-help development agency, concludes: "We haven't seen convincing evidence that food aid can be effectively employed as a development resource." Tony Jackson, author of "Against the Grain" and a former AID consultant, believes that food aid almost never does more good than harm, except during disaster relief.

PL 480's main beneficiaries are American farmers and the U.S. merchant marine. PL 480 has bankrupted poor farmers, encouraged the welfare ethic in recipient countries and squandered billions of tax dollars. If this is our humanitarianism, God help the Third World if we ever decide to get rough with them.

Mr. Bovard is a free-lance writer in Washington.

JUL 27 1984 WALL STREET JOURNAL
Reproduced with the permission of the Dow Jones & Company, Inc. ©1984

Letters to the Editor

Does Food for Peace Stunt Growth?

James Bovard's "Free Food Bankrupts Foreign Farmers" (editorial page, July 2) contains misconceptions regarding the Public Law 480 Food for Peace Program.

PL 480 does not, as Mr. Bovard asserts, "undercut poor farmers and disrupt local agricultural markets." When the program was initiated in 1954, recipients included Germany, France, Italy, Poland, Yugoslavia, Greece, Spain and Norway. The program did not destroy their agricultural economies and the will to grow food. In fact, several of these countries now contribute food through the EEC for similar programs. Also, a study by Dr. H.W. Singer of the University of Sussex found that in India—long the largest recipient of food aid—"theoretical analysis gives no proof that food aid, if properly handled, has serious disincentive effects on food production."

India illustrates the effectiveness of food for work programs. In 1976 CARE introduced FFW projects there. These mostly involved soil conservation, flood protection, irrigation and school construction. Initially 235,000 recipients in hundreds of projects consumed 71,000 tons of PL 480 wheat. This program continued through 1979 and in its peak year, 1977, had 1,180,000 recipients in food for work activities that resulted in the distribution of 297,000 tons of wheat. CARE was able to end its participation when two very successful crop years made it possible for the Government of India to take over the program with its own resources. CARE's food for work programs have now been made a regular part of the Sixth Five-Year Plan. It is expected to generate 300 million to 400 million mandays of work annually.

Mr. Bovard said that the U.S. Agency for International Development in Haiti "has never attempted to determine the impact of PL 480 food on recipients' nutritional status." Actually such a study is being conducted by Joel Cotton for AID and the first phase has been completed.

Contrary to Mr. Bovard's assertion, a study by Prof. Frederick Bates of the University of Georgia showed that there was, indeed, a food shortage associated with the earthquake in Guatemala in 1976. Also, instead of grain prices dropping at the time, as Mr. Bovard claimed, prices increased. The Bates study was far more comprehensive and rigorous than the impressionistic Jackson piece cited later in the article by Mr. Bovard.

Also, far from having food "dumped" on it, India today purchases food when needed in the international commercial market and is increasingly supplying its maternal/child health program and midday meal program from its own resources. The government is scheduled to take over this program completely within 10 years.

PHILIP JOHNSTON
Executive Director
CARE

New York

* * *

Public Law 480 embodies humanitarian, development, export promotion, and foreign policy objectives. These objectives have been and are being met.

Under Title I, contrary to Mr. Bovard's understanding, the U.S. provides long-term (20-40 years) credit at concessional interest rates (2% to 4%) to facilitate purchases of U.S. agricultural output at market prices by friendly developing countries. The food is sold locally, with the proceeds used to fund economic development. Since Title I generates local (often non-convertible) currencies, it is difficult to see how, without taking the notion of fungibility to absurd lengths, Mr. Bovard imagines these monies being used by governments to buy arms.

As to food production disincentives, the law requires the Secretary of Agriculture to determine that distribution "will not result in a substantial disincentive to or interference with domestic production or marketing. . . ." Title I agreements contain a series of "self-help measures," tailored to the situation of the recipient country, which spell out specific actions to be taken to foster economic development. These measures are not always easy or painless; they often encourage price decontrol, market reliance, added attention and resources to the private agriculture sector, and elimination of consumer subsidies.

Title I is highly prized by food-deficit developing countries that lack the foreign exchange to meet food needs through normal commercial imports. The food deficit might be chronic and self-reliance might be a generation away, even with the proper help. In other cases, a normally self-reliant country may need short-term help to deal with a natural or man-made disaster.

Title II donates food to the world's neediest. Even here, though, every effort is made to maximize the contribution to development of this humanitarian program.

Title III is similar to Title I, except that it calls for added policy reform or other developmental progress in exchange for a multi-year food aid commitment and forgiveness of the food-aid debt. Since the enactment of Title III, however, Title I's economic development conditions were toughened, and the difference between the developmental impact of the two Titles has lessened markedly.

Mr. Bovard suggests that U.S. food aid has hampered agricultural production overseas, and that somehow, without food aid, countries would be motivated to produce more domestically. The fact is that a real hunger problem exists in the world today, which even Mr. Bovard cannot wish away.

Food aid has not prevented the dramatic increase in food production in the developing world over the past few decades. Population, unfortunately, has increased even faster. Developing countries' import needs (commercial purchases plus food aid) total about 95 million tons per year. The U.S. sells about 40 million tons to the developing world, and provides somewhat over five million tons in food aid. It is hard to argue that the five million tons is a significant disincentive to domestic production.

DENIS LAMB
Deputy Assistant Secretary
Trade and Commercial Affairs
State Department

Washington

September 5, 1984

World Hunger: Selected References

These publications may be available from a nearby public or research library.

1. Brown, Lester R. Putting food on the world's table. Environment, v. 26, May 1984: 15-20, 38-44.
Since 1973, annual growth of food output has been less than 2 percent, and "more countries than ever face the possibility of famine in early 1984." Discusses the food crisis of the 1980's as a resource depletion, population, and socioeconomic problem.

2. The Causes of world hunger. Edited by William Byron. New York, Paulist Press, 1982. 256 p.
Topics include food reserves, U.S. food aid, and possible solutions.

3. Christensen, Cheryl, Arthur Dommen, and Peter Riley. Assessing Africa's food policies. Africa report, v. 29, July-Aug. 1984: 57-61.
Discusses how domestic pricing policies and fiscal policies may contribute to malnutrition and hunger.

4. Cohen, Marc J. US food aid to Southeast Asia, 1975-83. Food policy, v. 9, May 1984: 139-155.
Author finds that "a political bias has characterized food aid to South-east Asia, cutting across administrations. ... Humanitarian and developmental goals played the weakest role in shaping programmes. When conflict occurred, foreign policy aims overrode budgetary and commodity objectives."

5. Falcon, Walter P. Recent food policy lessons from developing countries [with discussion by Robert W. Herdt] American journal of agricultural economics, v. 66, May 1984: 180-187.
Falcon observes that hunger is not a food production problem, nor will undernutrition be solved by nutrition education or food fortification. Hunger "is a food policy issue set squarely in the context of markets, economic growth, and poverty alleviation." Herdt responds that world food problems are caused by differing perspectives of developing and developed countries, and by shortsightedness.

6. Fauriol, Georges. The Food and Agriculture Organization: a flawed strategy in the war against hunger. Washington, Heritage Foundation, 1984. 45 p.
Contents.--The U.S. and FAO.--The FAO: its history and structure.--FAO program activities.--FAO: impact on the world food situation.--FAO policy and philosophy: roadblock to development.--The choice before us: confrontation or cooperation.

7. Food and nutrition bulletin. v. 1+ 1978+ Tokyo, United Nations University. quarterly.

Publishes policy analyses, state-of-the-art summaries, and original scientific articles reflecting a multidisciplinary approach to world hunger and malnutrition. Many of the articles are fairly technical discussions of nutrition needs, technologies, standards, and behavior.

8. Food policy. v. 1+ 1976+ Guildford, Surrey, England, Butterworth Scientific. quarterly.

This international journal presents articles and opinion on the economics, planning, and politics of food, agriculture, and nutrition. Hunger, food aid, and food security are recurring topics.

9. Harrison, Paul. Population, climate and future food supply. Ambio, v. 13, no. 3, 1984: 161-167.

Analyzes the world's projected food resources in the next century. Although food supplies are expected to keep up with population growth, developing countries face food deficits unless they increase the level of investment in agriculture. Also discusses impacts of climatic change on food production.

10. Hines, Colin, and Barbara Dinham. Can agribusiness feed Africa? Ecologist, v. 14, no. 2, 1984: 61-66.

"Numerous African countries have chosen and been encouraged to choose capital intensive, large-scale food production schemes as a way out of their food problems. But this has contributed to food scarcity." Concludes that a need for increasing foreign exchange will contribute to a continued emphasis on exportable cash crops instead of basic food crops.

11. Huddleston, Barbara. Estimating food aid needs: how much and to whom? Development digest, v. 21, July 1983: 122-134.

"If food security needs are quantified by estimates of per capita calorie needs minus the sum of current production plus planned imports, world food aid needs are about triple the volume of actual shipments. But food aid should not be provided unless disincentives to farmers are avoided and new demand for food by the malnourished is created."

12. Isenman, Paul J., and H. W. Singer. Food aid: disincentive effects and their policy implications. Economic development and cultural change, v. 25, Jan. 1977: 205-237.

Critiques arguments that food aid hurts developing countries.

13. Johnson, D. Gale. The world food situation: developments during the 1970s and prospects for the 1980s. In U.S.-Japanese agricultural trade relations. Edited by Emery N. Castle and Kenzo Hemmi, with Salla A. Skillings. Washington, Resources for the Future, 1982. p. 15-57.

Illustrating how the events of the last decade have borne out the conclusions of his 1975 book, World Food Problems and Prospects, the author analyzes food supply, demand, prices, and malnutrition in the 1970s. Discussing factors which will influence hunger in the 1980s, Johnson is cautiously optimistic; however, he warns against counterproductive policies.

14. Lewis, Clifford W. Global food security--a manageable challenge. Development digest, v. 21, July 1983: 106-121.
"Over the last decade, trade in general and developing country imports of grain in particular have risen very much faster than in any previous period."

15. Matzke, Otto. Food aid--pros and cons. Aussenpolitik, v. 35, no. 1, 1984: 87-98.
Analyzes the dangers of food aid, including encouragement of recipient country governments in postponing domestic measures, displacement of farmers in recipient countries, and changed eating habits. Moreover, "the use of farm surpluses in the form of food aid must not have its prime justification as a measure to provide relief for surplus markets." Emphasizes the need for policy dialogue with developing countries.

16. Mellor, John W., and Richard H. Adams, Jr. Feeding the underdeveloped world. Chemical & engineering news, v. 62, Apr. 23, 1984: 32-39.
Describes the need for technical and chemical improvements in developing countries' agriculture, where population growth rates currently surpass agricultural productivity growth rates. Fertilizers, irrigation, and pesticides are discussed.

17. Murphy, Elaine M. Food and population: a global concern. Washington, Population Reference Bureau, 1984. 13, 4 p.
A special insert for Social Education, v. 48, May 1984.
Discusses trends and presents statistics on world population growth, food output, agricultural labor and productivity, calorie consumption, and land resources. Includes bibliography and a teaching guide.

18. P.L. 480: food for peace program marks its thirtieth anniversary. Foreign agriculture, v. 22, July 1984: 14-17.
Presents basic facts on P.L. 480: its evolution, program descriptions of the titles, value of export shares by States, and sales procedures. Includes statistics for 1983 and 1984.

19. The Role of markets in the world food economy. Edited by D. Gale Johnson and G. Edward Schuh. Boulder, Colo., Westview Press, 1983. 326 p.
Partial contents.--World hunger: extent, causes, and cures, by T. Poleman.--Hunger: defining it, estimating its global incidence, and alleviating it, by T. Srinivasan.

20. Scandizzo, P. L., and I. Tsakok. Food pricing policies in developing countries. Development digest, v. 21, July 1983: 22-32.
"Several important Asian countries operate relatively large scale efforts to supply cheap food to the poor--in most cases urban. The costs and benefits and special problems this entails are analyzed."

21. U.S. Congress. House. Committee on Agriculture. Review the world hunger problem (Secretary John R. Block). Hearing, 98th Congress, 1st session. Oct. 25, 1983. Washington, G.P.O., 1984. 255 p.
"Serial no. 98-38"

22. U.S. Congress. House. Committee on Foreign Affairs. The world food situation. Hearings, 98th Congress, 1st session. July 26 and 27, 1983. Washington, G.P.O., 1983. 318 p.

23. U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on African Affairs. Hunger in Africa. Hearing, 98th Congress, 2nd session. Mar. 1, 1984. Washington, G.P.O., 1984. 113 p. (Hearing, Senate, 98th Congress, 2nd session, S. Hrg. 98-735)

24. Walsh, John. Sahel will suffer even if rains come. Science, v. 224, May 4, 1984: 467-471.
"With potential population explosion, no Green Revolution, drought is only part of the problem confronting the region." Discusses the failure of development organizations to truly aid the eight Sahelian countries. Sidebar article reviews desertification in the region.

25. Williams, Maurice J. Toward a food strategy for Africa. Africa report, v. 28, Sept.-Oct. 1983: 22-26.
Per capita food production in Africa has dropped sharply in recent years, and Africa is now the world's principal recipient of food aid. Article analyzes food policies in Mali, Zambia, and other nations.

26. Wilson, Adam. How starvation is fuelled in the corridors of power. African business, no. 68, Apr. 1984: 9-13.
Explores political aspects of hunger in Zimbabwe, Ethiopia, and FAO.

27. World food aid needs and availabilities, 1984. Washington, U.S. Dept. of Agriculture, Economic Research Service, 1984. 178 p.
This ninth annual report assesses 1984/85 and 1985/86 food import and food aid requirements for 67 food aid recipient countries. Two food aid assessments are made: a status quo estimate which approximates actual recent imports and a nutrition-based assessment which addresses the problem of undernutrition in the developing countries.

28. The World food situation and prospects to 1985. Washington, U.S. Dept. of Agriculture, Economic Research Service, 1974. 90 p. (Foreign agricultural economic report no. 98)
"The study is designed to provide a comprehensive analysis of the factors which influenced food production, consumption, and trade in the two decades prior to 1972, the causes for the turbulent developments of 1972-74, and the main factors which will shape developments in the next decade." Reports briefly on the 1974 World Food Conference and summarizes its resolutions.

29. Yeaney, Timothy. Exporting surpluses: a threat to food security? Washington, Bread for the World, 1984. 4 p. (Background paper no. 74)
Argues that "agricultural policies based on aggressive promotion and subsidies for exports aggravate rather than alleviate problems facing hungry people and U.S. agriculture."

Rebecca Mazur, Bibliographer
Environment and Natural Resources
Library Services Division