

PN-AAK-265

JUN 1980

FOOD AID: THE POLITICAL ECONOMY
OF
INTERNATIONAL POLICY FORMATION

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September 1980

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A Report to the Agency for International Development,
Bureau for Program and Policy Coordination

October, 1980

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PREFACE

This study results from two investigations. The first was focused on the domestic political and economic factors that shape American food aid; it sought to discover how such factors affect the size and distribution of food aid flows. The second research effort was more comparative. It examined food aid practices in a variety of donor countries, in intermediate agencies such as the World Food Program, and in recipient countries.

The heavy focus upon the role of the United States in this study is appropriate because the United States has been the historic leader in providing food aid; it has always provided over half of all food aid and is largely responsible for designing the system of management governing international food aid. To examine the United States' role, however, in isolation from the activities of other donors and from the impacts upon principal recipients would be to treat American policy incompletely. Although domestic political and economic forces were the predominant factors in the initial establishment of food aid, to understand the current pattern of food aid it is necessary to know more than the history of Washington-level politics on the subject. These intra-government activities have been and are important, but do not tell us much about the effect upon overseas development or about the other impacts of food aid. This requires information about the international context in which food aid is provided and the various policies of particular recipients.

This study has three purposes: (1) to describe the current pattern of international food aid flows, with particular reference to the

United States; (2) to analyze the forces which account for trends in this pattern over the last decade and a half; and (3) to propose steps that would improve the reliability and effectiveness of food aid in achieving its objectives, most importantly its aim to be a tool for development.

I am deeply grateful for all the assistance I have received that enabled me to carry out this work. I wish to acknowledge and thank three organizations in particular: the Rockefeller Foundation whose program in International Conflict provided a fellowship that enabled me to undertake visits to a number of locations where international food aid is managed; the Agency for International Development which, through the Bureau for Program and Policy Coordination (PPC), provided additional support to expand greatly the study of domestic supply management; and finally, Swarthmore College, which supported and facilitated my work through a sabbatical leave for 1978-79. I am particularly grateful to John Stremmler of the Rockefeller Foundation and Joseph Stepanek of AID for their counsel and support.

The most valuable resource for this study was the many people who gave their time to answer questions and offer views. It is impossible to thank individually the large number of such people who assisted me. In the United States, forty-one individuals listed in Appendix B responded to formal interview questions and helped in many other ways. In addition, several dozen officials in the Department of Agriculture, the Department of State and AID were cooperative and helpful in providing statistical information, description of particular cases, and helpful suggestions. In this regard, in addition to those listed in Appendix B or elsewhere I should mention Fred Welz of USDA and Mary Chambliss, formerly

of USDA, and now at IDCA, and Dan Shaughnessy, who has served at AID and the World Hunger Commission.

Government officials in a number of other countries gave generously of their time to answer my questions about the role and importance of food aid in their countries' activities. Canadian officials were particularly gracious in their assistance, both in Agriculture Canada and CIDA (Canadian International Development Agency); likewise, officials of the Commission of the European Economic Community in Brussels, both the Directorate of Development Cooperation and the Directorate of Agriculture were most helpful and generous in providing documents. In Canada I must thank Frank Shefrin, Dennis Ware, Hans Hermans, Nick Norcott, Robert Smith, John O'Connor and Andre Desrosiers, and the entire staff of the International Liaison Service of Agriculture Canada. In Brussels I must especially mention Lorimer MacKenzie, Head of the Food Aid Division, his predecessor Adam Szarf, and Robert Collingwood. A number of other officials were most helpful in describing their countries' programs, including Michael Allen and Josephine Robinson, Ministry of Overseas Development, United Kingdom; Kanut Rexed, Sweden; Mukerui Prashad, India; Dr. Friedrich J. Kalff, Germany; Syed Amir Khasru, Bangladesh; and Angus MacDonald, Australia.

A number of officials of the World Food Program in New York, Rome, and various field locations, were exceptionally helpful and candid. Tekle Tomlinson, the United Nations/WFP Liaison Officer in New York, has been especially warm and generous in his assistance. In Rome, Joe Moscarella and John Shaw were particularly thoughtful and helpful during two visits. In addition, Paul Kelloway of the World Food Council offered a lively exchange of ideas on several occasions. At the Organization

for Economic Cooperation and Development (OECD), I was helped by Helmet Schneider, Paul Dymock, and Manfred Attems. Harry Walters and Shlomo Reutlinger of the World Bank shared many of their ideas on food aid with me.

I visited three recipient countries: Egypt, Kenya, and Tanzania. There a large number of government officials and representatives of donor governments spared valuable hours to describe their work and the functioning of food aid in those countries. These are listed in Appendix C. As with the dozens of American officials who assisted in various ways I am sincerely appreciative for their assistance.

A number of academic friends and colleagues, both in universities and public life, have contributed to my understanding of food aid. In particular, I am grateful to Catherine Gwin, Carol Lancaster, Mitchel Wallerstein, John D. Esseks, Don Hadwiger, Chris Stevens, Hans Singer, Joachin Von Braun, all of whom have contributed to my broader understanding of food aid. Finally, I must thank Donald Puchala, who has been a close and stimulating colleague in a number of undertakings in the study of international food affairs.

Invaluable research assistance was carried out by several people. Ellen Hanak worked closely with me in conducting interviews, carrying out the food issue Q-sort and analyzing the results of both. Nadine Epstein spent several weeks in Kenya and Egypt gathering materials and interviewing food aid officials. George O'Hanlon pulled together data on United States food aid flows and background material on several recipient countries. Mike Gavin helped with the regression analyses. Andrea Bennett helped in preparing some tables, and in typing; Sarah Fought worked patiently and with enormous skill in completing the typing through

several drafts. For all of their help I am indebted.

The credit for whatever merit exists in this study belongs principally to this long list of those who have helped in one fashion or another. They along with my wife and children provided the opportunities and intellectual resources to undertake and complete this work. For their friendship, assistance and love I am most grateful.

Swarthmore, Pennsylvania
September, 1980

CHAPTER I

FOOD AID AND DEVELOPMENT

Introduction

What is food aid, and why study it? Simply put, food aid is the giving of food by some countries to other countries. It is worth studying because it is substantial, running annually over two billion dollars or about thirteen percent of total development assistance provided by Western countries, and it is special, being given, received and managed for reasons and by institutions that are distinct from those governing other aid flows. Moreover, the volume, purposes and effects of food aid have undergone substantial change in the last decade, responding to changing world economic conditions and to severe criticism. The purpose of this study is to review, clarify and analyze the conditions under which food aid has been given and to assess its future prospects. The major focus is upon the United States, the leading donor, but attention will be paid to other donors and to various recipients and the roles they play in shaping policy.

The Context for Studying Food Aid

Mankind may not live by bread alone, but it does not live without it. All human societies have organized their activities in ways that provide for a regular supply of food. The more precarious and minimal the food supply the more essential the requirements of food become. In earlier periods of human history securing food was an essential activity for hunting and gathering bands and peasant societies--virtually all other

activities revolved around it. Where people lived, their housing style, their plans for travel, recreation, procreation, and indeed, the very distribution of wealth and status were all intimately and directly tied to the exigencies of food procurement and distribution.¹

This is hardly surprising. People in contemporary societies no less than those in earlier primitive ones, when deprived of only one or two meals, immediately feel discomfort. An experiment with army volunteers during World War II revealed that seemingly average Americans when deprived of food for a few days underwent dramatic changes. They become hostile, lazy and melancholic; furthermore, food became the dominant focus of their attention. They dreamed of food, thought constantly of eating, and their efforts to engage in other activities were continually interrupted by overriding psychological and physiological concerns to secure food.² Little wonder, then, given the potential importance of food, that during the most recent period of world food scarcity in 1973-75 the attention of millions shifted to food problems, and newspaper headlines mentioning food increased several fold.³

Food plays a vital role in human affairs in a number of ways and the giving of food has a special meaning in nearly all cultures. In most studies of food and agriculture the physical importance of food to human life and the alleviation of the scourge of hunger are the immediate concern. Many of the other important aspects of food, both practical and symbolic, are assumed or overlooked.⁴ Food, for example, plays a major role in cultural life, especially in religious and political rituals. Food is a key element, also, in a society's economic status. Affluent societies by definition enjoy food abundance and the classic strategy of economic development requires increased food productivity

in order to shift labor into industrial and other sectors. Finally the satisfactory management of a state's food supply is a critical political task, and failures in this regard are closely related to political upheavals.

The transformations that have occurred in the modern world, particularly in the nineteenth and twentieth centuries, have dramatically increased the number of individuals and states that rely upon market exchanges, national and international, to supply vital portions of their food needs. This in turn has increased the vulnerability of many people to production or marketing failures occurring outside their sphere of influence. The various roles that food plays in human affairs and the growing vulnerability of the world's population to international forces are elaborated more fully in Appendix A.

The fundamental importance of food in human affairs does not in itself justify a study of the public policy of international food aid. After all, for most people food aid has little to do with their ability to secure food. Most food in the world is grown and eaten by people living in close proximity to one another and linked by local or national markets. Most cereals, which are the basic foodstuff of mankind, are grown and eaten in the same country. As Table 1.1 suggests, only about twelve percent of the world's cereal production is traded.

International food transfers have become, however, increasingly important. Japan, for example, imports over half of its food needs. Economically strong countries can secure food by trade in a fashion similar to trade in any other commodity. A structure of rules and practices for trading food among countries creates market conditions for buying and selling. In general, national food markets are separated through

TABLE 1.1
 WORLD CEREAL PRODUCTION AND TRADE
 (million metric tons)

<u>Food Production</u>	<u>1971/72</u>	<u>1975/76</u>	<u>1979/80</u>
World	1175	1378	1531
Developed Countries	584	689	798
Developing Countries	581	689	733
 <u>Imports</u>			
World	120	150	191
 <u>Imports as a Percent of Production</u>			
World	10%	11%	12%
Developed Countries	12%	14%	13%
Developing Countries	8%	8%	12%

Source: Food Outlook (Rome: FAO, 27 May, 1980) p. 19, and World Food Situation and Prospects to 1985 (Washington: USDA, 1974), calculated from tables on pp. 2, 4, 19.

tariffs and quotas, and importing agents use bargaining and competitive bids to purchase external food supplies when these are needed. A combination of government trading organizations and private traders manage the transactions and physical movement of food commodities. For any country or person with economic resources commercial trade can supply food whenever domestic supplies are inadequate.

The main solution, then, to particular food shortages is for those with sufficient food to supply those without--in short, world trade. A problem arises, however, if those in need cannot pay for food. Then they must either face hunger or receive food as a gift, at least for the short term. Since World War II the giving of food aid has become an established mechanism in relations among states. At first glance, it seems an obvious solution to problems of scarcity. The intentions and ramifications that attend food aid, however, make it a complex and many-faceted instrument. The norms governing it derive from three different international activities: welfare (development assistance), trade (particularly in food), and diplomacy.

Food Aid as International Public Policy. Conventional analyses of food aid usually treat only of these aspects. Some emphasize its role in the foreign policy of donor countries. This perspective emphasizes the bilateral and national government character of food aid and overlooks its collective and global aspects. Others focus on the economic and trade role of food.⁵ This study attempts to look at aid as a welfare policy and considers aid transfers to have economic and political purposes and consequences.

When food aid is examined in this way, as international public policy, groups of countries simultaneously giving and receiving food aid come first to view--not just bilateral dealings. The net effects of the collective enterprise are the principal concern. Each nation's role within the

whole enterprise becomes an important component and source of explanation in the examination, but not the final point of interest.

In this study I propose to emphasize this collective vantage point. As such food aid is understood as a unified set of actions fitting into the world food trading system and providing a policy mechanism for supplying concessional transfers on redistribution from richer to poorer states. The composite features of food aid, rather than some particular action, such as the American speedy provision of food aid to Chile in 1973 following Allende's overthrow, then become the major focus of attention.

The actions among donors and recipients that establish and maintain the principal features of food aid flows are examined both to explain patterns and to evaluate welfare implications of the aid. Often domestic welfare programs within organized nations are seriously flawed in ways that reduce the presumed benefits for which the program is established. Bureaucratic constraints on assistance programs not infrequently prove a barrier to effective and efficient realization of the full value of the benefits to be provided. In general international programs have not been examined from this viewpoint, but are quite likely to be subject to similar or worse problems. Since food is a tied commodity form of assistance and food itself is such a vital element in human affairs, I believe it will be appropriate to evaluate food aid with respect to broad international goals that the world's food system should serve and which food aid presumably should advance, namely, security, equity, and efficiency.

Food Aid as a Component of the World Food System. Thanks to the steady growth in world food production, both in developed and less developed parts of world, to improved and cheaper means of storing and transporting food, both within and among countries, and to the system of food aid to supplement regular production and trade, relatively few

people face death from famine these days. Those who do, as in Biafra in 1968, Ethiopia in 1974, and Cambodia in 1979, suffer as a result of political and military conflict, not because food relief was not available. In Europe after World War II, in India and Pakistan in the 1950's and again in the 1960's, crop failure did not result in famine, thanks to international food aid. Acute famine in the contemporary world, then, is not a problem of insufficient food, nor of unwillingness to share food, but rather it is a political problem in which leaders of starving people give priority to contests of power or prestige over the prevention of starvation. Food aid has been a vital resource in averting famine, but only where recipient governments welcomed it. Furthermore, except for the efforts to avert famine in Europe in 1946-47, in Pakistan in 1951, and in India in 1965-66, emergency relief has usually been a relatively small proportion (about ten percent) of total food aid transfers. Such aid, though almost always available to avert acute famine since World War II, became increasingly important after the mid-1960's, especially as a policy issue.

Food aid in the world food system has greater importance as a means to combat chronic hunger and economic inequity. As such it serves as an adjustment mechanism for problems arising from longer-term trends in the pattern of food production and trade. Paradoxically, in the 1970's as the importance of food aid as a resource to assist poor countries develop has become better understood and as countries with chronic malnutrition have become increasingly dependent on food imports, food aid as a component of overall food trade has shrunk. Since the mid-1960's, tonnages have dropped from over seventeen million tons to less than ten million in the late 1970's. Wheat shipped as aid has declined from thirty-six

percent of all wheat traded in 1968 to only eight percent in 1978. At the same time wheat trade transactions (including aid) rose from 48.4 to 65.9 million tons.⁶

United States exports (see Figure 1.1) graphically illustrate this shift from aid to trade by the United States. For developing countries as the volume of imports (and for some countries even the percentage of consumption based on imports) has increased, the proportion (and for some countries even the absolute amounts) of food aid has declined.

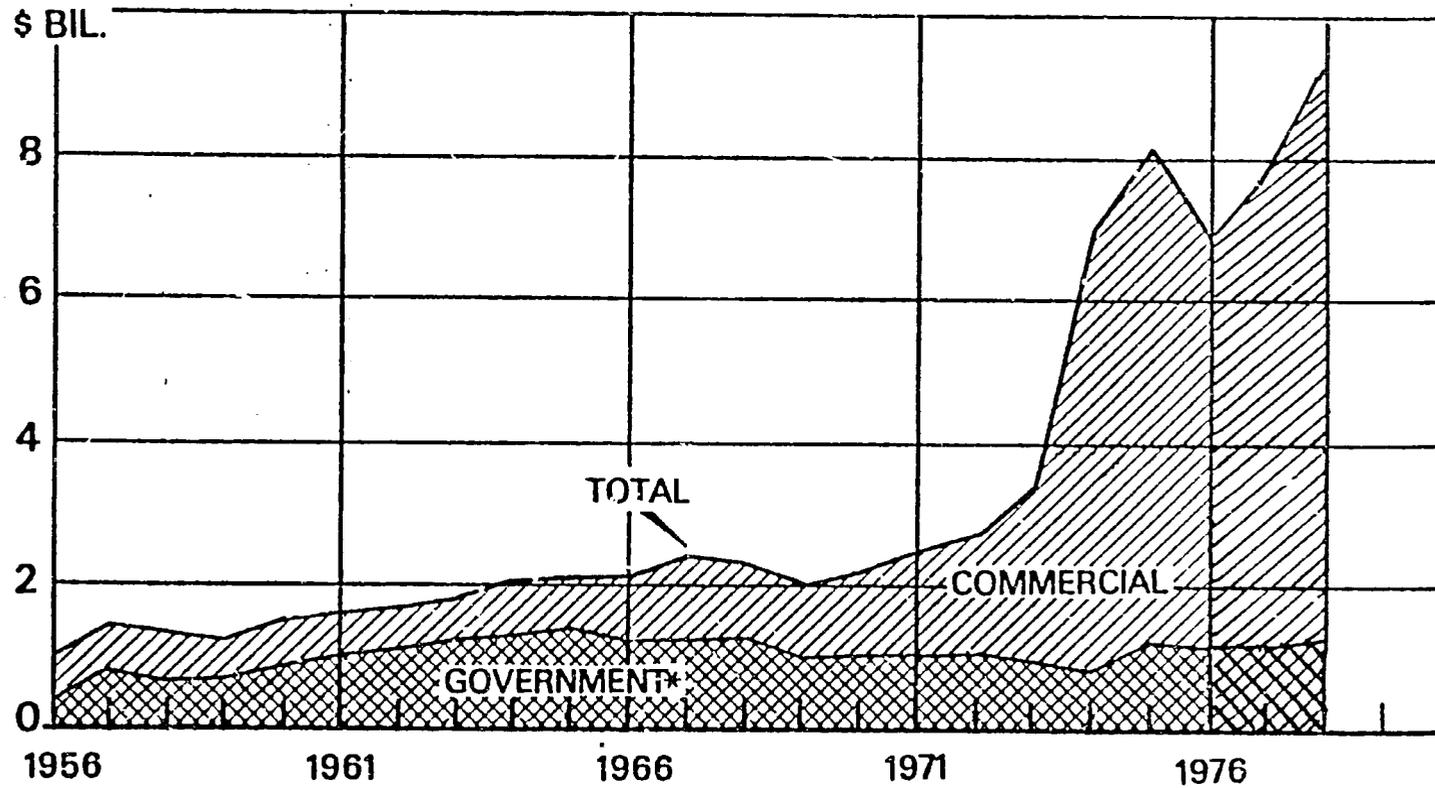
Food Aid and International Welfare. Food aid as a proportion of the total overseas development assistance of OECD countries has declined from twenty-two percent in the mid-1960's to just over ten percent in 1978.⁷ The drop in food aid from donors is most dramatic for the United States, where it declined from over twenty-two percent of food exports in the early 1960's to about five percent in the mid-1970's. This decline in aid as a proportion of exports has occurred for all major grain exporters.

A study of recent trends in production and consumption made by the International Food Policy Research Institute (IFPRI) projects a growing gap between the food needs of poor countries and their capacity to provide this food themselves. Net food import needs are projected to rise from thirty-six million tons of grain in 1975 to between one hundred twenty and one hundred forty-five million tons in 1990, with an additional forty million tons needed if malnutrition is to be addressed.⁸ In 1979, food aid "requirements" for 1985 were projected by the FAO to be at least sixteen million tons; yet food aid tonnage declined from 1975 to 1980.⁹

The need for non-emergency food aid is growing for several reasons. First, the capacity to prevent acute hunger and starvation has been

FIGURE 1.1

U.S. AGRICULTURAL EXPORTS TO DEVELOPING COUNTRIES



*Includes Public Law 480 and Mutual Security Programs.

strengthened to the point where lack of food aid is not a major cause of famine. Second, the dependency of poor countries on food imports has grown. Table 1.2 illustrates how some countries count heavily on imports and food aid to meet their needs. Note that in 1978 Egypt, Tanzania, and Bangladesh all imported large amounts of wheat, rice, or corn compared to domestic production, and that a large proportion comes as aid. Finally, the costs of chronic malnutrition for the health, social and economic well-being, and even the political solvency of countries have become more fully appreciated. Food aid alone is not adequate to alleviate malnutrition, but it is increasingly desirable that food aid make a positive contribution to the serious, long-term, and debilitating problem of inadequate diets.

Food aid as an international welfare transfer to help poor people must address this most serious of food problems, one affecting millions of people, some periodically and many continually: the inability to consume enough food to promote normal health, growth, and capacity to work. One estimate, taking into account inequalities of distribution within countries, proposes that in 1977 nearly one-third of the world's four billion people experienced undernutrition.¹⁰ That over a billion should suffer and millions be permanently scarred because of inadequate food, when world food supplies and resources for production are ample to meet their needs, is a global indignity of major proportion. Food aid, because food is directly related to this indignity, should be designed as a transfer that alleviates this problem. The decline of food aid in the 1970's as a resource is disheartening in this respect.

The decline in food aid tonnage results from a complex set of factors. One simple reason, however, is that for major exporters food

TABLE 1.2
DEPENDENCE ON NATIONAL FOOD IMPORTS AND FOOD AID

Selected Countries: 1978

('000 Metric Tons)

<u>Country</u>	<u>Production</u>	<u>Total Imports</u>	<u>Food Aid</u>	<u>Imports as a % of Production</u>	<u>Food Aid as a % of Imports</u>
<u>Egypt</u>					
Wheat	1,933	5,118	1,676	265	33
Corn	3,117	750	648*	24	86
<u>Tanzania</u>					
Wheat	71	85	69	119	81
Rice	120	55	22	46	40
<u>Kenya</u>					
Wheat	158	69	9	44	13
<u>India</u>					
Wheat	31,328	547	265	2	48
Rice	79,100	8	-	10	-
<u>Bangladesh</u>					
Wheat	430	1,364	1,212	317	89
Rice	17,400	305	105	2	34
Corn**	108	10	10	9	100
<u>Ghana</u>					
Wheat	-	166	37	∞	22
Corn**	400	127	39	32	31
<u>Pakistan</u>					
Wheat	8,128	2,154	210	27	10
<u>Indonesia</u>					
Wheat	0	1,004	219	∞	22
Rice	25,900	1,500	450	2	30
Corn	2,700	32	2.5	1	8
<u>Sri Lanka</u>					
Wheat	-	566	379	∞	67

* Estimate based on data at AID, CIPS Program, Cairo.

** Includes coarse grains.

Source: Foreign Agricultural Service, World Commodity Census (Computer based data as of February 1, 1979), Food Outlook (Rome: FAO, 29, May 1979), and FAO statistics on food aid, May, 1979.

aid no longer serves the interests of domestic producers or government farm programs to any great degree. That food aid is increasingly described in national legislation and international resolutions as a tool for economic development reflects as much an interest in maximizing its benefits to recipients, as it does a decreasing interest of domestic economic groups in food aid. Hence at the very time that efforts to improve the developmental impacts of food aid are increasing, its size and reliability are declining. Paradoxically, as food aid declines, producer groups--and other interests that historically have promoted food aid, such as voluntary agencies and church missionary groups--have a declining stake in its use. International welfare, like domestic welfare, depends less on the need of the recipient than on the interests of the privileged in providing it.

This book seeks to answer several questions. What interests prompt donors to give food aid? How reliable will the supply of food aid be over the coming years? What effects can food aid have and what is required to make such effects consistently more positive? Finally, what policies are needed in both donor and recipient countries to improve the management and ultimate effects of food aid flows?

I begin to address these questions in subsequent chapters. They analyze the historical evolution of food aid (Chapter Two), the major considerations affecting its value to donors and recipients (Chapter Three), the forces that shape donors' management policies (Chapter Four), the forces at work in recipient countries (Chapter Five), the international framework for food aid management (Chapter Six), and desirable policy changes (Chapter Seven).

CHAPTER I: FOOTNOTES

- 1 See Lucy Mair, Primitive Government (London: Penguin, Baltimore, 1962).
- 2 Keys, A., Brozek, J., Henschel, A., Mickelsen, O., and Taylor, H., The Biology of Human Starvation (Minneapolis: University of Minnesota Press, 1950).
- 3 New York Times front page headlines with food references, for instance, increased from an average of six to eight a week to over twenty a week during this period; this evidence was uncovered in a study by Ronald D. Brunner, "Politics, Communications and Social Tension," Ann Arbor: University of Michigan, in 1975.
- 4 A good example of the overly heavy focus on malnutrition as the major impact of food shortages is the Report of the Presidential Commission on World Hunger, Overcoming World Hunger: The Challenge Ahead (Washington, G.P.O., March, 1980) which focuses on the physical aspects of food and blames hunger on poverty. The latter point, while true, is about as helpful as blaming death on the character of the human organism.
- 5 See for examples of a diplomatic emphasis Mitchel Wallerstein, Food for War: Food for Peace (Cambridge: MIT Press, 1980) and Peter Toma, The Politics of Food for Peace (Tucson: University of Arizona Press, 1967); an economic approach can be found in Robert Bard, Food Aid and Agricultural Trade (Lexington, Mass.: D. C. Heath, 1972) and Uma Srivastava, et al., Food Aid and International Economic Growth (Ames, Iowa: Iowa State University, 1975); welfare approaches to food aid are less discernable but would include the work by Lance Taylor and others for the Overseas Development Council reported in William Cline, ed., Policy Alternatives for NIEO (New York: Praeger, 1979).

- 6 These figures are based on the Record of Operations of Member Countries under the Wheat Trade Convention (Agreement), crop year 1967/68 and 1977/78 (London: International Wheat Council, 1968 and 1978) Table 1.
- 7 See General Review of Food Aid Policies and Programs (Rome: WFP/CFA/9/5, March, 1980) p. 2.
- 8 See IFPRI, Food Needs of Developing Countries: Projections of Production and Consumption to 1990 (Washington: IFPRI, December, 1977) pp. 1-52.
The key point pressed by this study is that production growth rates need to rise from between one and three percent per year to between three and five percent per year in order to reduce the "gap" in poor developing country food needs. Considerable effort in foreign assistance since 1973 has been addressed to this effort with some, but limited, success.
- 9 See the discussions of the Fifth World Food Conference, Ottawa, Canada, September, 1979, and General Review, pp. 8-11.
- 10 Shlomo Reutlinger and Marcelo Selowsky, Malnutrition and Poverty: Magnitude and Policy Options (Baltimore: Johns Hopkins Press, 1976) maintain that in 1975 some 1.3 billion people, two-thirds of the population of the developing world, were to some extent undernourished, while nine hundred million fell short of minimal daily caloric requirements by two hundred fifty calories or more.

CHAPTER II

FOOD AID: THE EVOLUTION OF PRACTICE

The Origins of Food Aid

Food aid became a permanent, institutionalized policy in international affairs in the 1950's. It wedded two traditions of international food transfers: emergency relief and price cutting. The first tradition, emergency food relief, has a long history going back at least to Biblical times. Such food relief reached new heights in the aftermaths of World War I and World War II. The United States, and to a lesser extent Canada, provided large donations of grain, principally to Europe, to stave off widespread food shortages and prospective famine. This aid was the most substantial instance of gifts of food to attack potential starvation in world history.

The second tradition that prepared the way for the formalization of food aid programs was the practice of surplus disposal through "special" price concessions. In the late 1920's and again, following the onset of the great depression of the 1930's, farm surpluses, especially in wheat, accumulated in a number of countries. Talks aimed at stabilizing international prices through some form of international collaboration began in 1928, intensified in 1931, and culminated in the International Wheat Agreement of 1933. This agreement aimed to control world supply and stabilize shares of the wheat export market. It broke down within a year as first Argentina and then other countries allowed their production to remain high; export competition ensued and prices fell. Even

though farmers in North America and Europe began destroying crops and animals, unmarketable surpluses continued. At this point in the depression governments had already armed themselves with defensive trade barriers such as quotas and tariffs against grain imports. ¹ The next step occurred as several states created offensive sales tools such as credits and subsidies to expand grain exports. In the United States the Grain Stabilization Board (GSB) and the Commodity Credit Corporation (CCC) were established. Whereas previously American foreign sales had been primarily in private hands, the GSB, though later dissolved, was empowered directly to make sales to foreign governments, to give price concessions and even to provide gifts.² In Canada and Australia, growing radicalism among farmers led to the creation of national Wheat Boards. The Canadian Wheat Board was a government body, but with direct links to producer cooperatives and organizations aimed at advancing wheat farmers' interests. The Australian Wheat Board also acted as a para-governmental body. As the CCC and these Boards began to purchase and hold inventories of surplus crops--necessary to prevent domestic prices of individual commodities from falling below minimum price targets--pressure to dispose of these inventories through overseas sales grew. To prevent physical deterioration and spoilage these inventories had to be turned over at least every two to three years. In order to dispose of them, officials in these agencies sought new markets and began to make attractive loans or price cuts to induce foreign purchases. Two factors prevented vicious competition from building among exporters. First, the great American "dust bowl" of the latter 1930's cut United States production. Drought ruined millions of acres of wheat. By the time this drought ended, a second factor, World War II, had begun, and

the war created new demand by devastating large parts of European farmland, so that production fell.

During World War II American food surpluses were used to feed wartime allies, with many shipments paid for by various strategic assistance programs. After the war, food assistance continued, financed directly or indirectly through the Marshall Plan and other aid programs. Counting these aid shipments international grain trade, and the American role in it, grew significantly after 1939. International prices remained fairly low but the food transfers that controlled this were construed as economic assistance necessary for foreign policy goals rather than competitive dumping necessary for domestic economic reasons. This aid gave further impetus to the institutionalization of "concessional" food programs as a humanitarian and foreign policy instrument. In 1948-49, for instance, sixty percent of United States agricultural exports were financed by foreign aid programs.³

Other factors were also important in shaping the preponderant American role in the postwar world's food system. After the monetary system of fixed-exchange rates linked to gold was established at Bretton Woods in 1944, the American dollar became the linchpin of international finance. This facilitated common economic calculations relying upon American prices and goods as international benchmarks. More important still was the Cold War. This provided a major incentive for the United States to form peacetime military alliances and to provide economic aid to its allies. It also created a favorable climate for global policy coordination, and this facilitated trade agreements, most importantly one regulating wheat trade.

By 1948 a new buildup of wheat stocks had begun. Meetings in 1948

to reach a wheat trade agreement were unsuccessful when the United States did not accept the draft accord. Further efforts, however, led to the International Wheat Agreement of 1949. According to the terms of this agreement, exporters pledged not to disrupt commercial markets through dumping their surpluses at cheap prices and importers agreed to import minimum amounts at prices within a fixed band. This agreement was renewed twice in the 1950's. A substantial portion of commercial trade moved according to the Agreement conditions in the early 1950's, thanks partly to stock holding which reduced export rivalry and partly to the development of non-commercial channels that drained off surpluses.

From 1946 to 1948 the United States had a gigantic share of the world's grain trade, though over half of these American exports were financed through foreign assistance. As farm production in Europe and Japan began to revive, concern about American surpluses grew. Finding ways to move surpluses without entering a "trade war" with other exporters, thereby angering allies and destroying the financial stability of the newly reconstituted international commercial system, became a major task for American agricultural leaders. Just as pressure for "moving surpluses" intensified, however, surpluses were lowered by major crop failures in India in 1950 and the effects of the Korean War in 1950-52. India received substantial American "emergency aid," as well as aid from Canada and other countries, while the effects of the Korean War had a generally stimulating effect on the demand for all agricultural commodities (partly due to American stockpiling). By 1953, however, surpluses were again on the rise. Pressure on United States government officials to reduce these growing surpluses through overseas sales even led some foreign importers to ask for "sweeteners"

in their trade deals. Colombia, for example, offered to import "special priced" grain from the United States government provided the United States would also provide additional foreign assistance.⁴

In 1954 a major step occurred. The various historical precedents for special overseas food uses, the growing domestic surpluses, and the political support for "containment" of Soviet aggression through assistance to a growing club of "free-world" allies culminated in legislation creating a special program for disposing of agricultural surpluses. The program was enacted as the Agricultural Trade Development and Assistance Act of 1954. Better known as P.L. 480, this Act, which became law on July 10, 1954, inaugurated a more systematic and coordinated program of American concessional food sales, barters, and donations.

The Act itself merely institutionalized existing practices. American foreign aid legislation and special emergency bills already allowed surplus agricultural commodities to be moved under non-commercial, concessional terms. One million tons of wheat had been authorized for Pakistan to avert a famine in mid-1953. The President was authorized to give away up to one hundred million dollars in surplus commodities for worldwide famine relief. In July, 1953 the Mutual Security Act allowed up to one hundred eighteen countries to buy surplus commodities in exchange for local (non-exportable) currencies to be used for specified purposes. It was these aims and practices that were pulled together into one piece of legislation and put under the control of the Department of Agriculture in 1954.

The two agricultural committees, one in each branch of Congress, managed the creation of the food aid program which eventually was endorsed

by the Eisenhower administration. The Congressmen on these committees also saw to it that the interests of Agriculture prevailed. Food aid was organized under the aegis of the Department of Agriculture (USDA). The Agriculture Department, rather than the State Department, held the surplus stocks, and it had just regained control of the Agricultural Attache service from the State Department. These overseas experts were incorporated into the Foreign Agricultural Service (FAS) which was to manage the P.L. 480 programs. From the 1930's until 1951 overseas attaches had been under the direction of the Department of State, as had the aid programs that paid for overseas food disposal after World War II. However, when the food aid program was legislated in 1954 farm interests in Congress and the Department of Agriculture blocked significant involvement of the foreign affairs community in setting up the new food aid program.

Two major features of the original legislation have been retained over the years: concessional sales (Title I) in which the CCC provides low-interest, long-term loans for countries to buy agreed amounts of commodities (that are in "surplus"), and grants which go to voluntary agencies, governments, or international organizations for use in particular programs or projects. In the Title I program the food is generally sold by the government, while in theory at least the Title II food is provided free and directly to needy recipients. Transport costs from the United States to the recipient country, which can amount to one-third the value of the food, are born by the recipient in Title I (sales) aid agreements, while the United States pays transport costs for its Title II or grant programs.

Other countries also were moving to become donors in this period.

Canada provided food aid from 1950-51 onward. Australia and France also made a few significant donations in the 1950's. France provided special food shipments (aid) principally to current or former colonial areas. Canadian food aid went to Commonwealth countries, basically Pakistan and India, at least during the 1950's. With these few exceptions, however, food aid was basically an American program which affected the trading interests of other countries. This trade impact was the first one about which international policy was formulated. Considerable concern arose, especially among grain exporting countries, that the American program might be used to undercut or steal their commercial markets. In response to this concern, the FAO set up in 1954 a special committee of its permanent group on commodities--the Committee on Surplus Disposal (CSD). The chief aim of this group was to review food aid donations to ensure that they did not constitute unfair trade practices in which mostly American aid might have the "improper" effect of displacing commercial sales, usually from other grain exporters. In the first decade, 1954-63, food aid remained largely an American-initiated enterprise in which other exporters and potential recipients had a stake in the practice because it constituted a large part, around one-third, of total wheat trade, and over fifteen percent of total grain trade.

It was not until the establishment of the World Food Program (WFP) in 1962, however, that the number of food aid donors expanded beyond a few export countries. In 1963 three-year pledges of about one hundred million dollars for multilateral food based assistance were made by over twenty countries; as an operating agency of the FAO and the General Assembly the WFP began its work, using food aid to assist projects in

various recipient countries. As of mid-1964, the United States was still the dominant force in the food aid system. Its donation accounted for one-half of the WFP's budget. Over the previous decade, it had supplied concessional food valued at fourteen billion dollars compared to about three hundred million dollars for other donors.⁵ By the end of the 1960's, however, American dominance in providing food aid had begun to recede as the declining percentage of total aid in Table 2.1 indicates.

More donors were recruited by the Food Aid Convention (FAC). It was drawn up as a companion to the Wheat Trade Convention of 1967, and committed major exporters--the United States, Canada, Australia, Argentina and France--and major importers--the United Kingdom, Germany, Japan, Norway, Italy, and seven other European countries--to providing minimal levels of food aid each year. This Convention, renewed regularly since then, has promoted burden-sharing among wealthier states in providing food aid. Until then the World Food Program was never able fully to use the American pledge, because it stipulated that no more than fifty percent of the WFP food could be United States donations. In 1966-68 the United States pledge more than matched the total of all other donors. Under the FAC, however, many countries sent part or all of their food aid commitments through the multilateral channel of the WFP. The United States has supplied far more food tonnage than its commitment under FAC of 1.89 million tons (though until 1971 only full "grants" were counted). Since the FAC, multilateral (mostly WFP) channels have grown, although the United States and the other major exporters such as Canada and Australia have relied most heavily upon bilateral channels.

TABLE 2.1

GRAIN FOOD AID 1963-1978*
(Millions Metric Tons)

YEAR	<u>TOTAL GRAIN EXPORTS</u>		<u>TOTAL FOOD AID</u>		<u>PERCENT WORLD EXPORTS ACCOUNTED FOR BY:</u>			<u>PERCENT WORLD AID ACCOUNTED FOR BY:</u>
	World	US	World	US	US Exports	World Aid	US Aid	US Aid
1963	101	41	16.8**	16.1	41	17	16	96
1964	99	39	16.8**	15.6	39	17	16	93
1966	109	50	17.7	17.3	46	16	16	98
1968	95	32	16.2	13.5	34	17	14	83
1970	118	39	12.9	10.2	33	11	9	79
1971	120	40	12.5	9.9	33	10	8	79
1972	150	46	11.7	9.4	31	8	6	80
1973	162	79	10.4	7.1	49	6	4	68
1974	143	67	6.3	3.6	47	4	3	57
1975	172	68	8.5	4.7	40	5	3	55
1976	158	83	7.3	4.6	53	5	3	63
1977	163	86	10.9	7.9	53	7	5	73
1978	169	91	10.5	7.0	54	6	4	67

* Wheat, Rice and Coarse Grains

**Average 1961-1965

Sources: U.S. Foreign Agricultural Trade Statistics, 1977 (Washington: USDA, ESCS-113, April, 1978)
p. 6.

FATUS (Washington: USDA, January 1977 and July 1979)

Food Outlook (Rome: FAO, October 1979) pp. 22-23

American Foreign Food Assistance (Washington: GPO, 1976): Report of U. S. Senate Committee
on Agriculture and Forestry, 94th Congress, August 13, 1976, p. 34.

By the mid- and late 1970's American concessional food transfers had declined markedly. They amounted to about five percent of total American food exports, down from the high of forty-one percent in 1957, twenty years earlier. United States aid represented only sixty-odd percent of the total flow of food assistance (see Table 2.1). Canada and the European Community were the two other largest donors in the 1970's, followed by Australia, Sweden and others. In spite of these downward trends, the American food assistance program remains the largest and most complex element in overall concessional food flows in the world. The United States continues to be the leader both in supplying food and providing management.

The pattern of evolution for American food aid and the formulas used to give food aid are frequently repeated in the history of other donors' experience with food aid.

From Dumping to Development: the American Experience

During the late 1950's and early 1960's American food aid was at its zenith, both in total volume and in value (in constant dollars). The 1965 cost of P.L. 480 alone would be over three and one-half billion dollars in terms of 1978 dollars, and the 1957 amount would be worth almost five billion dollars.

Since this inaugural period, the American food aid program has

undergone substantial modification. Some changes arose from internal policy shifts in the United States; others were due to the changing world food situation and the increasing strength of other donors and their views on the proper uses for food aid. Amendments to the P.L. 480 legislation in 1959 and 1966 increased its utility in assisting United States balance of payments and ending repayment in non-convertible currencies, while amendments in 1959, 1961, 1966, 1974, 1975, 1977 and 1979 increased the humanitarian and developmental thrust of the program, and placed limits on its use as a mechanism of adjustment for domestic farm policy or for political influence. These changes occurred in part because the value of food aid as a tool to aid development and fight under-nutrition came to be better appreciated, and in part because changes in farm programs reduced the importance of food aid to farmers. Farm programs shifted to the greater use of production controls in the 1960's and the use of income rather than price supports in the 1970's. These changes, accompanied by a rapid increase in effective overseas demand for commercial exports, attenuated the interest in and support for food aid programs among producers and their spokesmen in Congress. By 1980 support for food aid rested more heavily with internationally oriented Congressional leaders. Expansion of food aid was no longer a major goal of farm groups. The growth in support by "hunger groups" compared to producers is reflected in efforts to amend P.L. 480 legislation to include "development" as a criterion for maintaining aid flows even when "surpluses" did not exist. This effort is mainly supported by "liberals"; in 1979 a legislative amendment to do this was defeated, mostly by farm-oriented Congressmen.

At the same time that American food aid programs moved from being

largely a means of surplus disposal to programs oriented more toward international and developmental objectives, food aid from other countries slowly grew. This expanding role for other donors was encouraged by the United States. In 1967 it was the American view that wheat-importing countries should share in the cost of concessional food transfers. After all, for many years American-Canadian willingness to hold reserves had maintained wheat price stability and supply reliability. So the United States made its participation in a renewal of the wheat trade agreements under negotiation that year conditional upon some substantial pledge by other countries to provide concessional food aid. This was a critical step in broadening the donor base.

In the 1970's American food exports rose dramatically, especially in terms of current value, but the supply of food aid did not grow, and during 1973-74 it dropped substantially. Table 2.2 and Figure 2.1 depict the trends in commercial and concessional agricultural exports of the United States from 1948 to 1978. They dramatize how commercial exports initially were close to equal significance with food aid at the beginning of the period and show that they became relatively unimportant by comparison in the 1970's. This decline in economic importance of food aid for American producers made it easier to gear food aid more toward developmental and humanitarian goals. By the end of the 1970's it was made legal, and was even prescribed, that food aid should be used to assist poor countries in expanding their food production, whereas a decade earlier such action was both illegal (by Congressional rules) and proscribed.

The shift from food aid as a solution to domestic farm problems (dumping) to its use as a tool of economic development occurred not only in the United States, but can be seen in changes of attitudes and policies

TABLE 2.2

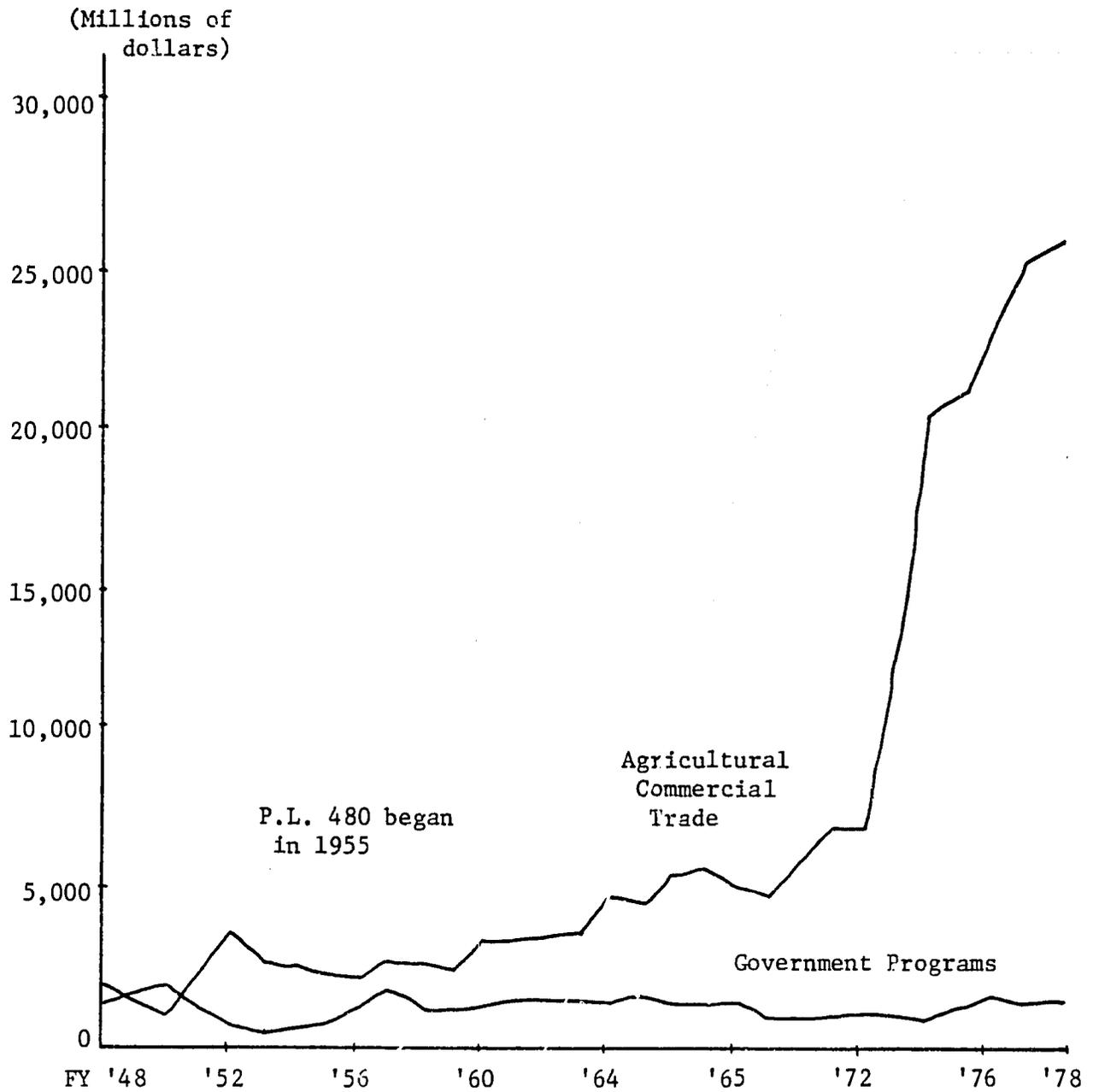
U.S. AGRICULTURAL EXPORTS: FOOD AID AND COMMERCIAL SALES 1955-78

FISCAL YEAR	AS FOOD AID THROUGH GOVERNMENT PROGRAMS				AS COMMERCIAL EXPORTS		TOTAL
	<u>PL 480</u>		<u>AID</u>		<u>(Outside Govern- ment Programs)</u>		
	<u>\$Mil.</u>	<u>% of Total</u>	<u>\$Mil.</u>	<u>% of Total</u>	<u>\$Mil.</u>	<u>% of Total</u>	
1955	385	12	450	14	2,309	74	3,144
1956	934	28	355	10	2,157	62	3,496
1957	1,525	33	394	8	2,809	59	4,728
1958	981	24	227	6	2,795	70	4,003
1959	1,017	27	210	6	2,492	67	3,719
1960	1,116	24	167	4	3,236	72	4,519
1961	1,316	5	186	4	3,444	70	4,946
1962	1,495	29	74	1	3,573	70	5,142
1963	1,456	29	14	*	3,603	71	5,078
1964	1,417	23	24	1	4,627	76	6,068
1965	1,570	26	26	*	4,501	74	6,097
1966	1,345	20	42	1	5,359	79	4,747
1967	1,271	19	37	*	5,513	81	6,821
1968	1,279	20	18	*	5,086	80	6,383
1969	1,039	18	11	*	4,776	82	5,826
1970	1,056	16	12	-	5,650	84	6,718
1971	1,023	13	56	1	6,674	86	7,753
1972	1,058	13	66	1	6,922	86	8,046
1973	954	7	84	1	11,864	92	12,902
1974	867	4	76	*	20,350	96	21,293
1975	1,101	5	123	1	20,354	94	21,578
1976	907	4	216	1	21,024	95	22,147
1977	1,102	4	419	2	22,453	94	23,974
1978	1,069	4	475	2	25,754	94	27,293

* Less than one-half percent.

Source: Foreign Agricultural Trade of the United States (Washington: USDA, January, 1979) p. 57.

FIGURE 2.1
 RELATIONSHIP OF GOVERNMENT PROGRAMS TO
 COMMERCIAL AGRICULTURAL EXPORTS 1948-1978



of other donors as well. Canada's official policy on food aid became much more development oriented in the 1970's, as did those of Australia and the EEC.⁶

In the 1970's the emphasis on using food aid to promote development goals, including improved agricultural and food production of recipients, increased. During the 1960's food aid was very much subject to diplomatic and political interests. Under Presidents Kennedy and Johnson, for instance, food aid had White House attention. George McGovern, the first coordinator of the Food for Peace Program in the Kennedy Administration, had a White House office and staff. As President, Lyndon Johnson, during the period that grain shipments went to India, even involved himself to the extent of approving month-to-month shipments. Later, in the Nixon Administration, as Congress cut back support for military operations in Southeast Asia, Nixon and Kissinger increased the food aid shipments to the South Vietnamese government. When sold, the P.L. 480 donations served to raise government revenues. Large shipments also went to Taiwan, Iran, Korea, Chile, and Portugal--countries with much higher living standards than the poorest group. In 1974 Congress passed legislation limiting the sales of P.L. 480 food to rich countries by stipulating that seventy percent had to go to countries with per capita incomes below three hundred dollars. Later this was changed so that seventy-five percent had to go to countries eligible for "soft" loans at the World Bank (in 1979 those below five hundred sixty dollars per capita). This change, along with several others, clearly signalled the rhetorical dominance of development as the paramount goal for food aid. On this basis a "New Directions" task force for P.L. 480 made a number of recommendations in 1977-78; but few of these were adopted by mid-1980.⁷

Institutionalization of Food Aid: The Marriage of Interests and Practice

For activity such as food aid to become institutionalized, its design and implementation must serve (or at least be thought to serve) the interests of those with power. While the American program began as a way to serve the interests of farmers, it also had to accommodate other interests in the process of becoming widely accepted. The multiple interests and the multiple goals it has served are what makes American food aid rather special. These other interests include those of other exporting country farm groups, foreign policy elites, and recipient country leaders. As an international welfare policy, supported by a set of donors and recipients, these bases of support are important factors in shaping and maintaining actual programs.

Within Donor States

Food aid for most donors serves both domestic and foreign policy interests. Although each donor's program ostensibly serves primarily international purposes, for most it is also a special aid form because it can serve domestic farm and economic policy and because it often has distinctively greater popular support than other foreign aid programs--in legislative bodies, in government bureaucracies, especially in exporting countries, in industrial groups, and in the public. Indeed, in the United States a coalition of international and humanitarian interests, represented by church groups and development-oriented citizen bodies such as the Foreign Policy Association and the Overseas Development Council, combine with support from major farm and commodity organizations, trading

firms, and some of the major processors to make food aid a unique component in total American overseas development assistance. Few, if any, other American aid programs have the substantial backing of domestic interests enjoyed by food aid. This greater base of political support, however, is also a source of tension. Because of this tension food aid's inclusion in overseas development assistance rests less on its effectiveness in promoting international goals, such as economic development, and more on its role in satisfying domestic policy goals. Ideally, food aid can serve multiple goals simultaneously. Then various enthusiasts of food aid can construe the same food assistance action as serving the particular interests each seeks to promote, even though these interests are quite diverse.

In the United States, Congressional coalitions that have supported food aid programs have had a heterogeneous makeup. People with very different perspectives on the world and on the values food aid should serve have united in a common cause, because, at least until the mid-1970's, the food aid program as a whole served well each of their diverse interests. This blending of interests can be particularly happy for legislators who see themselves as promoting international and philanthropic goals and who represent a farm constituency as, for example, Senator and Vice President Hubert Humphrey did. His interest in and support of food aid led to a happy merging of domestic and international interests. From the hearings he held in 1958 onward, he worked consistently to broaden the scope and deepen the institutionalization of the program.

American food aid serves two basic goals for domestic policy--the disposal of surplus farm commodities and the development of commercial markets. A third domestic goal, controlling inflation, is

also important from time to time. During the 1950's and 1960's, when the United States dominated food aid flows and the inventories of the Community Credit Corporation were substantial, surplus disposal and market development alone provided adequate political support for the program. Support for the program was seen as so strong by some recipients that on occasion it created excessive confidence among recipients that America would meet their needs. This is reflected in the response of an Indian government official to a question by Secretary of Agriculture Orville Freeman during a visit to India in 1961. When Freeman asked what reserves India had as insurance against a bad crop year, the Indian replied: "Oh, they're in Kansas."⁸

Food aid to such countries as Japan, Korea, Mexico and Portugal are good illustrations of the role food aid may have played in helping to develop overseas American markets. In Korea, for example, since 1955 approximately thirty-eight percent of all Korean agricultural imports from the United States have been financed under P.L. 480 or direct AID programs. In fiscal 1976, however, Korea imported seven hundred twenty-two million dollars in agricultural products of which less than nine percent arrived under P.L. 480 concessional terms. Japan in the 1950's received over three hundred million dollars in P.L. 480 aid, mostly for local currency; by 1976 Japan imported over 3.3 billion dollars in agricultural goods from the United States, all through the commercial system.

To protect the commercial interests of both American and foreign producers a series of practices in the use of food aid has evolved which help to make it "legitimate." In the first instance, the initial American legislation established two principles to guide food aid. First, all commodities used had to be in "surplus" in the United States. Second,

food transfers on special or grant terms should not disrupt or replace commercial sales, but should constitute "additional" imports for the recipient. These principles were implemented by a series of practices that quickly developed in the 1950's for administering food aid.

Within the United States both the Department of Agriculture and the Agency for International Development (and its predecessors) have been the principal agents for the administration of food aid. In 1954, the Inter-agency Staff Committee (ISC) was established by executive order, and until 1978 it was the mechanism for coordinating decisions on food aid. Since then American food aid has been broadly shaped through a subcommittee on food aid of the Development Coordinating Committee (DCC). This Subcommittee brings together, in principle, assistant secretaries, i.e., senior level officials from the major government organs shaping food aid, Agriculture, State, Treasury, OMB and AID. Like the old ISC the Committee is chaired by the Department of Agriculture, and it continues to leave details to the old interagency group, now called the Working Group. Thus the old institutions live on under new names. AID has a major role in planning pure grant aid (Title II) and in overseas planning for all food aid, while the major responsibility for the concessional sales program (Title I) as well as for the whole budget, including payment reflows, lies with the Department of Agriculture (USDA). In 1980 the World Hunger Commission recommended all food aid be under the aegis of the new International Development Cooperation Agency (IDCA), but this seems unlikely to happen. The multiple interests that are supportive of food aid thus have a say in its administration. Those who want food aid to serve a single goal--for example, to reduce malnutrition--are often critical. The Presidential Commission on World Hunger concluded:

Responsibility for food aid programs is so scattered that planning is weak, action is uncertain, criteria are vague, evaluation is difficult and financial responsibility is unclear. The U.S. Department of Agriculture (USDA) receives food aid funds, but does not fully control their use; AID has a major voice in country allocations, but does not determine the total. The basic governing directive for U.S. food aid programs is still an Executive Order signed by President Eisenhower, and in the absence of a coordinated policy, many decisions are based primarily on budget concerns.⁹

As in the American system, other major donors have development management procedures for food aid that provide for key interests to be represented. Trade interests, domestic agriculture interests, foreign policy interests and development agency interests are all involved in shaping food aid decisions in Canada, Australia and the EEC--usually through formal consultations and interagency clearance procedures. Although the budget line for food aid is not in the agricultural ministry in other donors, agricultural officials nearly always have a role, as with EEC food aid from Brussels, which is physically handled by the Directorate of Agriculture. Agriculture Canada has an entire section dealing with food aid and has been especially active in multilateral food aid. Canadian aid is reviewed by budget officials, trade officials and foreign policy experts as well as by aid and agricultural officers. Thus multiple interests shape donor country policy in each of the major donors--not just the United States. Aside from strengthening the national commitment to food aid, this also affects its management and future character, as I discuss in Chapter IV.

Within the International System

Both formal and informal rules to minimize conflicts among exporting countries over price cutting emerged in the 1950's. Their emergence

helped to legitimize and institutionalize food aid in the international system. As the two largest exporters, America and Canada carried on a particularly intense trade rivalry, mitigated to a degree by informal accommodations. A good example of such an accommodation, whereby Canadian resentment of American export of cheap P.L. 480 food to Europe and Japan in the 1950's was reduced, resulted from the Cold War climate which made it politically difficult for the United States to compete for export sales to socialist countries. During the 1950's, Canada regularly sold grain to Eastern Europe, the Soviet Union and China, while the United States did not.

The Committee on Surplus Disposal. More formal rules to prevent food aid from being used as an unfair "trade" mechanism were set up by the FAO's special Committee on Surplus Disposal (CSD). After 1954, it became the principal formal vehicle for negotiating disputes over proposed food aid among commercial exporters. Actual CSD meetings have usually been pro forma; most disagreements have been worked out in advance. The Committee evolved a set of rules for approving proposed food aid shipments. Among these rules was one stating that donors were not to make any commercial sales tied to grants of food aid. A second required recipients to import their "usual" purchases in each year they received aid. This usual marketing requirement or "UMR" is a part of many bilateral food aid agreements. A further limitation on recipients, one that corresponds to limits set by the P.L. 480 legislation, prohibits a recipient country from exporting the same kind of commodities received as food aid, at least in the same year.

Such rules were established to limit the extent to which food aid could be used to dump surpluses or unambiguously disrupt commercial markets. Most observers have concluded that these rules have not prevented

food aid from displacing commercial sales, however.¹⁰ Further, most officials in donor governments believe that food aid has in fact substituted for commercial sales, especially for desperate countries such as Bangladesh. Few blatant cases of market "stealing," however, seem to have occurred. It is difficult to detect to what extent domestic or international commercial market sales have been undercut by food aid although some argue that the effects of food aid may have been extensive.¹¹

The continuing influence of surplus disposal motivations can be seen even during the period of food crisis of 1973-74. At that time, producers applied considerable pressure to have the United States use rice as food aid because rice was still in surplus in the United States. Although rice offered less nutritional value to malnourished recipients compared to the nutrition provided by wheat or other less expensive cereals of an equivalent dollar amount. Surplus disposal considerations also continue to affect other donors. Milk products provided as food aid by the EEC declined in the 1972-75 period as their surpluses dried up. When Canadians in 1979 had large rapeseed harvests they began to push these as food aid in place of other vegetable oil sources.

Debate among exporters over market effects also continues. In the spring of 1978 Canadians were disturbed to find that the United States planned to make concessional sales to Mexico of large quantities of nonfat dried milk which, in their opinion, undercut established and expected Canadian sales to Mexico. Their complaint held up the sale. Canadians also balked at a proposed American food-for-development program to Haiti in 1978 because it threatened their commercial wheat exports. The prospective American wheat aid to Haiti would have been made into flour in a Haitian mill financed and built by the Canadians.

Although the United States and other donors continue to use food aid as a surplus disposal mechanism, they do so substantially less than in the 1950's. Market development also remains an element, but one of far less importance than originally. One effect of this decline is the growth of recipients who are likely to continue to need aid, rather than a shift to commercial imports. Table 2.3 lists the major recipients of American aid over the years 1973-78. Except for Israel, which received non-P.L. 480 food aid, the effect of the shift in priorities can be seen in the disappearance of "political" recipients such as the former South Vietnam, and the rise of poor countries such as Haiti and Tanzania. Of course recipient needs changed over these years, but one explanation for some shifts is the enhanced importance of developmental goals and an emphasis on sending food to the poorest countries. The shift can also be seen in the relative decline in the need of industrial and "successful" developing states for aid, such as Korea.

The World Food Program. The establishment of the World Food Program in 1962 also promoted the institutionalization of food aid by bringing a new set of interests into play. Early backing for the creation of the WFP, besides that in the United States, came from the Canadian government. Their overseas aid operations were far smaller than those of the United States, and the Canadians had a limited ability to administer food aid programs in a variety of recipients. For Canada and others, therefore, the WFP offered a vehicle to supply aid in countries where they had little or no overseas staff. In the United States personal commitments played a role. President Kennedy and his White House "coordinator" of the Food for Peace Program in 1961-62, George McGovern, were personally interested in the establishment of a multilateral and internationally managed conduit for food aid and as a way to promote more development uses.

TABLE 2.3

U.S. FOOD AID TO THE LEADING 15 RECIPIENTS, 1973-1974¹

<u>COUNTRY</u>	1973		<u>COUNTRY</u>	1974	
	<u>\$Mil.</u>	<u>% of Total Food Aid</u>		<u>\$Mil.</u>	<u>% of Total Food Aid</u>
Republic of Korea	175	17	South Vietnam	240	25
South Vietnam	171	16	Khymer Republic	170	18
Indonesia	130	13	India	67	7
Pakistan	88	8	Bangladesh	44	5
Bangladesh	64	6	Pakistan	42	4
India	58	6	Philippines	39	4
Israel	50	5	Israel	30	3
Philippines	34	3	Morocco	26	3
Khymer Republic	29	3	Republic of Korea	24	3
Portugal	19	2	Indonesia	21	2
Morocco	13	1	Tunisia	17	2
Sri Lanka	11	1	Bolivia	15	2
Tunisia	11	1	Colombia	14	1
Dominican Republic	10	1	Niger	13	1
Brazil	9	1	Mali	11	1

¹Includes Public Law 480 Titles I and II and Aid Programs.

Source: Foreign Agricultural Trade of the United States (Washington: USDA, Sept./Oct., 1979) p. 49.

TABLE 2.3

U.S. FOOD AID TO THE LEADING 15 RECIPIENTS, 1977-1978¹

<u>COUNTRY</u>	1977		<u>COUNTRY</u>	1978 ⁴	
	\$Mil.	% of Total Food Aid		\$Mil.	% of Total Food Aid
Israel	342 ²	22	Egypt	420 ⁵	27
Egypt	300 ³	20	Israel	250 ²	16
India	141	9	Indonesia	157	10
Indonesia	132	9	India	132	9
Republic of Korea	76	5	Bangladesh	104	7
Bangladesh	66	4	Republic of Korea	63	4
Portugal	61	4	Pakistan	60	4
Pakistan	52	3	Sri Lanka	38	2
Philippines	49	3	Morocco	28	2
Sri Lanka	40	3	Tunisia	19	1
Morocco	25	2	Peru	17	1
Syria	20	1	Philippines	15	1
Haiti	19	1	Bolivia	15	1
Chile	17	1	Haiti	14	1
Tanzania	16	1	Jamaica	12	1

¹Includes Public Law 480 Titles I and II and AID Programs.

²Almost all under AID Programs.

³About 30 percent under AID Programs.

⁴Preliminary.

⁵About 55 percent under AID Programs.

Source: Foreign Agricultural Trade of the United States (Washington: USDA, Sept./Oct., 1979) p. 49.

Another reason for American interest in

establishing the WFP was the desire to encourage more countries to contribute to food aid flows. The WFP was the first successful American effort to achieve some "burden-sharing" for food assistance. The calculation of American interests is as follows. Since food aid had already been separated from commercial market flows, at least by the CSD norms, and was perceived by American farm interests as a useful way to reduce the overhang of surplus stocks on the world market, the more other countries contributed, the larger the flow of food aid became. More food aid would advance their goal of removing the overhang of stocks; even if other donors' aid merely replaced American aid, it at least reduced the cost to the United States of holding stocks and releasing them through food aid. ¶ The United Nations was also still an attractive venue for international problem solving for the United States. When the World Food Program was established under the joint aegis of the United Nations General Assembly and the FAO, Western countries led by the United States dominated policy-making in most United Nations agencies. However, even then changes were under way, fostered by the expanding membership in the United Nations of dozens of new states in Asia and Africa. These new countries began to articulate their common economic interests in each of the United Nations organs. In 1964, these newer states successfully pushed for the formation of a new economic and trade organization. They wanted an organization that could compete with the organization set up after World War II by the major industrial powers known as the General Agreement on Trade and Tariffs or GATT. This new organization, the United Nations Conference on Trade and Development (UNCTAD), first met in 1964. At its early meeting a group of seventy-seven

states organized to promote the interests of what are loosely referred to as developing countries, or the Third World. By the 1980's, the so-called "Group of 77" had expanded its membership to about one hundred twenty countries and had come to play an important role in all UN activities, including the World Food Program.

From its founding, the WFP was expected to be an assistance agency in which both donor and recipient countries could have a voice in shaping policy. Perhaps because WFP's mission is to manage resource transfers and promote development, clashes between the "Group of 77" and industrialized countries in the WFP have been relatively mild compared to those that have occurred in other UN organs such as the ILO or UNESCO. Principles governing WFP projects and use of resources emphasize humanitarian and developmental purposes and the reaching of vulnerable populations. They have been adopted without great acrimony and with general support from both recipients--whose interests are increasingly given priority--and donor country officials. Taking stands on some issues in the ruling body of the WFP, the Committee on Food Aid Policies and Programs (CFA), has provided an opportunity for officials from donor countries to build a coalition in support of developmental aims. These aims would be harder to achieve in intra-country decision arenas. The CFA has also provided a forum for policy coordination and learning by bureaucrats through the sharing of "nuts and bolts" experiences. WFP membership has provided an opportunity for a liaison between those seeking developmental objectives for food aid among donors, especially those of the United States, and relevant bureaucratic elites in recipient countries. By allowing these officials to meet every six months, first through the Intergovernmental Committee (IAC) from 1963 to 1974 and after 1975 through the

CFA, the WFP has helped foster and maintain a weak management network among food aid officials.

The Food Aid Convention. Originally drafted in 1967, modified in 1971 and subsequently renewed at two- to four-year intervals until it was renegotiated in expanded form in 1980, ^{this Convention} further institutionalized the practice of food aid in the international system. Up to this time, food aid was paid for almost exclusively by food exporting countries. The FAC added the food importing countries of Europe, along with Japan, as participants and shapers of policy. The interests of exporting countries had not been fully realized by the WFP, whose program was quite small in the 1960's. It had failed to achieve much burden-sharing for food aid among industrialized countries; these interests were more satisfactorily addressed by the FAC. ^Q At the time of its drafting the FAC was seen as a clear concession to exporters. Importing countries pledged to pay for a share in this food concessional system, one which complemented commercial systems, particularly in wheat trade, as the bulk of food aid was in wheat. Like the initial enactment of the P.L. 480 program as a national policy of the United States, the establishment of the FAC in 1967 as an international policy agreed to by eighteen donor states rested on a base of shared trade, development, and agriculture interests in both the exporting and importing states. The advantages of the convention in minimizing friction over questions of dumping and in stabilizing trade for poor countries were not evenly distributed, but in general all recipients benefited. Support for the Convention as a device to serve the interests of international and development-oriented groups in the industrialized countries was more evenly distributed among the signators. In the 1970's when the FAC served as a floor under some countries'

development contributions, development assistance groups became increasingly interested in the potential benefits of food aid as a tool of international resource transfer and development policy. ¶ Not all countries have been happy as food aid donors. Great Britain, which is a major food importer, saw few benefits in accepting responsibility for food aid; consequently at the time of the Convention's first renewal in 1971 Britain dropped out. Great Britain, however, has returned to being a donor as a consequence of her membership in the Common Market; that was part of the price for entering the Common Market in 1972. In July, 1980, the new FAC, reached separately from the conclusion of a trade agreement, both increased the level of pledges and indicated the further institutionalization of food aid. The floor under food aid was raised from 4.5 to 7.6 million tons. The pledges for the FAC since its inaugural are shown in Table 2.4.

The steps by which food aid became institutionalized illustrate its progression from a slightly disreputable, unilateral action to one of noble purpose. In the 1950's the use of food aid, outside of special emergencies, was a questionable practice, viewed by many as a dumping operation engaged in principally by the United States and construed by most other states, at least industrialized ones, as a relatively benign way for excess food producers to solve peculiar domestic problems. By the end of the 1970's, the number of countries providing food aid had expanded many-fold and even included a few oil-wealthy food importers such as Saudi Arabia, which provides twenty-five million dollars a year to the WFP. There also had developed an extremely diverse set of recipients, heavily weighted towards the poorest and most vulnerable countries of the world, and numbering over one hundred countries participating in

TABLE 2.4

FOOD AID CONVENTION, 1967-1980

Pledged Minimum Annual Contributions
(in '000 metric tons of grain or its equivalent)

Country	1967		1973*		1980	
	<u>tons</u>	<u>%</u>	<u>tons</u>	<u>%</u>	<u>tons</u>	<u>%</u>
Argentina	23	.5	23	.5	35	.5
Australia	225	5.3	225	5.3	400	5.3
Austria					20	.3
Canada	495	11.6	495	11.7	600	7.9
EEC** (9)	1287	30.2	1287	30.5	1650	21.7
Finland	14	.3	14	.3	20	.3
Japan	225	5.3	225	5.3	300	4.0
Norway	14	.3	-	-	30	.4
Sweden	54	1.3	35	.8	40	.5
Switzerland	32	.8	32	.8	27	.4
United States	<u>1890</u>	44.3	<u>1890</u>	44.7	<u>4470</u>	58.9
TOTAL	4259		4226		7592	

Source: International Grains Agreement, 1967, 1971 and Food Aid Convention, 1980.

* A new Convention was actually arranged in 1971. At that time Norway and Great Britain withdrew from the FAC and Sweden reduced its pledge. Great Britain and Ireland joined the FAC upon becoming members of the EEC in 1972, thus restoring the total level of pledges by Europeans in the original 1967 Convention.

** Includes the pledges by Great Britain and Denmark, plus the original six members of the EEC. In 1967 they were not members of the EEC, but are counted as if they were here.

regular, not simply emergency, food aid imports.

The Changed Global Patterns and Institutional Practices

As the decade of the 1980's begins, the global context within which food aid occurs is dramatically different from that within which it began twenty-five years or more ago. Major shifts have occurred that include:

1) Food aid has declined. Less food tonnage is being shipped and with less value (in constant dollars); it has declined as a share of total overseas development assistance from industrialized (OECD) countries, and as a proportion of total trade, especially trade between food exporters and developing countries. Figure 2.1 illustrates this decline of food aid for American exports, while Table 2.5 shows the drop of food aid from twenty percent of ODA in 1960 to ten percent in 1978.

2) Food aid has declined as a proportion of production and exports of donor countries and thus has become of comparatively less significance to the agricultural policies of these countries. This applies to donors such as Germany or Britain that are food importers as well as to those that are food exporters. Food exporters still give more of their total foreign aid in food, however. As Table 2.6 shows, the United States provided twenty-eight percent of its aid as food in 1976 and Canada gave twenty-one percent, while Austria gave only two percent and Japan one percent.

3) The number of donors and recipients has increased. While dramatically reducing their food aid contribution, American leadership has encouraged other countries to become food donors. This has shifted the burden from the American treasury to foreign government treasuries. Increasingly, foreign governments purchase food at commercial prices from

TABLE 2.5

OFFICIAL DEVELOPMENT ASSISTANCE (ODA)
(billions of dollars in current prices)

	1960 ¹	1965	1970	1973	1974	1975	1976	1977	1978
Total ODA	4.7	5.9	6.8	9.4	11.3	13.6	13.7	14.7	19.9
Total Food Aid	.94	1.31	1.26	1.13	1.52	2.13	1.79	1.91	2.02
Food Aid as % of ODA	20.0	22.2	18.5	12.1	13.5	15.7	13.1	13.0	10.2
Food Aid as % of ODA (constant 1970 prices)				8.4	7.6	11.4	11.2	13.4	10.3
United States share of Food Aid	97.8	94.1	70.6	54.7	57.0	58.5	67.5	59.9	61.4

Sources: General Review of Food Aid Policies and Practices (Rome: World Food Program, 1979 and 1980) Doc. WFP/CFA 7/6B, p. 3 and Doc. WFP/CFA 9/5, pp. 2-3; Food Aid (Paris: OECD, 1974), pp. 90-98; Susan Libbin, "U.S. Agricultural Commodity Aid and Agricultural Exports, 1955-76," Foreign Agriculture Trade of the United States (Washington: USDA, July, 1977) pp. 26 and data from Agricultural Canada.

¹Based on United States and Canadian aid only.

Table 2.6

Total Food Aid of OECD Countries and the Share of Each Country's Food Aid
in Net Official Development Assistance, 1976

<u>Countries</u>	<u>Food Aid (Millions of \$)</u>	<u>Each Country's % Share in DAC</u>	<u>Food Aid as % of Each Country's ODA</u>	<u>ODA \$ m</u>	<u>ODA as % of GNP</u>
Australia	35.8	2.0	9.3	385.0	0.42
Austria	1.1	0.1	2.3	48.2	0.12
Belgium	18.5	1.0	5.4	340.1	0.51
Canada	189.6	10.5	21.3	886.5	0.46
Denmark	22.5	1.3	10.5	214.4	0.56
Finland	10.0	0.6	19.7	50.7	0.18
France	50.2	2.8	2.3	2,145.5	0.62
Germany	90.5	5.1	6.5	1,384.0	0.31
Italy	20.0	1.1	8.8	226.3	0.13
Japan	8.1	0.5	0.7	1,104.9	0.20
Netherlands	45.2	2.5	6.3	719.9	0.82
New Zealand	2.7	0.2	5.1	53.2	0.43
Norway	14.0	0.8	6.4	218.0	0.71
Sweden	25.0	1.4	4.1	607.6	0.82
Switzerland	13.7	0.8	12.2	112.3	0.19
United Kingdom	33.3	1.9	4.0	834.8	0.38
United States	<u>1,210.0</u>	<u>67.5</u>	<u>27.9</u>	<u>4,334.0</u>	<u>0.25</u>
Total DAC Countries	1,790.2	100.0	13.1	13,665.4	0.33

Source: OECD, Aid to Agriculture (Paris: OECD, March, 1978, p. DD575. All figures are net disbursements as reported to the Development Assistance Committee (DAC).

international markets for delivery as food aid.

4) Recipients have increasingly been poorer, needy countries, although political considerations remain important. As the utility and availability of food aid have become more widely understood by officials in Third World country governments, and as a greater proportion of food aid has moved through multilateral channels in the 1970's, a larger number of countries have developed programs or political postures that enable them to become recipients. Table 2.7 lists the major recipients of cereal food aid in the mid-1970's. Except for Chile, Israel, and Korea, all of which were large bilateral recipients of American food aid, all the countries were in the group of most severely affected or food needy poor countries specified by the UN and the FAO.

The decline in quantity and increase in donors and recipients of food aid occurred simultaneously with the shift from the dominance of domestic to international interests in shaping donor policies and with the dramatic price rises in 1973-74 for basic grains. Nevertheless, efforts to subordinate dumping motivations to developmental considerations can not be said to be fully successful, as was noted earlier. Still, the rise of developmental considerations can be seen, both in the changing history of American food aid legislation and in the changing policy norms that have evolved at the international level. In this chapter, I review the history of these trends; in Chapter IV I assess the relative importance of various American motivations as of 1979.

History of Developmental Aims for Food Aid in the United States

In 1959 Hubert Humphrey was successful in leading an effort to modify American food aid legislation. He used Senate hearings and studies in

TABLE 2.7

CEREAL FOOD AID TO MAJOR RECIPIENTS
(Thousand Tons Grain Equivalent)

<u>Recipients</u>	<u>Total</u> <u>1974/75</u>	<u>Total</u> <u>1975/76</u>	<u>Total</u> <u>1976/77</u>	<u>Total</u> <u>1977/78</u>	<u>Average</u>
Bangladesh	2,130.1	1,106.9	674.0	1,382.4	1,323.3
Chile	331.3	351.3	31.4	35.3	187.3
Egypt *	609.7	951.6	2,135.9	1,790.6	1,371.9
India	1,581.9	1,308.0	1,179.4	302.4	1,092.9
Indonesia	301.4	136.5	810.1	978.8	556.7
Israel *	52.6	98.1	99.8	-	62.6
Jordan	62.5	87.1	92.5	137.6	94.9
Kampuchea	226.0	1.0	105.0	-	83.0
Korea Republic	233.5	344.2	662.1	471.1	427.7
Morocco	74.5	37.1	128.5	159.2	99.8
Mozambique	34.0	62.2	94.7	125.3	79.1
Pakistan	619.0	789.1	336.2	253.7	499.5
Portugal	-	58.7	175.2	422.8	164.2
Senegal	28.3	23.5	31.4	188.2	67.8
Sri Lanka	270.9	128.6	605.1	312.0	329.1
Syria	46.8	96.1	82.9	54.7	70.1
Tanzania	147.8	124.1	134.5	93.0	124.8
Vietnam	6.0	22.9	155.4	808.5	248.2
W. Sahara/Sahel	92.3	1.1	4.5	10.7	27.2
Zaire	0.1	17.9	14.5	24.4	14.2
Zambia	1.0	5.3	28.6	-	14.3
 Total All Countries	 8,543.3	 6,846.3	 8,839.7	 9,833.4	 8,515.7
 Total to Major Recipients	 6,849.7	 5,751.3	 7,581.7	 7,550.7	 6,933.4
 Total to MSA Countries	 6,473.4	 5,155.1	 6,149.6	 6,590.4	 6,092.0
 MSA Countries as Percent of all Countries	 75.8	 75.3	 69.6	 67.0	 71.5

Source: World Food Program, "Food Aid Policies and Practices" (Rome: WFP/FAO, WFP-CRA 7/6-B, May, 1979) pp. 19-21.

* This excludes American bilateral food aid under the Commodity Import Program of AID.

1958 to promote changes. These changes, partly accepted in anticipation by the Eisenhower administration through its appointment of the first Coordinator for Food for Peace, Donald Paarlberg, began the shift in the food aid program away from a dominant surplus disposal priority and toward a greater developmental concern. Foreign currencies received by the United States in payment for food were specified in the new legislation for increased use in the recipient country to a greater extent for developmental projects. The American aid program over the years created a number of mandated uses for the "blocked" currency earned from concessional food shipments. Among these are scholarships for Americans to study or teach overseas (used in Fulbright-Hayes funding, among others), loans to private businessmen and to American investors in the country, funds for trade exhibits and American market promotions, local expenses incurred by mutual security assistance, payment of embassy operating expenses, and funding of rural developmental projects. Increasingly this last use gained acceptance as of high priority. ¶ The next major transformation in P.L. 480 legislation occurred when the act was renewed in 1966. This legislation called for an end to sales for soft (non-convertible) currencies, a practice which was phased out slowly after 1966 and ended by 1972. The 1966 amendments also established a "self-help" requirement for recipients of Title I food sales. Self-help measures were to be specified in each food aid agreement, indicating the steps to be taken by recipient countries in order to develop their own agricultural and food production and/or to assure their eventual economic self-sufficiency in food.

Other aspects of the original P.L. 480 program have faded away, such as the use of food to barter for strategic materials. These changes have

not altered the major purposes which food aid was to serve, but they do indicate a shifting priority and orientation in the American Congress and government. Major food aid commitments, such as to India in the mid-1960's and to Egypt in the mid-1970's have required decisions reached at the highest levels in American government. Such decisions have rested above and outside the continually evolving framework of interagency interests and have been heavily related to the foreign policy and electoral calculations of American presidents. Thus Lyndon Johnson in 1965-67 carefully involved himself in food aid decisions towards India. At this time India faced disastrous food shortfalls following the failure of the monsoon rains for two years; millions were facing starvation. At one point President Johnson was making monthly decisions on the food aid allotments to be shipped to India. This practice supposedly was to help India face her food needs for the future. The embarrassing dependency it implied, however, did more to galvanize the Indian government's commitment to increase its agricultural development than Johnson's "short tether" influence attempt itself. India's increased agricultural emphasis was due less to an American desire for it to occur than to the vulnerability that United States behavior forced them to recognize.

Another example of high level control is the large shipments of food to South Vietnam and Cambodia in the late 1960's and early 1970's. At one time these paid a large portion of the South Vietnamese government's expenses using earnings from the food sales. This case shows how large scale food aid has been determined at high political levels rather than by food policy specialists. In this instance, although these Southeast Asian countries were both heavily in need of food, the need for food arose in part from American war efforts, including the destruction of crop areas.

Furthermore, the food provided an important technique for the central governments of these countries, supported by the United States, to raise money without resorting to increased direct taxation. The cases of India, Indochina and Egypt also allowed the American government to use the existing and well-established P.L. 480 program to provide discretionary financing for countries when Congressional action had cut them off from receiving other economic and military assistance.¹²

Two major changes ensued from this period. First, because of the general shortages of food that arose after 1972, the United States froze its food aid shipments from April to October, 1973, at the behest of the Office of Management and Budget (OMB). This was largely a response to rapid domestic food inflation in which the macro-economic policymakers of the United States overrode foreign, commercial, and diplomatic interests. Second, in response to what Congress called the use of "food for war" in Vietnam and Cambodia, and the use of food to provide assistance to dictatorial or unpopular allies such as Chile (post-1973), Iran, and South Korea, Congress passed the resolution mentioned earlier requiring that twenty-five percent of Title I (the concessional sales American food program) be supplied to countries with low per capita incomes.¹³

Toward the end of the 1970's a final effort towards transformation of the American food aid program occurred. In 1977, Congress enacted a four-year extension of P.L. 480, which included a new "Title III" or Food for Development section. This revision allowed the repayments from credit sales of American food aid under Title I to be "forgiven," essentially to become a full grant for recipient countries that agreed to use the earnings from sales of the food aid (the "counterpart"

funds generated by the recipient government) to finance agricultural development projects or other projects that were approved beforehand by the United States and which would enhance the recipients' food security and economic development.

These steps were stimulated, at least in part, by the increased concern about global food shortages and the plight of the world's hungry that arose in the 1973-74 period. Congressional initiative sought to establish a food aid program that was consonant with the "New Directions" in foreign assistance generally. This meant focusing on basic needs, rural development, and improved equity. The new legislation required an increasing proportion of the Title I sales, the backbone of the commercial interests in food aid, to be provided under Title III agreements that would, Congress hoped, spur greater and more equitable development. At the same time that this legislation originated (1975-77), however, Henry Kissinger, beginning in the winter of 1973-74, made commitments to Egypt's President Sadat to provide large amounts of American food aid as a form of support for his government and his Western-oriented policies. In two years Egypt went from zero to become the most important recipient in the American food aid program (see Table 2.3). When food prices rose in 1978 and 1979, food aid budget levels remained constant. Many commitments had to be cut back, but Egypt was kept at a constant tonnage level. This is an indication of the political commitment to that country and regime. Even though a budget squeeze led to cutting back allocations to other countries, dipping into contingency allocations in 1978-79 and getting a supplemental appropriation from Congress, the Egyptian commitment was met.

From time to time--as during the appointment in the Kennedy administration of McGovern as food aid Coordinator--the developmental and

In general, humanitarian aspects have grown markedly. However, the Department of Agriculture and the domestic and overseas marketing interests it represents have had a predominant role in shaping the details of American food aid administration. As the motivation for food aid has shifted to humanitarian and developmental objectives, the role of State and AID has increased. In the 1950's, Secretary of State Dulles had little interest in food aid, other than preventing it from going to unfriendly or communist countries. Beginning in the Kennedy administration, the Title II Program of grant aid expanded and with it the role of AID in administering these programs. Furthermore, State and AID also developed greater responsibility in shaping the requests for Title I concessional sales. In the mid-1970's both Agriculture and State and AID found themselves competing with the President's Office for Management and Budget (OMB) for influence in the food aid program, although after 1977 the role of OMB receded. With the creation of the new Title III program in 1977 a minor bureaucratic struggle ensued over which agency, Agriculture or AID, would have the overall responsibility for negotiating and administering these Food for Development programs.

International Organization Changes

The shift from the use of food aid for the dumping of surplus commodities to its use as a developmental instrument is reflected in the growth and change of international organizations related to food aid. By the end of the 1970's the Committee on Surplus Disposal (CSD) lost much of its importance as a forum for exporters to minimize the use of food aid as an unfair trading tool. It has few conflicts to settle compared to the 1950's. In contrast, the CFA, the governing body of the World Food

Program, since 1975 has assumed growing responsibility for coordinating and shaping international food aid policies. At the Eighth Meeting of the CFA in May, 1979, the Committee adopted a statement of guidelines and criteria for food aid. Although the statement was essentially hortative, the guidelines were acceded to unanimously by members of the Committee. Its recommendations were similar in concern and intent to the changes the United States Congress made in the American food aid program during the 1970's. CFA guidelines call for the volume of food aid to be increased, for aid to be given on more concessional or grant terms, for it to be provided over longer periods and with more forward planning, for more aid to be channeled through multilateral institutions, and for aid to be geared to the social and developmental needs of recipient countries.

The decline in importance of the CSD is the result of several interrelated developments. First, the decline in the stocks held by exporting countries' governments from the high levels of the 1950's and 1960's eased pressures to use food aid as surplus disposal. Second, the availability of food aid has shifted so that little goes to those with significant potential to become commercial importers, while the bulk goes to the poorest and most seriously disadvantaged countries, countries whose potential to become commercial importers is limited at best. Third, the ratio between food, especially wheat, shipped as food aid, and that shipped commercially, has declined substantially. As a result, the imposition of usual marketing requirements (UMR) on food aid recipients is of far less importance to exporting countries. This practice, as established by the CSD, required that financially viable countries receiving food aid had to purchase in addition to the aid commercial food imports equal to the average commercial imports of the preceding five

years. Since in the 1970's commercial imports rose rapidly in countries such as South Korea or Pakistan, they easily exceeded their five-year average in each year. To impose a stringent market requirement on the poorer countries, those with occasionally high need and few commercial resources such as Bangladesh or Tanzania, has been accepted by exporters as increasingly inappropriate. Indeed, the CSD has been willing essentially to waive UMR requirements in such cases of acute need.¹⁴

Over the years the working principles evolved by CSD have helped to "legitimate" food aid flows. In 1979 these guidelines were revised and updated to take into account the declining problems posed by competition among exporters for food markets and their dumping of food, and the increased need to facilitate aid flows that serve development purposes. World Food Program projects, for example, which usually account for only a small portion of a recipient country's imports, still are expected to obtain CSD approval before they are acted upon by the governing committee of the Program. In recent years, however, there have been few problems in getting CSD approval for development and nutrition oriented projects.¹⁵

The semi-annual meetings of the WFP's Committee on Food Aid Policies and Programs bring together senior representatives from thirty donor and recipient countries plus observers from other countries, UN agencies, and voluntary agencies, for one to two weeks in Rome. While the formal purposes of these meetings are to approve budgets and projects and to review major activities of the WFP, they also serve other purposes which are at least equally important. They serve to increase the understanding of food aid officials about how different phases of food aid operations work and about problems in the system which most countries would prefer solved. These meetings date back to the origin of the World Food Program

when an Inter-Governmental Committee (IGC) was established to serve as the consultative and governing body for the WFP Secretariat. They provide an important arena for airing the problems that the bureaucratic practices of donors and recipients present to one another, as well as allowing international issues concerning the size, allocative mechanisms and uses of food aid to be considered.

For example, one major issue has been provision for emergency food aid. The disruptive events in Vietnam in 1978 and in Cambodia in 1979 created large demands for emergency food. Many donor states are wary of having the WFP undertake large scale relief because emergency assistance is less controllable by donors, has less clear and long-term developmental impacts, and usually entails greater "political" elements. Garson Vogel, a Canadian who formerly headed the Canadian Wheat Board and is now Executive Director of the WFP, has been caught between conflicting demands that WFP emergency relief be increased, particularly in southeast Asia, and the interests of donor governments whose bureaucratic representatives are especially interested in maintaining the predominant orientation of the WFP programs towards serving developmental and nutritional goals. Emergency assistance is provided partly under the aegis of the FAO, whose Director-General, Edward Saouma, has cultivated considerable support among Third World countries and has directed the FAO towards serving the developmental and economic interests of Third World countries. Although the FAO budget is smaller than that of the WFP, the FAO staff is many times larger. The FAO serves simultaneously as a sponsoring organization, supplying building space and staff service, and an organization that competes for resources and credit-taking. Competition has been most marked over the issue of emergency relief activities

which must be authorized by the Director-General of the FAO. In 1979 it was necessary to have the CFA provide special approval of emergency aid of sixty-five million dollars, twenty million dollars above the standing authorization.¹⁶ In 1980 pledges to the WFP were for the first time ever falling well short of their target.

The political and bureaucratic infighting within the relevant institutions managing food aid in multilateral bodies--the World Food Council, the World Food Program, the FAO, and the United Nations Development Program (UNDP)--generates fascinating stories of elites jockeying for advantage motivated by competing symbolic and material interests. The details of these political and bureaucratic maneuverings are most important to the immediate participants, and possibly to food aid recipients for whom the outcomes will affect their immediate fortunes. From a broader perspective, however, the importance of political maneuverings in international food aid bodies is important in reflecting the shift in debate that has taken place. Issues the CFA debated in 1979 were the rate at which WFP commitments should grow, the degree to which recipients should control food aid policy, and the extent to which any flow of food aid should serve nutritional, developmental or emergency objectives as opposed to commercial or political interests. In the CFA and other food bodies the primacy of developmental objectives is now fully legitimated, not only for the aid programs under multilateral supervision, but also for bilateral food aid programs. The United States, at the CFA meeting in May, 1979, was eager to point out that its new Title III program, although bilateral, would indeed meet the criteria for food aid policies worked out by the CFA. It would be multi-year, developmental and targeted for most needy countries. The commitments under Title III to Bangladesh, Bolivia, Honduras and Egypt, all two- to five-year

programs, were detailed by American representatives. Similarly, Europeans have moved to meet international norms. Following criticism of their "dumping" of surplus milk products as food aid in the early 1970's, the EEC has developed longer-term dairy projects, such as Project Flood in India.

The normative shift is clear. The commitment to development is a dominant symbol in the international rhetoric of food aid. The reality, however, is less clear. As noted earlier, food aid as a resource is declining and surplus disposal remains a factor. Moreover, food aid was not only less reliable in the 1970's, but the commitment of the dominant provider, the United States, rested upon an eroding domestic coalition. American food aid commitments for political purposes, as in Egypt, were given greater priority than that given to developmental ones. Furthermore, American involvement in the World Food Program has declined. In 1969-70 American contributions constituted thirty-five percent of the WFP budget compared to twenty-six percent in 1977-78. And the share of the Title II (grant) funds for American food aid allocated to the WFP declined from 18.4 percent in 1976 to fifteen percent in 1979.

Will food aid decline further as donor countries' support and interest in it diminishes and as commercial food demand grows? Or can new bases for it develop, reflecting mutual interests of donors and recipients in greater food security and less hunger? These questions will be addressed in Chapters IV and V.

Two Further Trends

There are two other trends in the global context of international food aid worth noting. First, the view that food is an "additional"

resource both for donors and recipients is declining; increasingly it is seen as a substitute resource. The second shift is away from the provision of food aid as a "program" resource and its increased use in specific projects. These two shifts are compatible with and to a degree result from underlying changes in the political economy of international food production and distribution. They also conform to the changing climate of rhetoric among recipient countries, which are increasingly poor countries, and donor countries, which now include most of the OECD countries.

As initially envisaged, as still formally and legally claimed, and as conventionally perceived by citizens in most donor countries, food aid is an additional amount of food provided to recipients, either nations or individual peoples, which otherwise would not have been available. More recently this view has been challenged. Analysis of four African countries by Christopher Stevens, an analysis of Egypt by Joachim von Braun, and a study of other effects in recipient countries by Isenman and Singer suggest that the vast majority of food aid in the 1970's was not additive, but rather was a substitute for commercial imports.¹⁷ The upturn in commercial imports by LDC's during the 1973-74 period of global shortage dramatizes the increasing reliance of most food aid recipients upon commercial imports to supplement their food supply beyond what they can receive as food aid.

The "additionality" of food as part of overseas assistance is another argument that has gained credence in the 1970's. The argument is that because food aid receives special support in donor countries due to its importance to domestic producer groups, it therefore represents assistance that would not otherwise be available, particularly in the

form of cash. With the increase in number of donors, such as Japan, Germany, and the United Kingdom, which are food importers, and with the declining interest of producers in major exporting countries in food aid, the argument that food aid is an "additional" resource--one that would not otherwise be transferred to needy countries--seems increasingly less true. In all donor countries except the United States funds for food aid come directly out of the budget of the ministry of foreign affairs or development agency. Decreasingly, agricultural producers see food aid as providing a form of hidden budget support for their farm programs.

Conclusion

The history of international food aid from the 1950's to the beginning of the 1980's has been marked by a number of significant trends. The number of recipients has increased and the flows have shifted toward the poorer countries of the world. The number of donors has also increased although the total tonnage provided by donors has decreased. The purposes of food aid by which it has been justified and over which its donors and recipients have argued have shifted from being primarily commercial concerns--domestic supply adjustment (surplus disposal) and market development--to developmental concerns, including humanitarian feeding and nutritional improvement.¹⁸

These shifts have been reflected in the declining importance of additionality as a phenomenon both for recipients and donors. Food aid has increasingly become a substitute form of foreign assistance for donors and a substitute and cheaper channel for food imports for recipients. What remains special about food aid is that it is tied to a particular

commodity and that tie has ramifications for the final uses and bureaucratic involvement within both recipient and donor countries.

This brief history of food aid suggests that to understand its current and future role a careful analysis of the interests that are served in donor countries and those that are served in recipient countries is needed. Such interests will be examined in Chapters Four and Five, particularly as they reside in the organized groups and bureaucracies most directly concerned with these interests. Unless some special support or reason for food aid exists in donor and recipient countries, perhaps food aid should be slowly eliminated as a form of foreign assistance.¹⁹

CHAPTER II: FOOTNOTES

- 1 International Wheat Council, International Wheat Agreements: A Historical and Critical Background (London: IWC, EX (74/75) 2/2, unpublished document, 1974).
- 2 See Amalia Velliantis-Fidas, and Eileen Mareau Manfredi, P.L. 480 Concessional Sales (Washington, D.C.: Economic Research Service, USDA, 1977, Foreign Agricultural Economic Report No. 142), p. 1.
- 3 Ross M. Robertson, History of the American Economy (New York: Harcourt, Brace and World, Inc., 1964), p. 455.
- 4 Trudy Huskamp Peterson, "Hedge Against Hunger," (Washington: mimeo, 1977) and personal communication, October 15, 1977, citing telegram #789, American Embassy in Bogota to the Department of State, June 17, 1954, available at the Eisenhower Library, Abilene, Kansas.
- 5 Amalia Velliantis-Fidas, ibid.
- 6 See Theodore H. Cohn, Canadian Food Aid: Domestic and Foreign Policy Implications (Denver: Monograph Series in World Affairs, University of Denver, 1980); more generally, this observation is based on interviews in Rome, Brussels and Ottawa with food aid officials and a review of policy guidelines that were drawn up after 1975 by Canada and the EEC.
- 7 See the USDA, New Directions for U.S. Food Assistance: A Report of the Special Task Force on the Operation of P.L. 480 (Washington: USDA, May, 1978).
- 8 Cited in James Bjorkman, "Public Law 480 and the Policies of Self-Help and Short-Tether: Indo-American Relations, 1965-68," Report of the Commission on the Organization of the Government for the Conduct of

- Foreign Policy, Appendix Vol. 7 (Washington, D.C.: GPO, 1976), p. 203.
- 9 Overcoming World Hunger: The Challenge Ahead (Washington: GPO, March, 1980), p. 109.
- 10 See, for example, Christopher Stevens, Food Aid (London: Overseas Development Institute, 1979).
- 11 See Cheryl Christensen, "World Hunger: A Structural Approach," in Hopkins and Puchala, eds., op. cit. pp. 171-200. Christensen believes food aid contributed heavily to the growth of grain trade dominance by North America, and the comparative rise in cash crop agriculture among LDC's.
- 12 See Mitchel B. Wallerstein, Food for War/Food for Peace (Cambridge: MIT Press, 1980).
- 13 The legislation was first passed in 1974. It required that seventy percent of Title I go to countries of a G.N.P. of less than three hundred dollars. In 1975 this was raised to seventy-five percent. In 1977 the three hundred dollar limitation was changed to five hundred twenty dollars, and subsequently five hundred eighty dollars, the latter two figures being based on the ceiling used by the International Bank for Reconstruction and Development's International Development Agency criterion for eligibility for heavily discounted loans. This is the so-called "soft window" of the World Bank.
- 14 These comments are based on interviews with Canadian and American officials who serve as representatives to the CSD or have dealt with its bureaucratic functions, such as specifying USD's for particular countries. They also draw upon interviews with Arthur Mead, who heads the FAO's Secretariat for the Committee.

- 15 This is the report of both WFP officials in Rome and CSD officials in Washington.
- 16 This discussion draws upon my attendance at two CFA meetings, in 1978 and 1979, and on subsequent WFP announcements.
- 17 See Christopher Stevens, Food Aid (op. cit.); Von Braun, personal conversations and unpublished research materials, September, 1979; and Paul J. Isenman and Hans W. Singer, "Food Aid: Disincentive Effects and their Policy Considerations," Economic Development and Cultural Change (January, 1977), pp. 205-238. Indeed, it may be that most food aid in the 1950's and 1960's was also substitutive.
- 18 See the report by Joseph F. Stepanek, "Food for Development: A Food Aid Policy," (Washington: Agency for International Development Memorandum, March 16, 1978, mimeographed).
- 19 Emma Rothchild has argued that food aid should be phased out. In an essay "Is It Time to End Food for Peace?" New York Times Magazine, March 13, 1977, pp. 15, 43-58, Rothchild argued that food aid was often subordinated to political interests, such as promoting sales of rice from producing states, and had deleterious effects on farm income and agricultural policy in recipient countries.

CHAPTER III

ANALYZING FOOD AID: ITS COSTS AND BENEFITS

Introduction

The changes in the nature of food aid from the 1950's to the 1980's, sketched out in Chapter II, raise some basic questions as to its future. Clearly the benefits it provides to some groups, such as grain producers in exporting countries, have declined, while the costs it may have imposed on recipients through distorting their economy are also likely to have declined. This in turn has shifted the extent various interests are served or disadvantaged by food aid, and raises questions as to what costs are entailed in food aid, who bears these, and what benefits it affords.

Policy Evaluation

Answers to these questions will provide a basis for analyzing what future support and opposition can be expected for food aid and what standing as a desirable international public policy it deserves. This chapter undertakes to specify a framework for thinking through a cost/benefit evaluation for food aid. Such policy analysis is, in fact, not used as a practical matter for international policies, such as food aid, although it is increasingly important in shaping domestic policies. Perhaps discussions such as this, however, will encourage greater consideration of cost/benefit calculations in international policy decisions.

Cost-Benefit Analysis

Weighing costs against benefits is at the heart of policy evaluation. Costs are calculated as the expenditures of a government, firm, or other organization in providing some good or service. Benefits are assessed as the value gained by those affected. Benefits might include additional income, time saved, or losses prevented. Money is the usual common denominator in cost/benefit analyses.¹ Typical costs might be those borne by a government for a particular school lunch program, or those borne by others, such as the cost of farmers' meeting new environmental standards. Benefits would be assessed by calculating the value of such policies to those most directly affected, for example the additional earnings of a group receiving more food compared to a comparable group without it, or the reduced health costs to a population breathing less polluted air. Thus costs are calculated for the provider and benefits adduced to recipients. In calculating benefits and costs, values are assigned to all impacts, "both favorable and unfavorable, present and future, on all of society."²

The use of cost/benefit analysis has become widespread since World War II. It is a recognized technique for evaluating public policy and assisting political leaders to adopt the most efficient strategies for achieving public goals. Compared to domestic policy, however, it has been used fairly infrequently in assessments of foreign policy. Its principal use has been in assessing trade and weapons system decisions, and compared to the application to national level policies, it is virtually non-existent at the international level. Because there is no international government to act as a provider for global society, or to enforce regulations, cost/benefit analyses have construed "all of society" to

refer to the populus of a particular political unit effectively making the decision: for the fire station, the municipality; for the forestry program, the state or nation.

What then of food aid? Construing food aid as an international public policy, as argued earlier, suggests that its evaluation should encompass costs and benefits to global society. On the other hand, since there is no effective global government, such a cost/benefit analysis would require measuring shadows in a "what if" world. This would hardly be a satisfactory or practical approach. In this chapter, therefore, the costs and benefits will be assessed from the standpoint of national governments, both providers and recipients. Unlike many domestic policies, where government action might be seen only as a cost to all, at least all those who pay taxes, the cost/benefit analysis of food aid suggests assessing both costs and benefits to providers, that is, donor governments and international bodies, and to recipients.

Considerable analysis has been done regarding the benefits and costs to recipient countries. Disincentive, distribution, and distortion effects have received wide criticism.³ Relatively less attention has been paid to the costs and benefits to donor countries. These, however, are at least equally important in understanding the motivation for food aid, and probably more important in forecasting its future size and reliability.

Costs and Benefits to Donor Countries

Costs to Donors

What is the monetary value of food aid supplied by donor countries, either bilaterally or through international agencies? A simple answer,

and one conventionally used for international accounting purposes, is to value the quantity of food at current world prices, i.e., the market price. Thus if France, Sweden or the United States were to provide ten thousand tons of wheat or cooking oil, the value of that food, as recorded by development agency bookkeepers, would be its apparent world market value. Often, however, this price is not a good estimate of the value that donors give up. Thus, several other valuations have been used in the history of bookkeeping of food aid. Each of these plays a role in understanding the true economic costs to supplying countries of the concessional food commodities they provide.

The highest cost that might be used by donors in assigning a value to food aid commodities is their acquisition or treasury cost. When countries have a domestic farm policy that seeks to support farm income through maintaining higher prices in their domestic market than in international trade, a government agency normally must intervene in the market to acquire surpluses of the commodity. In the Common Market, for example, domestic oriented actions of the Common Agricultural Policy (CAP) have generated mountains of butter and powdered milk, while in the United States the Commodity Credit Corporation (CCC) and in Canada the Wheat Board have frequently held large grain stocks. The acquisition costs of such commodities, and subsequent costs of storage, result in government costs substantially higher than the market values of the commodities. When donor governments use their costs for valuing commodities that are subsequently shipped as food aid, the apparent cost of food aid seems rather high. Indeed, in the United States in the early years of P.L. 480 aid, the CCC (government) cost was often used to report the value of United States food aid. In more recent years, especially in reports to those

interested in economic development, the value of food aid has been recalculated to reflect prevailing international commercial prices. Similarly, the European Economic Commission and other agencies report the international value of their food, not the costs incurred by the various European national intervention agencies, wheat boards, or other government price support bureaucracies. With the decline of large donor government-held surpluses of grain in the 1970's, this high-priced method of valuing food aid has become less relevant. Still, to appease some domestically-oriented policy makers in donor countries, especially for those commodities for which domestic prices are kept higher than international prices and on which the government may be incurring substantial storage charges, there may be advantages to charging the international assistance budget the cost needed to cover the government outlays for the food provided as aid. In the United States, for example, when in the 1950's the food aid program was heavily oriented to reducing domestic surpluses, Congressmen representing farm interests frequently were happy to construe the full value and cost of the P.L. 480 program as part of America's international contribution and not as a cost of domestic farm programs.⁴

At the other extreme, considering only alternative uses for the food, zero has sometimes been suggested as the appropriate cost to donor countries for providing food when it is drawn from surplus commodities.⁵ This valuation rests on the premise that, besides the means of disposing of food by aid, i.e., special concessional and gift arrangements, the only effective option open to government agencies holding surplus stocks would be to destroy them. Trying to sell such surpluses on world commercial markets (dumping) would probably cause the country that did it to

incur long-term costs in the form of trade retaliations and economic hostility from other producer countries. Moreover, the downward effect on international prices might result in a smaller total income to exporters than they would have received with fewer exports at higher prices.⁶ A strong case can be made then that, considering the donor's alternative uses, the costs for food aid are close to zero when: government surpluses have accumulated as a side effect of farm support programs pursued solely for domestic reasons; the economic and political consequences of open-market dumping do in fact pose insurmountable barriers to disposal of surpluses through international commercial transactions; and domestic sales are also impossible because the commodities were initially acquired in order to maintain high market prices. Then the only options open to government would be to use food surpluses in domestic feeding programs for consumers isolated from commercial channels, to give the food away in similar international channels, or to destroy it. Although some development specialists take this view seriously, and it is a view held by some officials in recipient countries (at least implicitly), no donor country government has ever explicitly acknowledged such a valuation might be appropriate.

Another way to assess the economic cost of food aid to the donor is in terms of opportunity costs. In this procedure the potential additional costs for farm subsidy programs in the absence of food aid are deducted from the treasury cost to the government for food aid. Leo Mayer calculated in the 1966-68 period that the net cost of P.L. 480 programs was considerably below apparent government (CCC) costs and below world market prices. The net government cost according to Mayer's calculations was reached by reducing CCC costs by the amount the CCC would have had to

lay out in set-aside payments to farmers in order to idle the amount of land used to produce the amount of food aid shipped. Thus he found that the average net cost to the government of wheat food aid in 1966-68 was forty-nine percent of its gross costs.⁷

The alternative chosen for calculating donor costs is important for several reasons. First, it affects the description of global trends and sacrifices among donors in providing foreign assistance. Second, it can affect any repayment or other obligation that a recipient may undertake. Finally, it can affect the volume of food aid a particular donor can supply. All donors budget their food aid in monetary, not volume terms. Thus in the United States Congressional authorization and OMB regulations limit food aid shipments by putting ceilings on the dollars spent, not tonnage sent. Since different accounting schemes yield different costs, the accounting method used could make a significant difference in the total volume of food aid available under the same budgetary allocation. Where food aid flows exceed minimum international obligations, e.g., grain from North America and dairy products from Europe, this is more important. Donors that just meet fixed tonnage pledges, such as Great Britain or Australia, simply adjust their budgets upward (or downward) to meet changing prices and the adjustment may be born by the rest of the development assistance budget. In surplus situations budgets may not be much of a constraint if disposal is the key determinant, as in the United States in the 1950's and Europe in the 1970's with respect to dairy products.⁸

Aside from the cost of the commodity, another cost to donors is the management and personnel expenses required to run their food aid program. Surely managing food aid requires some additional staff and management

expenses that the government would not otherwise have incurred. This certainly seems plausible in situations such as that of the United Kingdom, where domestic commodities are seldom involved in food aid, and where overseas development specialists are seldom familiar with food aid program management. For the United Kingdom, there is a marginal additional cost in providing ODA in food rather than cash terms. However, since the food aid staff in a country such as Great Britain is quite small, comprising three full-time professionals in London, these extra management costs can be considered relatively trivial. In the United States, which has a very large bureaucracy at home and abroad working for both AID and the Department of Agriculture, it may be argued that some of the cost of managing food aid would otherwise go for salaries to manage a surplus commodity required whether food aid was provided or not. Moreover, the size of the American food aid staff compared to the value of the program makes it one of the smallest in government. As one Agriculture Department official remarked, "no other billion-dollar program in the United States Government has so few staff, and has no internal budget competency."⁹ The number of full-time professionals dealing with food aid seems to range from two to ten for donor countries, with the exception of the United States and Canada.¹⁰

Aside from salary costs for personnel, the other conceivable donor country costs would be in the attention time required of high-level elite. This is relatively small. Seldom do food aid issues and controversies rise to the level of ministers or heads of government; a need to resolve programming or budgetary issues, even when they have generated complicated and heated intra-governmental bargaining, has seldom diverted the attention of top government leaders. Perhaps the first and only occasion for

this occurred in 1974 when pledges for the World Food Conference required approval at the highest level in several governments, including the Canadian and American governments, and in which cabinet-level decisions were required in the United States to resolve the size of the P.L. 480 program for fiscal 1975. In short, given the size of the program, calculated as the market value of commodities, the real budgetary costs to the government and the bureaucratic personnel and time allocation costs are all relatively small.

Benefits to Donors

Food aid yields both economic and political benefits to donors. In the economic realm benefits are much harder to calculate than costs. This is because benefits are stretched out over longer time periods, because some benefits are in the form of savings in domestic programs, and because it is difficult to assess the value of increased foreign purchases, let alone the proportion of increased foreign sales attributable to food aid supplied in an earlier period.

Let us examine this problem of benefit calculation more concretely. For example, in the 1950's the United States gave substantial food aid to Japan, Germany, and Great Britain. In the 1970's these countries had become large commercial importers of American farm products. Would these sales in the 1970's have been any less if there had been no food aid in the 1950's to stimulate subsequent trade? If so, what would be the loss to the United States of such lowered sales? Even if answers to these questions could be estimated somehow, further questions remain as to how much benefit is required to offset the food aid costs incurred in the 1950's. What would be the appropriate discount rate? That is, how many

dollars in benefits would be necessary in 1975 to offset a dollar of "real" costs in food aid in 1958. Agencies in the United States or in any other donor countries most concerned with these economic factors have never done a careful study of the benefits of market development from food aid. Consequently, one can at best speculate about the actual benefits. In general, officials closer to producer and marketing groups in exporting countries offer a maximumly generous interpretation of these benefits, while development officials and those in international agencies, especially in dealings with recipient countries, tend to minimize market development effects. Historically, these effects were considered important by producer and commodity groups in the United States; this at least suggests there have been some, albeit hard to calculate, economic benefits derived by the donor countries from market development effects. This, however, neither explains nor justifies the earlier food aid, since security and other foreign policy benefits were also sought through the food aid. It simply focuses on the most narrow of questions: did the United States derive direct (albeit deferred) economic benefits from food aid through market expansion?

A second stream of economic benefits accrues to those donor countries which provide aid on a loan rather than a grant basis. A portion of the United States food aid, along with some Japanese and most Soviet food aid, has been given not as grants but as loans with various repayment arrangements. Until 1966 United States Title I aid was given in return for non-convertible local currencies (hence spent in the recipient country) and various raw material commodities. This was phased out from 1966 to 1971 and replaced by hard currency repayment on extremely "soft" loan terms. American loans to recipient governments have terms that call for

from ten to forty years repayment, and from two to three percent interest. Some recipients must repay a full five percent of the face value of the food immediately; others do not have this requirement. These hard currency reflows to the United States Government from Title I food aid amounted to about one-third of the total cost of new P.L. 480 Title I loans by 1977.¹¹ Japanese food aid, when sold concessionally, is provided on terms similar to those of the United States, particularly when surplus rice is offered. The Soviets have provided their food aid λ at subsequent times when international prices are lower, and at no interest.

Other donors, both multilateral and bilateral, provide their food aid free, sometimes as delivered at the recipient country, sometimes as purchased in the exporting country. Australia, for example, supplies most of its aid F.O.B., ("free on board"), that is, it pays for the cost of food delivered to the point of export from Australia. Canada and European countries supply their bilateral aid both F.O.B. and, for their poorer recipients, C.I.F.--that is, paying transportation costs to the port of the recipient. The World Food Program, the major multilateral food provider, and the American Title II program, deliver all their food C.I.F. and sometimes pay inland transportation costs as well. Often in such cases the recipient government is "allowed" to sell some food to raise funds to pay the cost of delivery to inland projects. The cost of food aid, therefore, is not always revealed accurately when expressed as the international value of the quantity of food involved, since transportation costs are quite variable and can amount to substantial sums--from ten to fifty percent of the value of the food commodity.

Valuing the stream of repayments is beset with thorny problems. What is the appropriate discount rate to use? In 1975-79 the

OECD suggested ten percent, though with higher inflation rates after 1979 this may be too low. A typical United States Title I loan, which in 1979 would have a five percent repayment, a ten year forgiveness period at two percent interest, and then thirty years of repayment at three percent interest, would have a very high grant or concessional value. In this particular case the proportion of value of food aid constituting a grant would be sixty-nine percent; the concessional component of American loans ranges from thirty-five to nearly eighty percent.¹² Soviet aid, because it was provided as equivalent commodity trades or even swaps, is hard to estimate. Most likely it had only a concession or cash equivalent value of twenty to forty percent of its value at international prices at the time it was provided, given that repayment was scheduled within a few years.

Political benefits to donors have become increasingly important as the degree of concessionality in food aid has increased, and its economic value for market development and domestic supply adjustment has dwindled. Political benefits are especially difficult to measure in monetary terms, and even any non-monetary evaluation is subject to great disagreement. The kinds of political benefits donors derive from food aid range from rather diffuse and vaguely political advantages such as an improved "climate" of relations to very specific and very political payoffs which are consciously manipulated or bargained over.

National prestige, that is, the recognition and favorable attention given to a donor state by other states, including but not exclusively recipient states, is a significant benefit. For those whose jobs and/or personal identities are closely associated with their "national" community as a collective actor on the international scene, actions that call

favorable attention to one's nation and win it respect are quite naturally prized. Just as philanthropists are rewarded with recognition, flattery, and respect when their donations are given attention or sought, so individuals with close attachments to their national communities can derive satisfaction from the enhanced status and respect that food aid philanthropy provides.

A second benefit is derived from the impact of food aid practices on international norms. Aid is particularly important in upholding the sacredness of human life and its preservation as a norm. Humanitarian relief provided in emergencies reinforces this norm which is so central, especially in Western philosophical traditions.

The international actions of governments are, in part, responses to the expectations of other governments and peoples as to what actions are legitimate or illegitimate and appropriate or inappropriate for state action. This world cultural context is important in conditioning international activity and making life less precarious. Because societies periodically face unexpected, overwhelming needs, such as those arising from disaster or turmoil, the maintenance of a widely-shared and relatively authoritative principle of aid, particularly food aid, in responding to human needs, is important in taming the "immoral" forces of international society, and maintaining a structure of global activity compatible with the interests of developed and affluent states. Through the effect of behavior--actual responses to famine threats--upon norms of international action, donors benefit from their emergency food relief in the form of the enhanced stability that such norms provide. A sense of common obligation and sacrifice is promoted among donor countries, and a sense of stake in the well-being of benefactor countries is fostered among

recipients.

Another possible benefit arises from the celebration among donors of their own virtue. There was among officials and some members of the public of donor governments whom I interviewed a sense of self-regard and rectitude. While largely intangible, these feelings are expressed in the congratulatory manner in which national elites inform their own citizenries of their provision of food aid. This indulgence of national ego may, in extreme forms, manifest itself as smugness. Swedish representatives, for example, in meetings of the CFA have occasionally pointed with pride to their proportionate high contribution to development assistance-- in 1979 one percent of their gross national product, compared to .27 of one percent for the United States and .34 for OECD countries-- and to their emphasis on giving food aid on a grant basis, for emergencies, and with few or no strings attached. These celebrations of rectitude by Sweden's representatives have been the subject of derogatory remarks by food aid officials from other donors.¹³

More concrete political benefits arise when food aid is directed from the donor to accomplish specific political goals in the recipient country. Usually these involve improving diplomatic ties with the elite in the recipient and/or improving the stability of incumbent leadership. American food aid to Egypt since 1974 and French food aid to states which were former colonies are good examples of such benefits. Food aid helps recipient leaders in two respects--by bolstering their national treasuries with income from food sales and by allowing them to provide a key commodity to the population at controlled prices. Food shortages and riots have frequently marked periods of political instability and dramatic change, as in the French and Russian revolutions, the declaration of the

German Republic in November, 1918, and the move to power of marxist-oriented military leaders in Ethiopia in 1974. The benefits of cultivating diplomatic rapport or stabilizing a regime through food aid depend heavily upon the importance of such political benefits to the broader political and economic goals of the donor country. Donors with larger international stakes, and with declared responsibility for management of peaceful change in troubled areas, such as the Middle East or Africa, can convincingly assert that food aid provides large political benefits compared to donors, such as Italy, with fewer international obligations. Nevertheless, Italian interest in cordial political relations is not absent as a force shaping food aid flows; European allocation to Malta, as sponsored by Italy, is a case in point. The largest historical case of food aid transfers occurred in the mid-1960's from the United States to India. The political benefits derived from this transfer, such as support for American policies elsewhere, were notably less than those hoped for by President Johnson and other foreign policy elite, as we noted in Chapter II.¹⁴ This suggests that the particular benefit to the donor will depend heavily on the context within which food is sent and received and the significance and intentions attached to it. It will depend less upon the actual amounts of the flow.

Aside from the general support for diplomatic and broader political purposes achieved with respect to a particular recipient, donor countries also can seek and sometimes secure specific political benefits from a particular food aid transaction. A vote at the UN, a concession to a donor-based corporation, or the extension of military base rights may all be bought with foreign food aid. When the United States, for example, negotiates for the use of bases in Portugal, food aid is one of the

concessions associated with the agreement, though not written into the base contracts.

Could any of the political benefits mentioned above be derived from providing cash or other commodities than food? In short, is there anything particular to food aid that affects the securing of these benefits? In general, no, although the maintenance of international norms for minimal nutrition and humanitarian goals is more directly advanced by food aid. In all other cases, presumably food aid rather than other cash or commodity aid is used by those seeking political benefits because it is more available; and it is available because domestic interest groups, notably producers and foreign aid and humanitarian lobbies, make it a politically more useful resource for pursuing foreign policy benefits than other resources. Indeed, it has been its particular economic benefits to domestic groups which have made food aid comparatively less expensive to donor countries as a whole. However, as surpluses, particularly in grain, have declined, costs have risen.

The trend in cost/benefits for donors is clearly that costs have risen, and this is an important reason for the lack of growth in food aid during the 1970's. The downturn in the early 1970's and the return in the late 1970's to a volume roughly half that of a decade previous, as outlined in Chapter II, is accounted for principally by this changing surplus situation. Certainly need for food aid has grown. While some skepticism about the value of food aid may have undermined its attractiveness, interest in the potential positive effects among development economists has grown substantially in the 1970's.¹⁵

As we saw from the history of food aid, countries provide it as a substitute for cash because it has special non-economic benefits--it

assists particular economic interest groups, it has a more humanitarian and popular appeal, or it emerges as an obligation from international bargaining. The special economic and political advantages arose primarily out of problems of managing farm surpluses and rules for trading. As these problems have declined or changed in recent years, the importance of the special benefits provided by food aid to donors has also declined. General benefits then have become relatively more important. Indeed, there may be no economic benefits for donors from market development when the fastest-growing food importers are the poorest countries in the world. Some analysts have identified a danger to exporting countries in promoting market dependency among countries with low capacity to adjust. Compared to countries such as Japan, and Europe, with relatively high adjustment capability, these countries by their weakness may increase instability in the "need" for concessional food.¹⁶

The rise in economic costs and decline in economic benefits in the 1970's has been offset by the rise in political benefits. Food aid has become a more scarce resource and it has become comparatively more discretionary among the economic tools available to donor country policy elites. This latter trend occurs because more "cash" aid now goes through multilateral channels or is tied to longer-term projects. As a result there is a tendency for food aid to be seen as an important and valuable tool for foreign policy elite. The recognition of this importance is marked by the episodic attention given it by Presidents Johnson and Nixon, and Secretary of State Kissinger, and by the arguments in various recent studies.¹⁷

Costs and Benefits to Multilateral Donor Agencies

A number of international organizations serve as managers and conduits for food aid. Among these, the World Food Program is the most important intergovernmental body; others include the United Nations International Disaster Organization (UNIDO), the United Nations Children's Emergency Fund (UNICEF), the International League of Red Cross Societies, and the United Nations High Commission for Relief (UNHCR).

Private international welfare organizations are also important. There are a number of such organizations, some supplying food paid for by private donations, such as Oxfam. However, in terms of volume of food aid two are by far the largest--Catholic Relief Services (CRS) and CARE.

Since such organizations neither produce nor consume food, it is appropriate to assess costs and benefits of their role as intermediaries in the policy process associated with the shift away from management within bilateral government channels. In most cases the costs of multilateral or international management are born by both donors and recipients; likewise, the benefits are shared among them. Both donors and recipients support channeling at least some food aid through multilateral channels; presumably, using such channels offers some benefits to both parties that exceed their perceived costs. Donors such as Canada and recipients such as India have increased their share of food aid going through multilateral channels markedly in the 1970's and are quite proud of this.

Some donors, of course, contribute very little to international organizations. France, for instance, announced that it was increasing by

one hundred percent its national contribution to the WFP in 1980 (this contribution is exclusive of France's portion of the sizeable EEC contribution). This announcement was greeted with a certain amount of sarcasm because the direct French contribution was so small. As one WFP executive muttered, "Increasing nothing by one hundred percent is still nothing."¹⁸ Furthermore, some recipients may express hostility toward international bodies if they feel short-changed. For example, Afghanistan complained about the small size of the proposed WFP program plan for that country in the early 1980's.¹⁹

The major costs of international agencies are born by donors. Recipients, however, also incur some costs, occasionally with a real loss of autonomy. The major expenses of the international agencies include: management and storage costs associated with the allocation and monitoring of food aid flows, accounting costs to prepare budgets and maintain fiscal discipline, the cost of hosting semi-annual international meetings; and project evaluations (which are considerably more elaborate and expensive than those done by bilateral donors). Donors in yielding bilateral opportunities suffer anything from foregoing of possible prestige to specific quid pro quo favors or concessions, and recipients lose their leverage and flexibility in securing aid under particular conditions or in making it available to benefit particular groups such as the army or urban middle class.

The benefits of food aid managed by international bodies include enhancing the prestige and organizational capacity of these bodies, at least when the aid is well managed. International bodies also may have greater discretion to use their resources to address multiple opportunities --for example, in securing food from developing countries with a need to

export for transfer to countries in need of aid. The World Food Program has been able to buy food supplies in India and Kenya for delivery to recipients in Asia and Africa, whereas American, Canadian, or Australian food aid managers seldom provide food except from their respective countries.²⁰

Another benefit provided by multilateral channels for food aid is that countries that are in need of food assistance but which are prohibited from receiving it bilaterally from major Western donors, such as the United States, may be enabled to receive assistance. Vietnam and Cuba, for example, have both received project support from the World Food Program.²¹ Such "triangular" food aid efforts are especially helpful for advancing developmental goals. Other benefits provided by international management for developmental goals include bureaucratic posts and training available to nationals from less developed countries, both through direct assignments with the multi-national food agencies, usually overseas, and in programs in their own countries. WFP projects, for example, typically require greater investment of human resources for their operation than the project aid usually provided by bilateral shipments. Projects then train and reward recipient country nationals.

A final benefit provided by the multilateral channels is that they may expand the total flow of food assistance, and, hence, the size of welfare transfers in the global society. International agencies accept and manage aid flows from a number of countries, such as Saudi Arabia, that otherwise might not provide food aid since they lack the administrative apparatus to administer it. Presumably the range of benefits from the multilateral aid practice--benefits to enhanced international organization stature and capacity and to the flexibility and quality of

projects associated with food aid justify the use of these more expensive multilateral channels and justify the demand that increased use of multilateral channels occur.²²

While recipients have pressed for increased use of multilateral channels such as the WFP, they have also resisted ideas which would reduce their flexibility in bargaining with donors or lead to conditions attached to receiving aid. At the World Food Council (WFC) meeting in Arusha, Tanzania, for instance, the WFC Secretariat proposed that food aid might be developed into an "entitlement" program, i.e., a program similar to unemployment insurance or many other public welfare programs common to industrialized countries. This concept was generally greeted with great reservations by LDC's who feared it might reduce their opportunity to seek food aid from a variety of (bilateral) sources and to negotiate their own terms. The "entitlements" concept was shelved in 1980 by asking the WFC Secretariat to study it further.

Costs and Benefits to Recipient Countries

Direct costs are virtually nil, beyond the cost of transportation and internal delivery which is usually born by the recipient. Indirect costs resulting from various negative effects, however, may be substantial. Indeed the major attack launched against food aid by neo-classical economists and humanitarian-oriented social critics has pointed to a series of side effects of food aid including disincentives for production, maldistribution, corruption and waste, which, they suggest, may outweigh any benefits.²³ A discussion of costs, therefore, of receiving food aid, has to emphasize primarily these indirect costs that food aid has. Before reviewing these, however, remember that these indirect costs disappear

the more it may be assumed that food aid substitutes for commercial food imports and its availability affect only balance of payments and not the size and mix of imports.²⁴

Costs to Recipients

Food aid has allegedly reduced the production of food commodities in recipient countries. Maxwell and Singer summarize a large number of studies, many of them focused on India, which attempt to assess the disincentive effect on production caused by an expanded food supply and lower prices.²⁵ The evidence from such studies leads to diverse conclusions. Furthermore, the extent costs arise depends on analyses not only of indirect effects through lowered market prices, but also secondary consequences such as farmers switching to alternative and less valuable crops or the effects of lowered farm income on individual and community standards of living. In general, most countries receiving food aid have policies for setting official market prices, thereby reducing or eliminating the immediate market effect of price reductions caused by a larger domestic supply of food. Even when official consumer prices are not lowered, however, food aid probably does affect the price and number of transactions occurring through barter or informal markets. If tight food situations continued (in the absence of food aid) farmers or those holding grain would receive considerably more than in cases where food aid had expanded the market, or shifted supply lines from port to inland rather than from rural production areas to the deficit areas of the country. The extent to which food aid creates lowered returns to producers, its negative effects or costs to otherwise efficient production in the country depend on: 1) the general circumstances of

particular countries; 2) the particular conditions before and after the period in question; and 3) the assumptions one makes about the degree to which food aid affects some of the "givens" in the situation. Only in a few countries does it seem likely disincentive effects may have been substantial, as in Colombia, where large shifts from wheat to alternative crops occurred.²⁶

Another kind of disincentive cost that food aid may have is its effect on policy. It may encourage inadequate investment in agriculture, inattention to the value of domestic self-sufficiency, and excessive subsidization of food for consumers, a benefit that tends to advantage the middle income and affluent in cities that a poor country with a large subsistence element can ill afford. In response to such possible costs some argue that the arrival of food aid seldom signals a subsequent inattention to food and agriculture but reflects the result of previous urban bias and other factors in a nation's policies. In this case a low priority of agricultural investment, inefficiency of marketing, failure of land reform efforts, and weak incentives to producers because of low prices as set by the government may be fully accounted for by other factors, prior to, independent of, and separate from food aid. Thus the arrival of food aid usually is a signal of a growing problem. Food aid then can be a resource to help make less painful and abrupt needed adjustments toward greater priority and emphasis on agricultural development.²⁷

Food aid is most likely to bias government decisions against a high priority for agricultural production and income gains for farmers when the availability of food is a salient political calculation of political leaders. Then bureaucrats shaping price and development policy will give

priority to keeping consumer prices low and will accept imports to do so. In some countries, imports are handled by special bodies, such as marketing boards or supply agencies, and, except for conditions of dramatic shortage, food aid imports are more a routine problem for specialized government officials. In these cases only occasionally does interest in food aid reach a ministerial level, and then usually in the ministry of finance, as one other factor affecting the country's foreign exchange position and developmental resources. Food aid is a central resource for some countries, such as Egypt and Bangladesh, however. In general, the greater the portion of food^{is imported} and the greater the control over food prices is politically important, the more officials in planning and price-setting ministries will be knowledgeable about the details and uses of food aid.²⁸

A second major criticism of food aid alleges that it has distortion effects which lead to costs for recipients. It has been suggested that food aid benefits largely urban groups and those able to pay, that it increases tastes for non-local commodities, notably wheat and dairy products, thereby increasing the country's dependence on imports, shifting demand away from locally-produced products, and depressing the income of local producers; and that it distorts government budgets by increasing government costs to pay for the personnel and other expenses associated with such food aid projects as school feeding and nutrition programs.

Distortion effects, arising from the way food aid is distributed, depend upon whether food aid goes directly, or, after substitution, indirectly, to nutritionally disadvantaged target groups. The more it encourages redistribution, increasing the food available to undernourished

people, the less it will impose costs on recipients because of market distortions. Food for work programs and nutritional feeding of lactating mothers and small children are indeed frequently cited as one of the important advantages food aid can have. In this case an additional benefit beyond the import value of the food is derived for those in the recipient country who value providing adequate nutrition for vulnerable groups. Certainly people willing to do heavy, unskilled labor in return for modest supplies of food indicate by their participation in food-for-work projects the high value they place upon food. This seems true even if some of the food might be sold or shared with non-participants in the project. Furthermore, nutrition studies have amply demonstrated the irreversible and large-scale damage to human capabilities that malnourishment will cause, especially from shortly after conception until children reach about five years of age. This damage leads to enormous, long-term costs. In most food-scarce societies women and children often are least able to secure food--even though their underconsumption will have the greatest long-term effects. This fact underlines the value of nutrition projects and the importance of food aid both as a resource and an incentive for governments to reduce malnutrition through government programs targeted on these groups.²⁹

Although such special advantages for food aid may be cited, these are the exception rather than the rule for the bulk of food aid. In project aid where food does reach needy groups it will have an equalizing effect on the distribution of valued resources in a recipient country. Nevertheless, the large bulk of food aid is not used in projects, but is sold by the recipient government and is consumed by urban, not rural populations. Commercial or government shop distribution, which is the

most efficient distribution system given the superior facilities in urban areas to handle bulk movements of imported grain, can have the effect of increasing the food supply to the rural poor if urban centers draw less food from the countryside. This "secondary" effect on the physical distribution of food when food aid is consumed by the already advantaged urban groups may overcome the criticism of increased maldistribution as a "cost." Such secondary effects are the key to most programs aimed at both equity and economic development goals.³⁰

If food aid creates tastes for grain and protein products which enhance the demand for long-term import dependency, this too can be a serious and long-term cost for a recipient. Tanzania, for example, will have a hard time growing much wheat given the terrain and climate available for wheat production in the country. It could become self-sufficient in wheat only at the expense of foregoing other valuable crops, and growing wheat at a cost likely to be always far above that of world market prices. It may be argued, therefore, that it would be in the interests of recipient countries to dampen demand for such imported commodities as wheat and to accept food aid only in commodities that will encourage consumption of domestic food crops and not in complementary foods which will encourage a shift in preferences and effective demand within their country. On the other hand, some have argued that the shift to imported wheat in Colombia has been beneficial by moving resources into more productive export or domestic production, while not creating an unreasonable level of import dependence on wheat in the country.³¹

The actual costs to recipient governments of participation in projects using food aid depend heavily upon the alternative uses to which personnel and other resources used in projects could be put.

Generally, ministries look favorably upon food aid as a resource in their programs; this is certainly true of the Ministry of Education in Egypt, and the Ministries of Relief and Rehabilitation in Ethiopia and Bangladesh. In Tanzania, however, the Ministry of Health has been reluctant to continue nutrition programs using food aid. The difference in orientation of recipient government ministries lies in the extent to which food aid is seen as a way to generate resources for their budgets as opposed to imposing costs upon them, and in the extent to which the use of food aid is seen as part of the central mission of the ministry. In Egypt the aid seems to generate additional funds for the Ministry of Education; in Tanzania food aid is seen as a cost--indeed the ministry has had difficulty meeting the expenses of the program.³²

Another possible distribution effect of food aid is distortion from optimal global agricultural production patterns. Although transportation costs for food are fairly high compared to the cost of manufactured commodities, amounting to as much as half the value of food such as maize (corn), food imports into less developed countries have risen more rapidly than world trade in general in the last decade. Recall that over the last three decades since World War II food exports from developing countries have declined, and a number of these countries have shifted from exporting to importing status. The disincentive effects cited earlier are alleged to have been an important factor in leading to this. Some argue that food aid has fostered a fundamental distortion in global production potential and, through its loss of income and employment among the rural poor, a growth in dependency, both of the rural populace upon unfair labor markets in their countries and of these countries upon the world economy.³³

This last argument, that food aid promotes external dependence in recipients, has been a major theme of marxist-style critics. The argument runs as follows.³⁴ First, as recipients have become increasingly dependent on imports, their vulnerability to diplomatic pressure from food exporters has increased. These pressures may be seen in the direct effect of Congressional rules governing the use of P.L. 480 counterpart funds. For example, some funds are explicitly earmarked for "private" development capital or for use in joint projects with the United States or other approved Western powers. Others have suggested more subtle pathways through which food import dependency has increased, such as the use of diplomatic leverage and prestige in bilateral discussions following the decline in food autonomy among recipients. A second line of argument points to the close relationships between food aid imports and private capital. In particular, the development of multinational corporation activity in recipients may have been furthered by food aid. Dan Morgan, for example, describes the investment of Cargill in South Korea, which was financed in part by P.L. 480 counterpart funds (so-called Cooley loans) and inexpensive food aid imports. This made possible large-scale poultry raising and other operations.³⁵

Much as Cargill's poultry operations in Korea are suspect, moreover, there has been similar growth of multinational agribusiness investment in large-scale capital intensive projects in several countries which were large recipients of food aid in the 1960's--the Philippines, Taiwan, and Iran, for instance. A combination of pressures associated with food aid can create a bias towards continuing and increased dependency: shifts in taste, disincentives to production, requirements that recipient government funds generated (at least during the 1960's) could not be used

to promote production of comparable food commodities, and cheap loans from food aid receipts to capital intensive cultural processing industries. Thus food aid may carry a cost for recipients of greater dependency upon the major food exporters that dominate the world food market.³⁶ In extreme cases it has been suggested that food aid might act as a "drug," encouraging governments to become increasingly reliant upon it either as a way to cover large deficits in food subsidy programs or as a source of important revenue which might better be raised through a more egalitarian and efficient taxation system. Bangladesh, for example, depends for a large proportion of its government budget on food aid. In the mid-1970's, revenues from food aid sales were equal to seventy-five percent of government development expenditures. Instead of developing a more efficient and effective taxation system, Bangladesh, some argue, has been allowed to develop a continuing dependency on earnings derived from its food sales, earnings which would disappear if either domestic or commercially imported food were used in its ration shop sales instead of food aid. Further, there have arisen politically important groups that have a stake in the food shop system being continued.³⁷

Both program and project aid can promote dependency. Project aid may create dependency in particular ministries and may create built-in tastes for services and projects supported by food aid. For instance, the World Food Program, which emphasizes projects, has been increasingly faced with recipient government reluctance to face agreed-upon phasing out of international support for food aid projects. Either new substitute projects or a stretching out of the phase-out formula have been requested by several recipients.³⁸

Negative Side Effects: Waste and Mismanagement

In addition to the tangible and intangible "costs" cited above there are some side effects of food aid that have also been criticized. These amount to potential costs or factors that can erode apparent benefits. It is not uncommon for recipients to treat donations with less care than goods and services for which a full market price must be paid. Failure to preserve the value of free commodities is also typical of donors. American grant food aid shipments have been less well insured and have received less care in arrangement of transport than is typical of commercial shipments, while approval of projects utilizing funds generated by food aid sales often occurs with less scrutiny than would be true for cash projects, such as those based on World Bank loans. As a result both donors and recipients have frequently allowed food to depreciate in value through mismanagement and waste. Congressional testimony on food aid is replete in the American case with horror stories of grain rotting on docks and arriving in contaminated fashion.

For various reasons it is desirable to ship a sizeable amount^{of grain} from North America, including food aid, in the September-December months. In the winter, Canadian harbors freeze. In the fall as both Canadian and United States crops are harvested, available storage becomes tight. The United States budget year ends on September 30, and Canadians must ship before winter because their budget ends on March 31. As a result, food aid shipments often arrive at recipient countries unevenly--most heavily in November, December, and January. In the case of Bangladesh, for example, this is also the point at which large rice harvests are moving from farm to storage so that domestic transportation and storage facilities are strained handling domestic food supplies.

Another problem arises when donor-country bureaucrats, in order to fulfill conditions governing their jobs such as procedures to insure fiscal austerity imposed by Congress, or efforts to meet minimum tonnage requirements set by international agreement, move food too cheaply or too hastily. The result can be losses. In one case of food aid to Egypt, contamination of food supplies occurred when low bidding shippers put flour in the same hold with toxic materials bound for delivery to Middle East oil fields. Arrival of such contaminated shipments involves the cost of unloading, storing and disposing of such poisoned commodities through burning. In Egypt, the practice actually continued to the point that ships were ordered to dump the contaminated flour at sea.³⁹ Britain manages its food aid with a small staff whose principal goal is to meet its obligations under the FAC. One result is few checks for errors, such as inappropriate quality wheat sent to Tanzania in 1978 or excess wheat to Lesotho in 1975. In the second case storage facilities were swamped and some grain rotted.

Recipient government officials have also been responsible for losses, sometimes due to corruption. Food aid to Ghana, for example, and to Nigeria, has frequently disappeared from storage, and in the case of Ghana donors have held up shipments until a modicum of discipline was at least promised. In Nigeria, the oil-wealthy government has been able to repay losses. Over the years a variety of recipient government officials have been involved in the illegal diversion and sale of food within their country; and there have also been instances of foreign sales of food aid shipments.⁴⁰ The total amounts involved, however, constitute but a small fraction of the total flow of food aid. Whether the amount of waste and diversion of food aid through mismanagement and corruption

exceeds that which occurs with cash aid is hard to determine; in any event no one has attempted to do so. As a general rule, food aid is harder to divert into private or illegal channels than cash or other commodities, and it does not lend itself to direct consumption by the privileged elite, at least not in any significant way. Because food aid often flows to countries facing famine conditions or at least extraordinary human need, incidents involving its diversion and wasteful or corrupt use strike observers as much more poignant. Blatant misuses, therefore, tend to create anger and disaffection with food aid programs.

Outrage at waste and corruption (which most immediately disadvantages the targeted population in the recipient country) is misplaced if it concludes that food aid is worse than other forms of aid or that ending it would be desirable. Still, in extreme cases no food aid might be better for recipients. For instance, when food aid entails a loan that must be repaid, if its value is wasted by rotting in ships, its cost increased by demurrage charges and its consumption diverted from those most hungry to those already privileged, from the point of view of the recipient country as a whole food aid costs can clearly outweigh its benefits, even if the aid is "free."

Benefits to Recipients

The benefit of food aid for recipients is relatively noncontroversial. It can save valuable foreign exchange and/or provide vital nourishment, particularly for peoples close to or below their minimum food needs. It saves money and improves lives.

In monetary terms the value of food aid to recipients is usually close to its nominal value. It should be reduced, however, if the

supplier's commodity was a high cost one compared to a commercial alternative or if the aid was financed by a soft grant (then the concessional value of the loan is the value to the recipient).

The case for the benefits of food aid rests on arguments about both its past results and potential effects. Many of these arguments are direct counters to some of the criticisms raised earlier as costs. As already pointed out, the monetary benefit of food aid to a recipient depends substantially on the extent to which it replaces commercial imports. When it substitutes completely, the commercial cost of the commodity is the initial or direct value benefiting the recipient. If food aid is an additional import, however, the less foreign exchange it will have saved, and the more likely it is to have disincentive effects upon domestic production. As with "tied aid" in general, value of food aid is best set as the price of what comparable commercial imports from the cheapest supplier would have cost.⁴¹

A powerful argument for emphasizing the benefits to recipients is that food aid represents additional and not substitute assistance from donors. As will be argued in more detail in Chapter IV, because there is substantial support from domestic groups within donor countries, notably producer groups in exporting countries, not every dollar allocated by donors for food aid could be replaced by a dollar of cash assistance. Food aid flows institutionalized because of producer or humanitarian interests can be viewed as additional development assistance, increasing the pool of benefits available, and a special benefit to those countries receiving the food aid.⁴²

Food aid can be particularly valuable in smoothing out short-term fluctuations in recipient country domestic supplies. Intermittent supply

shortages, and price instability associated with these, are generally especially harmful in poor countries, accentuating the vulnerability of poor peasant farmers and reinforcing risk-adverse production strategies by them. It is their income which is most impacted by downward price fluctuations, while it is those dependent on commercial purchases of food but whose buying power is limited, often poor urban dwellers, who are most hurt by price rises. Food aid can act, thus, as a stabilizer not only for domestic nutritional needs but also as a tool to prevent redistribution towards the privileged, which tends to occur in situations of erratic prices. Partly because of the bad effects of such swings, economists such as Gale Johnson have proposed using food aid as insurance, tying its flow directly to shortfall needs in recipient countries.⁴³

To address these problems, in recent years some food aid flows have been dedicated to increasing recipient countries' stockholding capacity and to creating emergency reserves. Other food aid, for instance the Food for Development program of the United States in Bangladesh, has been specified for use in efforts to improve marketing and pricing mechanisms in ways that should encourage production and help producers.

Another benefit of food aid is that it may be more easily targeted to needy groups. Food can be provided that is unfamiliar to or unpopular among elites, such as wheat in some rice-eating countries. This is advantageous for poor groups, for they gain access to a relatively low-cost and nutritious food introduced into their country's food economy for which they do not have to compete with the more privileged sectors of the society. Furthermore, as mentioned earlier, food aid is more easily tied in to nutritional projects targeted at most vulnerable groups. Similarly, food may be relatively less subject to diversion or corruption

than cash flows where private contractors may split benefits of shoddy work with local elites. Highways in Third World countries have been known to break up in a few years thanks to construction skimping and rakeoffs by political elite. While food may be more subject to deterioration than capital goods and other imports provided by foreign assistance, especially because storage facilities are less effective and pests and humidity a more serious factor in tropical climates, because of the visibility of food aid, the high cost of its management, and its humanitarian character, it is less subject to corruption and diversion.⁴⁴

Syed Khasra, Secretary of the Ministry of Relief in Bangladesh, advanced another argument about the special benefits of food aid. He believes that in projects financed by cash (foreign exchange) from lending agencies such as the World Bank, there is often a bias toward capital-intensive approaches, and this requires technical assistance personnel, usually foreigners. Such personnel receive high incomes. This, in turn, increases the costs of the project and has a negative cultural effect since these personnel enjoy a high living style few Bengalis can hope to attain. In contrast food aid as used, for instance, in food-for-work projects, which his ministry sponsors, can generate benefits not only to food recipients but can produce important social capital investments. Roads and irrigation systems, he argued, can be built at a lower cost in both technical personnel (since food-for-work projects do not require foreign personnel) and in outlays by the Bangladesh Government. He expressed resentment that Bangladesh, to qualify for some development assistance, had to hire personnel with expensive credentials and use capital-intensive techniques.⁴⁵ This argument is that food aid can be more productive than cash aid (the reverse of what most economists

believe) since it can be used with less expensive personnel costs in projects that utilize local labor and local technology.

Another possible benefit of food aid rests on a reversal of the disincentive argument. In situations in which prices paid to producers are set by the government and in which the dominant consideration is to minimize costs to the government treasury of providing food to consumers at low (subsidized) prices, the prices local farmers receive are usually set rather low (as in Egypt, Tanzania, India, and other countries at various times in the 1970's). The more that subsidized food supplies rely upon domestic production, and the beneficiaries of these subsidies are politically potent, whether these be people who use government ration shops or recipients in nutrition projects, the greater will be the pressure to set producer prices low in order to minimize the costs of subsidization. In this case food aid can serve to relieve pressure on officials in a recipient government to keep producer prices low, and thus enable them to offer producers a higher price. In Egypt, for example, and in Bangladesh, precisely this argument has been advanced. By reducing the amount of grain the government had to take-off from domestic production to maintain food supplies at government set prices, in government or special shops, food aid could ease pressures to keep production prices low and allows higher prices to domestic producers. This would benefit local production either by leading to higher income from crops in which food aid is received, such as wheat, or by allowing farmers to switch to higher-income producing crops as production quotas are removed or reduced. Thus farmers might shift from wheat or cassava to cotton or cashews. The price paid to domestic producers compared to the average world price for that crop is critical in determining how food

aid can improve production efficiency. In cases as in Egypt, where producer prices for wheat have been held below those of the world market, food aid may contribute to greater deregulation of production, more "rational" market signals being sent to farmers, and to increased income to farmers. In Tanzania, it may allow a lowering of prices for emergency crops, like cassava, that are hard to market, and a switch to more income-producing crops.

In countries where food subsidies are deeply institutionalized and politically too sensitive to be ended, and this is increasingly the case in less developed countries, food aid therefore can aid agricultural policy makers. To accomplish this, however, donors, both multilateral and bilateral, must tie food aid to agricultural development efforts, working with recipient government agencies to establish fewer producer quotas and price ceilings in order to allow domestic production prices to move closer to world levels.

A final specific recipient benefit is the reverse of one aspect of dependency--namely, the creation of a relatively efficient and inexpensive tax system. Government capability in many developing countries is weak. To institute and maintain an honest and fair tax structure based on direct contributions from citizens often is practically impossible. Attempts to tax citizens directly put a large burden upon the government, and increase the probable level of corruption.⁴⁶ Where governments for reasons of equity or human resource economics (alleviating malnutrition) have developed a large-scale food distribution system, it can also serve as an effective instrument for raising government revenues, analogous to some extent to the value-added tax popular among European countries. Alternative tax systems, particularly those based on individual returns,

are subject to enormous administrative costs and a high frequency of diversion and extortion by officials.

Food policy will remain high politics in most LDC's. Regardless of whether a country imports food commercially, receives subsidized food aid, or extracts food from surplus regions and better-off farmers at prices favorable to the government, in a country which has developed large, government-run food marketing systems, as in Bangladesh, India, Egypt, and increasingly in very poor countries such as Tanzania and Ghana, the use of the food system as a vehicle for public policy and taxation will be an attractive and potent lever for governments with limited numbers of skilled personnel and a populace neither able nor eager to participate in a self-administered tax system.

The Bottom Line

Do the benefits of food aid outweigh their costs? I have not offered nor can I offer a definitive answer to this question. Too many intangible and culturally variable costs and benefits are involved, and too many assumptions must be made for a serious, quantitative answer to be provided. Even for those costs and benefits which can be derived in hard-number fashion, using empirical data on monetarized purchases and sales in donor and recipient countries, there is still considerable room for debate over what are the givens in the system of exchange and hence what the costs and benefits of alternative policies would be. Further, depending on the weight one gives to non-monetarized values such as political friendship, and the assumptions one makes about the lag effects of various factors such as market prices or particular government interventions, very different evaluations of food aid can be obtained.

In summary, then, as an international public policy, food aid can be argued to provide generous benefits to all concerned or it can be accused of being an anachronistic and costly practice--the conclusion depends heavily upon the choice of weights and assumptions made by the evaluator.

Two arguments, however, can be made for the continuation of food aid in spite of attacks upon it and arguments for its abandonment by focusing on past abuses and disappointments.⁴⁷ First, given that food aid has special support in donor countries and can occasionally offset donor programs of farm subsidy and income support, its political and economic costs to donor countries are in most cases lower than the nominal cash value of the food. On the other hand, especially as recipients substitute food aid for commercial imports its nominal value to them will be at least equal to its world market cost. In addition, if some of the special benefits associated with food aid are realized and some of the possible negative effects are minimized, it may be argued that food aid is not a second-best form of aid but on occasion may be better than cash aid.⁴⁸

A second argument for food aid arises from a consideration of the disadvantages to agricultural producers in less-developed countries that arise from the farm policies of industrialized states. Because these policies protect industrial countries' domestic markets and have indirect negative effects, including disincentives for production and a lowering of potential export earnings in less-developed countries, food aid, when used in optimal rather than in wasteful or negative ways, can help compensate for the domestic political exigencies which lead industrialized states to protect particular sectors of the economy, whether these be

sugar producers in the United States or dairy and grain producers in the EEC. In order for food aid to be "an appropriate compensation" it would be necessary to develop longer-term marketing arrangements for tropical and other commodities which can be produced on a non-competitive basis in less-developed countries and to provide adequate compensation for these commodities along with the subsidized import of foodstuffs. In short, if food aid is a phenomenon produced by domestic distortions in industrialized countries relating to the important political interests of agricultural producers, then, from a global perspective, international public policy should seek to redress the damage of the secondary effects of such policies on producers in other countries both by food aid and by commodity arrangements which allow for a second-best global allocation of resources and production.⁴⁹

CHAPTER III: FOOTNOTES

- 1 For a discussion of benefit cost analysis see Edith Stokey and Richard Zeckhauser, A Primer for Policy Analysis (New York: W. W. Norton & Co., 1978), especially pp. 134-158.
- 2 Op. cit., p. 136.
- 3 See, for example, the review of these in S. J. Maxwell and H. W. Singer, "Food Aid to Developing Countries: A Survey," World Development, Vol. VII, April, 1979, pp. 225-247.
- 4 See David A. Baldwin, Foreign Aid in American Foreign Policy (New York: Praeger, 1966) pp. 200-215.
- 5 See, for example, John White, the Politics of Foreign Aid (New York: St. Martin's Press, 1974) p. 164.
- 6 For an analysis of the effects of relative inelastic demand for food commodities leading to higher producer income on fewer commodities sold, see Roger Grey, "The Price Effects of Grain Reserve," (Washington, D.C.: USDA National Agricultural Conference, November, 1974).
- 7 See Leo B. Mayer, "Estimated Net Costs of P.L. 480 Food Aid with Three Alternative U.S. Farm Aid Programs," American Journal of Agricultural Economics (February, 1972) pp. 41-50.
- 8 In Europe, for example, surplus dairy products are handled differently from grain food aid. Grain food aid is supplied based on tenders from either the Directorate of Agriculture in Brussels or the various national government ministries and hence may come from private or public stores, but is usually managed by the private grain traders, e.g., Bunge, Drefus, Cargill (Tradex), or Continental. Dairy products, on the other hand, are all handled by the Directorate of Agriculture in

Brussels and are supplied from the intervention agencies located in member states. The costs, therefore, are calculated to satisfy the political/economic concerns of the EEC's Common Agricultural Policy. Costs are effectively zero for the Directorate of Development the food aid agency of the Common Market. Although international prices are used when calculating the European communities' contribution to the World Food Program, or the value of food aid for official Overseas Development Assistance (ODA), since the flow of dairy products is closely tied to the size of surpluses and the total tonnage allocated for food aid is determined fairly late in each year (after results of market disposal efforts have been ascertained), the argument that the true donor cost of dairy products flowing as food aid from Europe in the 1970's should be zero is rather persuasive.

- 9 Interview with George Pope, Deputy Assistant Manager, also the General Sales Manager, USDA, January, 1979.
- 10 Based on conversations with donor country representatives at the meetings of the Committee on Food Aid Policies and Programs, World Food Program, Rome, November, 1978 and May, 1979.
- 11 Based on conversations with and data supplied by George Pope, interview, January, 1979.
- 12 This percentage is based on the discounted value of the sum of the repayments (interest and principal). If the value of repayments were thirty percent of the face value of the loan, then the concessional value would be seventy percent. Tanzania, for example, has received much more concessional terms than Morocco.
- 13 This observation is based on comments from representatives of Canada, the European Commission, Germany, the United States and the World Food

- Program at meetings of the CFA in November, 1978 and May, 1979.
- 14 For a description of this historical period and the difficulty in weighing the competing foreign policy benefits that derive from food aid see Mitchel Wallerstein, Food for War/Food for Peace (Cambridge, Mass.: MIT Press, 1980).
 - 15 See for example the summary of arguments in Christopher Stevens, Food Aid in a Developing World (New York: St. Martin's Press, 1979).
 - 16 The danger of overdependence is stressed by those who see it as undesirable for exporters as in the report to the President by the National Academy of Sciences, World Food and Nutrition Study: The Potential Contributions of Research (Washington, D.C.: National Academy of Sciences, 1977) pp. 31-32, 38-40. It is also a concern for those concerned with problems of recipient countries, such as Cheryl Christensen, "Food and National Security," in Frank Trager and Klaus Knorr, eds., Economic Resources and National Security (New York: Norton, 1977).
 - 17 See Wallerstein, op. cit., chapters 3-7; Singer and Maxwell, op. cit., and Christopher Stevens, op. cit.
 - 18 A casual and only somewhat exaggerated remark made by one of the senior WPF officials during the November, 1978, meetings in Rome.
 - 19 Remarks of the Executive Director to the Committee of the Whole of the CFA, the body that approves proposed projects, May 18, 1979, Rome.
 - 20 Exceptions to this practice are almost nonexistent. One, however, occurred in 1979 when the United States approved the use by Egypt of foreign assistance funds (Commodity Import Program loans) to purchase lentils from Turkey. Since Turkey was also receiving economic assistance from the United States, rather than forcing Egypt to import from the United States as normally required, at a much higher price, it was

able to help both countries simultaneously. This occurrence is quite unusual, and would certainly have been more difficult for the American government if the commodity had been wheat or rice for which strong domestic commodity pressure groups exist.

- 21 Food shipments from the United States are not used by the WFP in such cases.
- 22 Both the World Food Conference in 1974 and the guidelines for food aid adapted in 1979 by the CFA call for expanded use of multilateral channels for food aid flows.
- 23 Theodore Schultz, "Value of U.S. Farm Surpluses to Underdeveloped Countries," Journal of Farm Economics, Vol. 42, No. 5 (December, 1960); J. S. Mann, "The Impact of Public Law 480 on Prices and Domestic Supply of Cereals in India," Journal of Farm Economics, Vol. 49 (February, 1969); Frances M. Lappé and Joseph Collins, Food First: Beyond the Myth of Scarcity (Boston, Houghton-Mifflin, 1977) pp. 327-343; and Tony Jackson, "Alternatives to Food Aid," Food Monitor (July/August 1979). Jackson, a former AID official, for example, argues that "while food aid lasts, it acts as a palliative and discourages the search for long-term solutions to serious problems."
- 24 Except of course as food aid frees up foreign currency for other uses it may encourage some additional imports but what these are and the effects they have on distribution of economic wealth and development of the country would normally depend very little on the fact that food rather than cash was provided as aid.
- 25 See Maxwell and Singer, op. cit., pp. 230-233. The most extensive study is David Blanford and Joachim A. von Plocki, "Evaluating the Disincentive Effect of P.L. 480: The Indian Case Reconsidered" (Ithaca:

- Department of Agricultural Economics, Cornell University, Monograph No. 55, July, 1977). Blanford and von Plocki argue that Mann and others overstate the disincentive effect through using questionable assumptions.
- 26 See L. L. Dudley and R. J. Sandilands, "The Side Effects of Foreign Aid: The Case of P.L. 480 Wheat in Colombia," Economic Development and Cultural Change, Vol. 23, No. 2 (January, 1975).
- 27 On other factors affecting low priority for agriculture see Michael Lipton, Why Poor People Stay Poor (Cambridge, Mass.: Harvard University Press, 1976); that food aid may be a cause rather than a result of inattention to agriculture see Paul Isenman and Hans Singer, "Food Aid: Disincentive Effects and their Policy Implications," Economic Development and Cultural Change, Vol. 25, No. 2 (January, 1977).
- 28 For example, in 1979 few Kenyan officials outside those responsible for external aid were aware of the food aid--rather small amounts--Kenya received. In Tanzania and Egypt, however, most officials were aware of food aid, but in Tanzania, as a result of the shortages in 1973-75, major efforts have been made to emphasize food self-reliance and the food aid received from 1975 to 1979 hardly had a disincentive effect on policy decisions. Indeed, the cash from some sales of food has gone directly into projects to improve domestic storage and marketing capability for domestic crops.
- 29 Allan Berg, in The Nutrition Factor (Washington, D.C.: Brookings Institution, 1973) outlines a strong case for giving nutrition a high priority. Increasingly, norms within the World Food Program, the Agency for International Development, and other donor aid agencies have stressed the high value in using food in projects aimed at these

"vulnerable" groups.

- 30 The cost for economic development is based on the assumption that additional nutrition in rural areas or among those least well nourished yields greater returns to society in lower health costs.
- 31 This argument was advanced by Fred Welz, Assistant Sales Manager in USDA, during an interview in November, 1978.
- 32 These observations are based upon interviews with the officials for Catholic Relief Services in Tanzania and Egypt, Robert Duval and Steve Allen; and with the Ministers of both Ethiopia and Bangladesh in charge of rehabilitation and relief.
- 33 This criticism of the effects of food aid is suggested by Cheryl Christensen, "World Hunger--A Structural Approach," in Raymond F. Hopkins and Donald J. Puchala, Global Political Economy of Food (Madison: University of Wisconsin Press, 1979) Chapter Six, and in Susan George, How the Other Half Dies (London: Penguin, 1976).
- 34 The argument is outlined in Maxwell and Singer, op. cit., pp. 233-34.
- 35 See Dan Morgan, Merchants of Grain (New York: Viking Press, 1979).
- 36 These are the broad arguments of George and Christensen, ops. cit.
- 37 See Edward Clay, "Food Aid and the Economic Development of Bangladesh" (Paper at the Conference on U.S. Food Aid--Title III, Princeton, N.J., January 15-16, 1979).
- 38 Egypt has asked to have its school feeding program "phaseout" stretched out for another five years. In other countries follow-on or substitute projects are quite typical. Based on conversation with World Food Program officials in Egypt, Lesotho and Rome.
- 39 These incidents occurred in the winter and spring of 1978-79 in Egypt, according to CRS official Steven Allen: interview on May 7, 1979, at

CRS Headquarters, Cairo.

- 40 Ethiopian officials, for example, attempted to re-sell food aid at attractive prices to Saudi Arabia and to rely upon subsequent domestic crops for relief efforts in 1973-74. See Jack Shepherd, Politics of Starvation (New York: Carnegie Endowment, 1975). In Kenya, Paul Ngei, a major politician, was involved in diverting shipments from the maize marketing board which he headed in the mid-1960's. See Colin Leys, Underdevelopment in Kenya (Berkeley: University of California Press, 1974).
- 41 As John White, Politics of Foreign Aid, op. cit., has noted, tied aid, whether a loan or a grant, which is tied to specified imports from the donor country, often involves commodities whose nominal prices are substantially above those which could be procured from cheaper alternative sources. White argues that the grant and concessional terms of foreign assistance should be reduced by this "inflation" factor of the supplied commodities price, which frequently is as much as fifty percent of the value of the food.
- 42 The political case for food aid flows being additional aid can be found in Isenman and Singer, op. cit.; D. B. Jones, Food and Interdependence (London: Overseas Development Institute, 1976); and Peter A. Toma, The Politics of Food For Peace (Tucson: University of Arizona Press, 1967).
- 43 See D. Gale Johnson, "Increased Stability of Grain Supplies in Developing Countries," World Development, Vol. IV, No. 12 (December, 1976), and "A Liberal View," In Hopkins and Puchala, op. cit., Chapter 9.
- 44 This point was made by various officials of those interviewed, including

employees of USDA and AID, CIDA, and the Development Directorate of the EEC, as well as several officials in recipient countries, notably Kenya and Egypt.

45 Interview with Mr. Khasru, May 21, 1979, Rome, at FAO Headquarters.

46 On the almost certain corruption and high costs associated with this see James C. Scott, *Comparative Political Corruption* (Englewood Cliffs, N.J.: Prentice-Hall, 1972).

47 A good argument against food aid was made by Emma Rothschild, "Is it Time to End Food for Peace?" op. cit.

48 For a discussion of this argument see Isenman and Singer, op. cit., and Maxwell and Singer, "On the Inferiority Aspect," pp. 234-235.

49 Some arguments related to economists' theory of the second-best and to the political reasons for industrialized countries' willingness to accommodate some trade demands of developing countries may be found in Robert Rothstein, Global Bargaining (Princeton: Princeton University Press, 1979).

CHAPTER IV

THE GIVING OF AID: UNITED STATES AND OTHER DONORS' ROLE AS SUPPLY MANAGERS

The United States is appropriately the principal focus for studying food aid donors. It has been the largest donor, contributing in 1979 about sixty-five percent of all food aid. The United States has also been the leader in setting the terms and conditions under which most aid is provided. Finally, year-to-year variation in food aid flows have been largely the responsibility of the United States. Thus, the size, variable behavior, and pacesetting character of the United States' food aid program are my central concern and they justify using the United States as the point of reference for more brief discussions of other donors' programs.

Several important questions arise in examining the action of giving food. What motivates donors to give such a form of aid? What explains the size of total food aid for a given year? What is the relationship between domestic farm supply management policies of a donor and the availability and allocation of food aid? What explains the allocation of this aid among the various recipients? How do the policy elite and the citizens of a donor country such as the United States understand the importance, purpose, and effect of food aid policy? In this chapter I address these questions, offering answers most completely for the United States.

The United States and Other Donors

More equal? In the famous line from George Orwell's Animal Farm it was suggested that while in principle all might be equal in making a

decision, some might be "more equal than others."¹ As Table 2.6 documented earlier, the United States' share of total food aid and the proportion of its assistance given as food aid make it dominant, or nearly so. Not surprisingly, though all states' sovereignty is theoretically equal in policymaking, all donors are not equal. Aside from its dominant or "more equal" role, however, the United States shares most of the characteristics of other donor countries. Donors, with the special exceptions of Saudi Arabia and the Soviet Union,² are industrialized states with democratic political systems and politically significant domestic farm interests.

The politics of donor countries accommodate diverse interests. Groups based on these interests, with varying degrees of organization and influence, seek to shape food aid policies. Three interest groups outside the government generally exist: producer organizations, groups interested in promoting economic development in some or all poor countries, and groups concerned with hunger. In addition, inside the government, legislative interests, budgetary considerations and foreign policy goals—each based in one or more agencies or branches of government—all have a hand in shaping food aid. These groups and bureaucracies are all outside the central organizations responsible for food aid in donor countries: development agencies and agricultural ministries.

Although the influence enjoyed by various interests differs considerably among major donors, i.e., the United States, Canada, the European community, Japan, and Australia, the orientation of each toward food aid tends to be quite similar. Each country's agricultural interests, church and hunger advocates, trading interests, development specialists, and

fiscal authorities offer nearly identical praises and complaints about food aid. The important differences among donors, therefore, lie in the relative weight that the various interests enjoy in making policy and in the complexity of the process by which policies are arrived at and implemented. In this chapter I will examine several specific aspects of America's role as a donor and then briefly compare these with those of other donors.

Budget Practices

The United States

The United States is most distinctive among donors with respect to how financing works. In the United States, the budget for food aid is not a part of general foreign assistance. It is appropriated by Congress based upon committee reviews and procedures distinct from other foreign assistance. The money is administered by the Department of Agriculture. In all other donor countries food aid is part of general overseas development funds and appropriated by the legislatures as such. In some sense, therefore, it competes with other foreign assistance funds for a share of the general assistance budget in these other donors.

American budgeting is in monetary, not tonnage terms. One effective consequence of this is that economic pressures are able to affect the tonnage provided by the United States to a substantial degree. In 1973-74, for example, a fixed amount of dollars was available, an amount reduced because of budgetary pressures. Of course, other donors' programs are budgeted in monetary terms. However, when food prices rose dramatically in 1973 and 1974 only the tonnages of cereal food aid from the United States and Canada were substantially reduced. In most donor countries

in order to meet their minimal commitments to the Food Aid Convention and/or the World Food Program it was necessary to increase budget outlays above levels planned for that period. In the United States this was not necessary; United States multi-year and international commitments were fairly small compared to the total size of its food aid in preceding years. For various reasons (such as surplus disposal motivations) most food aid had never been arranged under formal long-term obligations. Thus, the United States contributed heavily to the food aid downturn of 1973-75, because the budget was not protected against price rises and domestic policy pressures.

The budget for the P.L. 480 program has since its inception been in the Department of Agriculture. In the 1970's the standard process for arriving at the budget involved USDA, AID, and OMB. Together they developed a budget recommendation to be submitted to Congress in the January prior to the beginning of the fiscal year, which began either six months later, in July (until 1976), or nine months later, in October. Thus, for fiscal 1980 (October 1979-September 1980) budget planning began in Washington in the spring of 1978. First supply needs as estimated by AID and USDA were pulled together, along with estimated availabilities of commodities from USDA. From then until November the budget to be submitted was under review in the administration. OMB sought justifications for the figures submitted. During this process, Treasury and the Department of State have in some years taken positions on the P.L. 480 budget size, usually entering the struggle within the Executive Branch toward the end of the cycle of budget preparation.³ OMB or on occasion a White House level group will resolve disagreements. By December the annual P.L. 480 recommendation is settled. The fiscal 1980 recommendation, then, was reached in dollars

in December, 1978, and submitted the following January to Congress in the President's Budget Message.

Congressional review of proposed P.L. 480 programs includes hearings before the House International Relations and Agriculture Committees and the Senate Agriculture Committee. As a general rule the funding proposed by the Executive Branch is authorized, and this authorization, less other funds available to the program, is subsequently appropriated. Recall that dollar repayments to the CCC from earlier P.L. 480 loans cover a fair amount--about one-third--of Title I costs.

During the early years of the program, Congressional action left great discretion to the Executive Branch over P.L. 480 funding. CCC borrowing authority was available to back up or expand appropriated funds, until the late 1970's when it was rescinded. OMB did not enforce budgetary ceilings until fiscal 1969. During the 1950's and 1960's, then, there was considerable flexibility in the dollar amounts spent. In addition, the non-convertible repayments arising from P.L. 480 Title I loans from 1955 through 1971 were held by the CCC, under Treasury scrutiny. Often these funds were treated as "soft" money. Until the 1960's, such funds could be used with little regard to budget or balance of payment consequences for the United States.

Thanks to strong support from agricultural interests, food aid budgets have never been cut by Congress. Roll call votes on food aid appropriations have not been taken. As a result, there is no direct measure of the actual level and exact sources of support in Congress. Still, many groups outside the government follow the budget process closely, because of their stake in the size of food aid shipments. Such groups target their influence efforts most heavily towards the Executive Branch, since

Congress has not (previous to this time, 1980) in any way played a major role in expanding or contracting the total size of the budget. Rather, Congressmen have acted more as interested lobbyists on behalf of their particular concerns, such as rice producers in 1978 and the emergency food needs of Cambodia in 1979.

Other Donors

Other donors have a less "politicized" and "bureaucratized" budget process. For many the funding level is derived from broader commitments or from general foreign assistance decisions. In Sweden, for instance, the Parliament votes to allocate a particular percentage of its gross national product for use by the government in assisting lesser-developed countries. These funds are expended for the most part by the Swedish International Development Agency (SIDA). SIDA is also responsible for food aid. Food, then, is treated as one component in the development budget whose ceiling is fixed and independent of separate allocations. Nevertheless, Swedish Parliamentarians, especially those from farming areas, tend to look especially favorably on food aid. In addition, it has general popularity among the population as a humanitarian-oriented activity. These factors bolster its acceptability to Swedish foreign assistance bureaucrats and assure it a continuing role in the total aid program. The fact that Sweden is an exporter of wheat (although a minor one, essentially to nearby Nordic markets) is another factor supporting Swedish participation as a food aid donor. A similar pattern of marginally extra support for food aid is found in Switzerland, Norway, and most EEC countries.

Two major exporters among donors--Canada and Australia--are closer to the United States in their budget practices. The Canadians, for instance,

have strong advocates of a substantial food aid budget in their Ministries of Agriculture and Trade and at the Wheat Board. This is reflected when Canada supports larger food aid commitments during international policy discussions. The International Development Agency, CIDA, is responsible for the budget. Annually, CIDA must negotiate its budget with the Canadian Budget Office. In 1979, the 1980 food aid budget was reduced because of general domestic economic pressure to reduce government outlays coupled with favorable export market prospects for wheat. Indeed, Canada could have exported more if her rail and harbor facilities had permitted.

During the World Food Conference of 1974 Canada pledged one thousand tons of grain per year for three years as aid. This pledge was made as a result of pressures felt in Canada to take a generous international position. Budget requests for 1976-78 were then prepared within this pledge as a constraint, and, as Table 4.1 shows, the pledge was met from 1976-78 when Canadian aid was double or more its FAC commitment of 495,000 tons. Specific overseas requests for bilateral aid are handled by CIDA much as they are in the United States by AID. When the Canadian food aid tonnage was increased in 1976-78, the availability of food as a resource created incentives for CIDA to use it in a variety of new programs. In Chapter Five one such program, the wheat development program in Tanzania, is discussed.

Australia, like the EEC, became a significant food aid donor only after the 1967 FAC was drawn up. However, it has a much longer history of trade promotion and special credits for grain exports, but this activity never was construed by Australia or the world community as aid. Australia's export interests, however, have made food aid a politically easy form of assistance to fund. In the late 1970's Australia's food aid budget was

TABLE 4.1: Food Aid in Cereals by Principal Donors

Donor	1965/66	1967/68	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 ^a
	(. thousand tons)												
Argentina			27	10	13	?	10	20		22	34	23	23
Australia		186 ^b	216	235	215	259	222	340	260	230	257	312	325
Canada	401 ^c	798 ^c	663	608	1093	887	486	594	1034	1176	884	735	550
EEC			1356	983	978	986	1208	1413	928	1131	1451	1420	1287
Finland			15	13		25	17	24	25	33	47	14	14
Japan			395	753	731	528	350	182	33	46	141	225	680
Norway			14	9	8				10	10	10	10	30
Sweden		19 ^b	38	65	8	56	65	316	47	122	105	75	80
Switzerland			35	45	27	21	33	29	35	33	22	32	32
United States ^d	1732 ^e	1350 ^h	10161	9284	9423	7134	3588	4731	4637	7940	7040	6188	5637
USSR		1714 ^b					2200				200	300	
Others ^{f,g}				10	231	320	62	753	199	137	495	620	500
Total	17725	16221	12920	12015	12727	10218	8241	8402	7216	10875	10486	9654	9178

Source: General Review of Food Aid Policies and Programmes (Rome: WFP/CFA:9/5, March, 1980) p.4.

^aFor the period 1971/72 to 1978/79 figures relate to shipments during July/June. For 1979/80 figures relate to allocations for the budgetary period of each country concerned, except when otherwise indicated.

^bWheat only from Record of Operations of Member Countries Under the International Wheat Agreement, 1967, crop year 1967/1968 (London: International Wheat Council, 1978), pp. 15-17.

^cFigures supplied by Agriculture, Canada, Ottawa, June 1979.

^dIncludes wheat and coarse grains products and blended foods in grain equivalent provided under PL 480 Titles I and II and includes AID food aid. Such non-PL480 aid is also provided on grant or heavily concessional terms. U. S. data is from Susan Libbin of ESCS, USDA compiled in the Foreign Agricultural Trade of the United States (Washington: USDA, June, 1979) p. 73.

^eU.S. Agricultural Exports Under Public Law 480 (Washington, D. C.: USDA, ERS—Foreign 395, October, 1974) Table 5.

^fIncludes occasional food aid from various donors on a calendar year basis.

^gIncludes food aid provided through UNEO in 1974/75.

^hAmerican Food Assistance (Washington: GPO, 1976) Report of U.S. Senate Committee on Agriculture and Forestry, August 17, 1976, p. 34.

raised above its FAC commitment following decisions by the governing party, subsequently ratified by Parliament, to increase aid from 225,000 to 400,000 tons of cereal (wheat) by 1980. This new target was to be the new FAC pledge, but authorized two years before it was made. The tonnage commitment means that the costs of aid are derivative and largely unaffected by general ceilings on all foreign assistance or by price changes for Australian wheat. To the extent that budgetary politics occurred, they took place over allocation decisions, either within the Ministry of Foreign Affairs or between its food aid unit and the Ministry of Trade. Macroeconomic impacts or budgetary ceiling politics have generally not intruded into the food aid budgeting process.

The EEC's budgetary process is the final one to be discussed. The EEC has a fixed commitment of grain aid--1.3 million tons of grain in the 1970's and 1.6 in the 1980's. Approximately forty-four percent of this European grain aid is budgeted and administered by "national actions." These may be bilateral or WFP channeled aid, but the aid allocations generally reflect the administrative interests and styles of each of the donors--France, Germany, the Netherlands, and the United Kingdom, for example, are each rather distinctive contributors. The remaining fifty-six percent of EEC grain food aid is administered in Brussels. The food aid division of the Directorate of Development develops a budget in liaison with the Directorate of Agriculture, which is responsible for the nuts and bolts of acquisition and supply, and with food specialists from the member countries. Final approval requires a vote in the Council of Ministers and frequently this has not occurred until June of the calendar year in which the food aid is to be delivered. The Council also approves, but mostly upon recommendation of the Agricultural Directorate and member

country agricultural officials, the allocation for dry milk and butter. Unlike grain aid, these are the classic surplus foods of the EEC's Consumer Agricultural Policy. While the grain budget is fixed by prior political commitments to the FAC, dairy food aid has been quite variable and responsive to the size of surpluses.

There is a substantial range of organizational and economic interests that effect the budget process in the various donors. Except for the United States, Canada, Japan, and Sweden, most total expenditures on grain aid are fixed by a country's FAC commitments. In these cases the budget is largely a function of prices. There is often some supportive role played by domestic producer groups in other donors, but only in the United States and perhaps Japan have these been a major factor in budget size. They do play a role in commodity selection, of course, as when food aid is supplied as rape seeds from Canada, fish from Norway, rice from Japan and so forth. In fixing the total budget, however, particular food producers tend to have little role other than lending diffuse support. Groups outside governments tend to have little roles, especially during inter-agency budget preparations.

Supply Reliability

In the 1960's food aid supplied a large portion of less developed country imports. Over fifty percent of their imports came as food aid. In the 1970's this figure has declined to about twenty-five percent and may be expected to drop further in the 1980's. Table 4.1 charts the grain food aid flows from major donors, Canada and the United States, since 1965, and from Europe and other countries since 1969. The bottom line gives total cereal flows. A brief review of the variability in total

aid shows that the major source of variation is the United States--particularly during the period 1973/74 to 1975/76 when world food supplies were tight, prices high, and a "crisis" mentality existed.⁴ The large downturn of food aid assistance in the American program contributed to the food difficulties of a number of recipients. Although Canadian, Japanese and European tonnages also fell in this period, their expenditures on food aid generally did not decline. Thus practically all donors except the United States and Canada maintained some supply stability during these years. The instability of the American performance largely determined the global outcome. It led global food aid supplies to act in a "pro-cyclical" fashion, reducing aid rather than increasing it when supplies tightened, and thereby exacerbating the effects of the swing in world grain prices upon those most reliant upon the concessional system.

The United States

A number of factors contributed to the "pro-cyclical" character of American behavior. One of these was the level of commitment under the FAC. The pledges of many others promoted stability because they moved those previously pledged. donors to provide amounts nearly identical to; The United States until 1972 frequently contributed three or more times its minimum food grain pledge as food aid, so that the FAC pledge was not a barrier against a sharp drop in United States aid.

Active pressures, not permissive ones (such as the FAC pledge), were principally responsible for the American decline, however. One major downward pressure on American aid levels was the effort to reduce food inflation. Consumer groups around the United States were loudly complaining about high food prices in 1973-74. Stopping food inflation quickly

became a major goal pursued by government bodies responsible for managing the domestic economy, notably the Treasury, the Council of Economic Advisors, the Office for Management and Budget (OMB) and the President's Cost of Living Council. Their efforts included placing a freeze on food aid commitments from April to October, 1973, and reducing the dollar amounts in the budgets of USDA and AID for food aid. These steps effectively reduced United States food aid flows, and did so dramatically. Aid programs in Latin America were drastically cut back; even some programs which were normally maintained on a continuing year basis, such as those managed by voluntary organizations, especially CARE and Catholic Relief Services (CRS), were radically pared back or eliminated. In general, reductions occurred across the board. Thus from early 1973 until late 1974 stringent reductions in American food aid occurred. According to officials in the voluntary agencies who managed the Title II programs (see Appendix B), the agencies were given very little say as to which programs and countries were to be cut and which maintained.

The justification for the actions of the government rested on the assumption that reducing United States food exports under the P.L. 480 program would leave more food available in the United States and thus result in lower United States food prices, or at least retard price increases. However, the dramatic rise of commercial exports to the same countries which previously received large amounts of P.L. 480 assistance suggests that the real effect of American cutbacks was not to reduce total American exports or to limit the inflationary effect that high international grain prices had on American consumers. Rather, it simply raised the cost of food to poor countries which imported from the United States.⁵

Other Donors

In Europe during this same period, 1973-75, the variable levies of the EEC's Common Agriculture Policy (CAP) had, for the first time, the reverse of their normal effect. Levies were now placed on exports from the community, while barriers to imports were removed. Variable levies are used to maintain a common price for major food commodities inside the European market. They vary according to the difference between the internal target price and the cost of imports before taxation. In 1973 when world prices had risen above the level of the Community's target prices for grain, levies on imports disappeared and levies on exports were leveled. This resulted in the price of grains to European consumers, including those using grain for feed, being lower than prices of grain to importing poor countries. In other words, food cost less for relatively affluent Europeans than for governments or private importers in poor countries. In Canada, the Wheat Board, by carefully limiting the sales during this period, had a somewhat similar effect, helping to raise world market prices. Canadian domestic prices were not held down in the same way European prices were, however. These actions accentuated world food inflation and pressures to reduce food aid.

Two factors limited the depressive effect of the shortage pressures on other donors compared to the United States. As just mentioned, one was the minimum tonnage commitment made under the Food Aid Convention. Recall that the FAC provided for minimum annual food aid to be supplied. Major traders and a few other developed countries had pledged 4.226 million tons of grain. The United States pledge of 1.89 million tons had always been substantially exceeded. The Canadians and Japanese had usually given above their pledges as well. In those countries their food aid fell by

similarly large amounts during 1973-75 (see Table 4.2). For most of the other donors, however, the minimum specified in the FAC had also been a maximum. Many of these countries, with the exception of Argentina and Australia, are not, however, grain exporters, and as such they have no grain in surplus. There is little incentive from their domestic economic interests, therefore, to provide aid in the special form of food. Countries such as Germany and Great Britain have provided food aid because of the broader accommodation they had reached with the United States and other exporting countries in 1967 in the FAC to share the food aid burden. Further, they give because public support for aid in the form of food is high in these countries.⁶ The only country to increase its food aid sizeably, nearly doubling its pledged minimum in 1973 and giving almost tenfold in 1974, was Sweden.

The second factor that reduced the shortfall of food aid in 1973-74 was the appearance of ad hoc and new donors, including the Soviet Union, Saudi Arabia, and Iran. The Soviets made a special "swap" arrangement with India (two million tons) and Pakistan (200,000 tons).⁷ Several OPEC countries, relying upon the increase in their import earnings from oil, sought to alleviate the most desperate situations among neighboring Muslim countries such as Pakistan and Bangladesh which were faced simultaneously with dramatic increases in the cost of their food and oil imports. Saudi Arabia, by making a commitment to the World Food Program, and Iran and Kuwait, through paying directly for delivery of food, provided immediate short-term relief. These "new" sources of food aid offset some of the decline in American, Japanese, and Canadian aid. The actual value and tonnage of OPEC aid, however, was a rather small proportion of all food provided in 1974 or 1975, the years in which OPEC countries'

efforts began. My rough estimate of the resources provided by OPEC states is 150,000 to 200,000 tons, or thirty to forty million dollars.⁸ In spite of the contribution of the minimum tonnage floor of the FAC, the Soviet special grain arrangements, and the gestures by OPEC countries, the total flow of food aid fell dramatically in the 1973-75 period. If just official food aid (using FAO figures) is considered, it fell from about fourteen million tons in 1967/68 to 5½ million tons in 1973/74.

Surplus Disposal

The food aid program began largely as a mechanism to dispose of surplus commodities in the United States, as was discussed earlier. Countries in which domestic farm programs create stocks (or treasury costs) in order to maintain food price or farm income targets have a special incentive to reduce such stocks. Japanese rice, European dairy products, and American and Canadian wheat have been major commodities that donor countries periodically found it desirable to dispose of through aid. A key concern for the 1980's is not the historical fact that surplus disposal has existed as a motive. The concern is whether, should it continue to recede as a motive, food aid will decline.

The United States.

The role of the American program in disposing of surplus grain and other agriculture commodities is still explicitly stated in the P.L. 480 legislation, although it is decreasingly emphasized even by USDA. Section 401 of the legislation stipulates that the availability of any commodity to be shipped under the P.L. 480 program must be based upon its being in surplus in the United States. In particular, the 401 requirement mandates that P.L. 480 food must be certified by the Secretary of Agriculture to be

a commodity whose supply is in excess of requirements for domestic consumption, commercial exports, and carryover needs.

During the 1960's when major grains as well as other commodities such as tobacco and cotton were in continuing surplus, little attention was paid by WFP officials, development experts or recipient country leaders to the 401 requirement or to the effects it might have. Furthermore, little consideration was given to the appropriate formulae for setting carryover targets. A concern expressed by some Congressmen was that the United States might set its food production incentives so high that Americans were subsidizing surpluses produced solely for use in the food aid program. In this regard it was presumed that commercial exports were quite distinguishable from food aid. The Secretary of Agriculture (or officials doing the work required) would calculate the expected production and stocks already held and subtract projected commercial exports and domestic use. The difference, except for the amount needed as a minimum "carryover," i.e., stocks to be secure against a shortfall the next year, were then available for use as food aid. The expected exports were commercial ones and projections were based on previous years' sales plus any new information. The United States clearly did not anticipate the size of its commercial sales to the U.S.S.R. and other countries in 1972 and 1973. One result was that during the height of food shortages in 1973, it was necessary for Secretary of Agriculture Butz rather arbitrarily to cut in half the "carryover requirement" for wheat. Otherwise it would not legally have been possible to have allowed any Title I grain aid to be shipped under the P.L. 480 program.¹⁰

Following the Carter Administration's assumption of office in 1977, Howard Hjort, Assistant Secretary of Agriculture for Economics, Statistics,

and Cooperative Services, redefined the basis for arriving at American carryover needs, tying them to a fixed percentage of the previous year's total world consumption of a particular commodity. Previously, the carryover was merely a large number that intuitively satisfied senior USDA officials. The United States carryover target for wheat, thus, became 7.5 percent of the previous year's consumption. This change is important. It directly affects the figures used by the Secretary of Agriculture and other policymaking bodies such as the Council of Economic Advisors (CEA) in arriving at production targets for American agriculture (since these include projected use and carryover needs as the demand estimate production aims to satisfy). Domestic farm programs, including set aside requirements, are set for each production year in part in relation to these "carryover" needs.

This change should affect American food aid flows in two ways. In periods of adequate availability of grain such as the years 1977-80 it builds in a guarantee of increasing American production each year as a hedge against world shortages. The growing world consumption of wheat, for example, acts as an "escalator clause," raising each year the national carryover target for physical stocks in direct proportion to the growth in world consumption of key grains, notably ones supplied by the United States. During a shortage period, however, the carryover calculation, by virtue of having a less subjective and better-known formula for its calculation, will be more difficult to brush aside as was done with the more arbitrary "carryover" figures used for a decade in the 1960's and which Secretary Butz could cut in half, temporarily and rather arbitrarily, in 1973-74.

Besides the legislative language and legal "surplus" requirements

that reflect the surplus disposable component in American food aid, another way to assess the relationship between domestic stocks, government-held stocks, and exports of commodities under the P.L. 480 program, is by comparing actual food aid performance to a "model" that assumes surplus disposal aims are a determining factor controlling total flows. To undertake this I gathered data on total grains exported under P.L. 480 and on American stock positions over the years 1955-1978. If food aid was used principally to adjust American stocks to some optimal level--for example, zero for government-owned stocks and thirty to forty million tons for privately-held stocks, i.e., for carryover needs--then we would expect to find a close relationship between size of stocks and size of food aid flows. In order to test this hypothesis a regression analysis using a simple model was employed. The regression equations chosen reflect three assumptions as to what influenced policy makers in arriving at total food aid levels: (1) the desire not to hold excessively large or small domestic stocks; (2) the desire to take account of constraints created by multi-year commitments or planning, including the need for continuity in programs and in supplying markets; and (3) the need for food among potential recipients.

The first factor to explain aid variability, surplus disposal, should act to increase aid when grain stocks are large and prices low. Two measures of stocks were examined: total United States stocks, and stocks held by the Commodity Credit Corporation (CCC). The latter accumulate as a consequence of policies to support agricultural prices. CCC stocks were found to have much greater explanatory value during the entire 1955-78 period, so only the results using this measure of surplus will be presented.

Another measure reflecting domestic supply/demand balance would be price. As grain prices go up, one would expect less food aid for two reasons. First, fewer tons could be purchased for a fixed budget amount, and second, with higher prices there would be less reason to ship food aid in order to raise domestic farm income. Three price variables were tried: the price of wheat (PRW), the gap between the price of wheat and the official support price of wheat (PGAP), and the change in the price of wheat (DELP). All three variables had similar interpretations and yielded similar results.¹¹ The surplus disposal equation chosen to predict the current year's grain food aid, then, was based on CCC stocks and the relative price of wheat (since most food aid is in wheat).

The second factor, continuity, assumes that aid decisions reflect standard operating procedures and bureaucratic inertia. It is represented in the model as a rule to try to do in one year what was done the year before.¹² This assumption is expressed in equation (1) below, in which adjustments of aid (A) each year, (t), close only a fraction, γ , of the gap between actual aid the previous year and the aid level desired this year in order to reach the optimum of surplus disposal through food aid.

$$(1) \quad A_t - A_{t-1} = \gamma(A_t - A_{t-1}) + e_t, \text{ which is equivalent to}$$

$$(2) \quad A_t = \gamma \epsilon B_i X_i + (1 - \gamma) A_{t-1} + e_t.$$

The error term, e_t , reflects other events not in the model affecting the level of aid; these do not shape the level of desired aid, but may affect a given year's flow, such as emergency relief needs. The bureaucratic inertia formulation is consistent with the general experience with foreign aid.¹³

These two explanatory variables were expressed in equation (3) below.

Based on data from 1955 through 1977 (twenty-two observations), approximately eighty-two percent of the variation in food aid is accounted for by surplus disposal and bureaucratic inertia (on continuity).

$$(3) \quad \text{P.L. 480}_t = \text{Constant} + \text{CCC Stocks}_{t-1} - \text{Price Wheat} + \text{P.L. 480}_{t-1}$$

year t	(6.42)	(.08)	(1.30)	(.38)
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In this equation all the coefficients were statistically significant and the average error (difference between the predicted and actual grain tonnage shipped by P.L. 480 programs) was 1.94 million tons. The estimated effects were that a "constant" food aid level of 6.4 million tons was raised or lowered by eight percent of CCC stocks the previous year (80,000 tons for every million tons of stocks), 2.15 million tons for every dollar change in the price of a bushel of wheat, and thirty-eight percent of last year's shipment. Suppose that in the summer of 1980 the CCC held fourteen million tons of grain, grain food aid was about 5.6 million tons in the 1980 year, and wheat prices were about two dollars per bushel. Then the predicted food aid would be $6.42 + (.08 \times 14) - 1.3 \times 2 + .38 \times 5.6$, which yields a predicted United States grain food aid contribution of about 7.1 million tons for fiscal 1981.

Various alternative regression models, including the use of different assumptions about leads and lags in the relationship of food aid to stocks, were explored. All yielded similar or lower correlations; only a few did not have significant coefficients. On the basis of this overall fit (eighty-two percent of the variation) during the period, then, the evidence clearly supports the conclusion that regardless of the motives of individual policy makers, surplus disposal has been an important motive

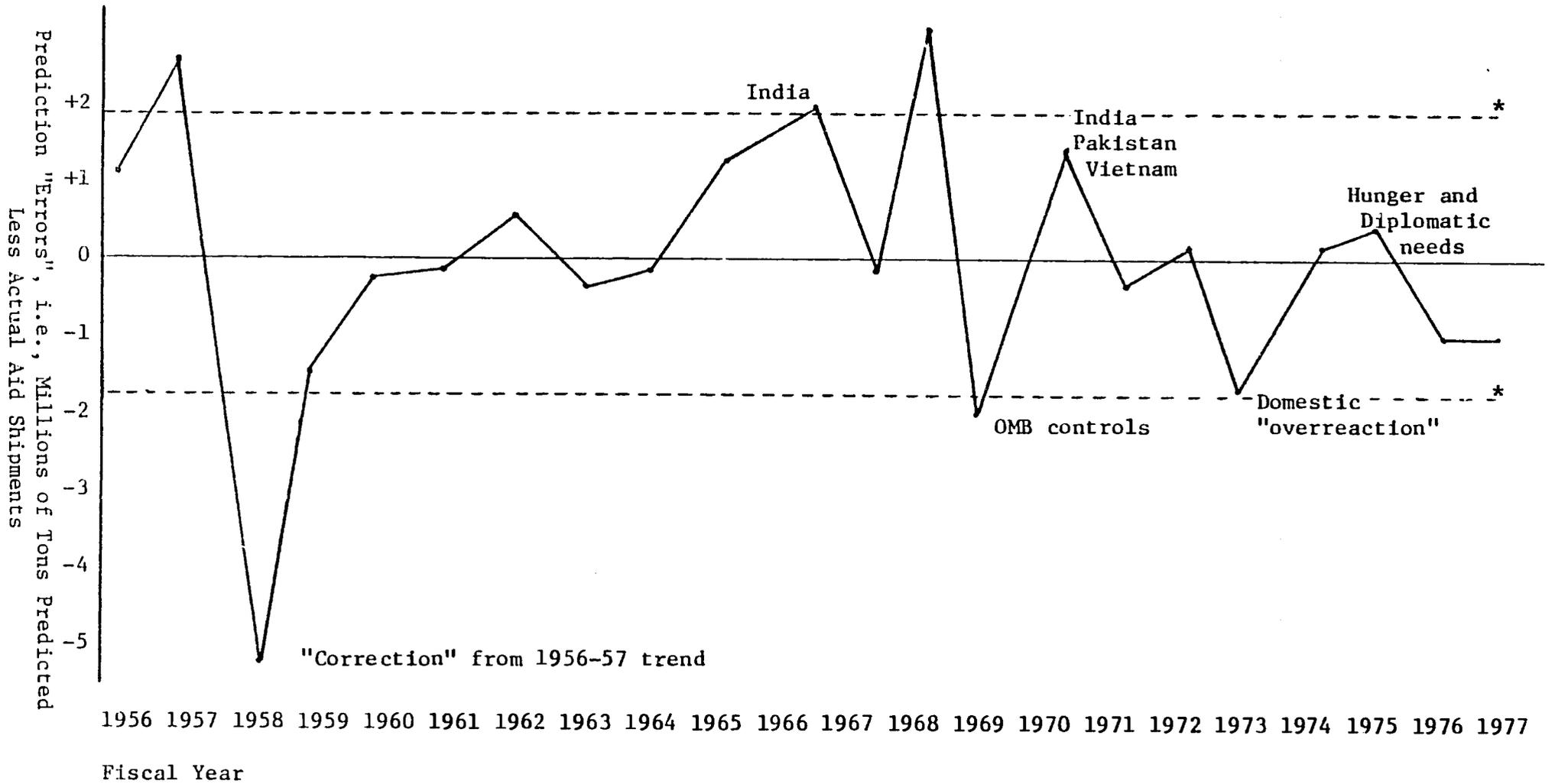
shaping American food aid behavior.

There is, however, a good deal more to the explanation of American food aid levels. As with other studies in which program levels are predictable from year to year on the basis of incremental budgeting, what is particularly interesting is not to obtain a decent fit from simple variables, but rather to explain deviations from the simplest and strangest explanations.¹⁴ In order to examine such "deviations" the residuals or "errors" from equation (3) above have been plotted in Figure 4.1. In this figure the zero line represents the level of food aid predicted each year by the regression formula. The dotted lines above and below the zero line refer to one standard deviation or 1.9 million tons of grain. Casual observation shows that in the years 1958, 1963, 1969, and 1974 a smaller supply of food aid flowed from the United States than would be predicted on the basis of the surplus disposal model alone. Conversely, in 1957, 1965, 1966, 1968, and 1975, somewhat larger than predicted flows occurred.

How can we account for these deviations? Remember that these are not a function of greater or lesser stocks in the United States--they have already been taken into account. Further, the high prices in 1973-74 are also included as a predictor, and price does depress the aid predicted significantly after 1972. The answer lies in looking at "special" factors operating in each of these periods. Four particular factors are found in the years in which the surplus model predicts rather badly. In 1956 Congress authorized a renewal of P.L. 480 in the wake of seeming initial success. There was enthusiasm in Congress and to a lesser extent the Executive Branch (USDA) for the program, even though stocks continued to grow. Therefore, Congress authorized a very large effort to reduce

Figure 4.1

Deviations from Supply Adjustment Model for Grain Food Aid, 1956-77



* The standard error is 1.9 million tons.

American surplus stocks through P.L. 480. By 1958 such a large amount of CCC surpluses had been moved that a leveling off and slight decline was in order, even though sizeable stocks still existed. In this instance the large flow of aid in fiscal 1957 led to an overprediction for 1958, when a leveling-off and re-evaluation period commenced.¹⁵

The next major deviation was the upswing in 1965 and 1966, a deviation explained principally by the dramatic needs in the Indian subcontinent for food aid as a result of two consecutive failures of the monsoon rains. United States food shipments to India during this period increased dramatically in response to the threat of large-scale famine. Wheat to India was 193,000 tons in 1956, 2.34 million tons in 1962, and 7.3 million tons in fiscal 1966. By 1971 wheat shipments were down to 1.6 million tons, and in 1973, when Indian need was again strong, only 273,000 tons of P.L. 480 wheat were sent.¹⁶ This "extra" flow underlines the possibility that food aid can serve more than surplus disposal goals. Concurrent with this "overseas need" impact on the size of the United States food program was the development of the 1966 legislative reform of food aid discussed earlier in which self-help requirements were first introduced and development objectives heightened. The third major upward deviation occurred in 1968 and was again explained by an overseas need, this time again in Pakistan and India, but added to it was the need created by the American war effort in Vietnam. Wheat shipments to India and Pakistan increased by nearly 2.5 million tons from the year before. Rice shipments, later labeled by dissenting Senators as "food for war," were stepped up to Vietnam at this time, to about a half million tons.

The shortfall in 1969 is particularly interesting (see Figure F.1, Appendix F). It did not occur because American food aid commitments to

Southeast Asia were curtailed; nor were other overseas foreign policy concerns apparently at work. Rather, the most important factor, aside from the reduced need in India, appears to reflect an executive reform. During the last year of the Johnson administration, it was decided that OMB should impose monetary ceilings on the P.L. 480 program. Fiscal year 1969 was the first year these ceilings were imposed. "We were quite concerned not to overrun our budget," Arthur Mead recalled when I asked him about this period. At that time Mead was the effective manager of the P.L. 480 program for the Department of Agriculture.

The 1973-74 deviation from the surplus disposal-bureaucratic incrementalism model may also be explained by the intervention of budgetary constraints. In this case, however, it was not simply the additive effect of an extension of standard budgetary procedures to routines that already shaped the P.L. 480 program. Rather, the intervention of OMB in 1973 represented a conscious decision by senior officials of the Nixon administration to fight the inflationary rise of food prices by limiting food aid. This led to the freeze ordered by OMB on food aid commitments during the last half of fiscal 1973, and a reduction in the budgetary ceiling for the program. Recall that the regression model already takes into account the sharp decline in CCC stocks and the price rise in these years (albeit with a lag that may be too large for such large changes). The downward deviation in these two years of nearly four million tons below what is predicted (see Figure 4.1) suggests that there was an over-reaction to the tight supply situation in the world. Rather than the incremental adjustments of past years, based significantly on the United States surplus situation, a drastic step was taken. It did little good for the American consumer, however. Since general export controls were

not applied in these years, large exports occurred. Controls, however, would have been philosophically disagreeable to the Nixon administration, and would have been bitterly opposed by farm groups. As a result, the effects of the tight world supply situation with its high food prices was to put a disproportionately large share of the adjustment burden on the food aid program. The biggest effect, then, as suggested earlier, of the cutback in food aid, was to change the terms under which poor food importers would receive American supplies.

There were, of course, other forces at work. Spurred in large part by the drastic cutback, food aid supporters were subsequently able to counter the squeeze applied to the P.L. 480 program. Essentially two groups battled successfully for an increase in the volume of food aid to at least a level consonant with past commitments and current overseas needs. These consisted of a foreign policy group and a humanitarian/hunger/church coalition.

Foreign policy officials, with Secretary of State Kissinger at the forefront, felt greater food aid was important for several reasons. First, food appeared to be an American resource of increasing utility in the mid-1970's, when global shortages captured the world's attention and the efficacy of foreign policy tools of the United States, such as force and organizational control, were waning. Second, food was an issue area in which American leadership could be asserted at a time when events in Vietnam and the growing power of the Middle East's "oil weapon" had undermined the image of American leadership both at home and abroad. While food aid was not the only American food asset--there was also American agricultural technology, research support, and intelligence--it was particularly important.

particularly important. Food aid could be delivered promptly, was subject to fewer constraints than other forms of aid, and, in this tight supply period at least, was especially welcomed by recipient governments. By mid-1974 Kissinger and State Department officials had come to view food aid as one of their most valuable "carrots" in Middle East diplomatic maneuvering; they made sizeable commitments to Syria and Jordan, increased American commitments to Israel,¹⁸ and made extremely large commitments to Egypt.¹⁹ Kissinger was successful in intra-agency bargaining in obtaining a substantial increase in food aid for fiscal 1975. At that time the Executive branch still had substantial discretion over the actual commitments made in any given year. In January, 1975, the Ford administration, with six months of declining commodity prices to reassure it, agreed to the level recommended by the Department of State of 1.5 billion dollars for food aid, a dollar increase of over fifty percent.

The other group which had exerted substantial influence to restore the historical food aid flow was the "hunger lobby." Its membership was motivated variously. Some were upset over the hardships imposed on overseas programs which utilized food aid. The largest of these, CARE and Catholic Relief Services,²⁰ had a direct interest in restoring support for their programs. Other members were motivated by the powerful urge to eradicate hunger. This was especially prominent among religious groups, and not only those in the United States. A coalition was loosely formed among both established and newly-formed organizations. Among the latter was Bread for the World, begun by Arthur Simon and his

brother, Congressman Paul Simon, in 1973. Since the 1973-74 period the church/hunger lobby, with its many supporters in Congress, has been successful not only in partly restoring food aid levels but also in its efforts in both Congress and the Executive Branch to decrease foreign policy discretion in the use of food aid. In 1974, and again in 1975, it led a fight in Congress to amend the P.L. 480 legislation to insist that most Title I shipments had to go to the poorest countries,²¹ and later to put a floor under Title II shipments.

Initially, and interestingly, although the foreign policy and hunger lobbies would not depict themselves as advocates of surplus disposal motives in food aid delivery, their efforts to expand food aid in 1975 were the important factors in restoring the historical relationship between domestic stocks and the size of food aid flows. Furthermore, the minimal tonnage requirement for Title II food donations, requiring that a minimum of 1.6 tons of food be shipped annually under the program as of 1979, was an effort to stabilize at least one component of the food aid program from the variability that occurred in 1973-74. Efforts to increase the role of other factors in shaping food aid were continued to "hunger" groups throughout the 1970's with some success.²²

The surplus disposal-incremental adjustment regression model accounts for a large part but is not necessarily the cause of variation in food aid. If other motivational factors such as security threats had been quantifiable and included in an equation they might also, at least theoretically, explain a proportion of the variation. If such annual statistical measure for American

motivations were constructed these could be included in the regression. Even then, however, their relative contribution to affecting what food aid was sent might not be certain as long as there was significant co-variation among the different measures. Thus such factors as American concern over the Cold War or world hunger are not assessed. These are reflected, presumably, in the particular variations from the predictions of the surplus disposal model.

A second, more complicated regression model^{also} was examined. Two changes were made. First, overseas need was added to the equation. Second, the "inertial" factor (i.e., the tendency to do what you did last year) was treated differently; a special "error" term was used that incorporated lagged error, that is, the difference between the actual grain shipped the previous year and that predicted. The error term was significant, not surprisingly, and it overcomes some technical problems (see Appendix F). The resulting equation then appeared as:

$$(4) \quad P.L. 480_t = \text{Constant } (6.49) + \text{Difference of Support Price to Actual Price}_{t-1} (2.48) + \text{CCC Stocks}_{t-1} (.14) + \text{Surplus above trends in Production in major recipients}_{t-1} (-.56) + \text{error}_{t-1} (-.52).$$

The equation proved an even better predictor than the surplus model, with about ninety-five percent of the variation in food aid flows accounted for, i.e., an R_2 of .9466. This "model," applied to the years 1960-1978, for which recipient grain production data were available, yielded results reflected in the coefficients given in the parentheses of equation (4) above. It proposes that for any year United States grain food aid could be "explained" as having a constant component of about

6.5 million tons of grain and several variable components. The variables are an addition or subtraction of 2.48 million tons for every dollar that wheat prices were below or above the government target support price the year before, an addition of 142 thousand tons for every million tons of grain held by the CCC the previous year, and an addition or subtraction of 560 thousand tons for every million tons of deficit or surplus above trend in grain production among major recipients. No addition or subtraction to correct for last year's "over" or "under" supply (perhaps due to bureaucratic factors) is made to the model's prediction. The model "results" merely note that lagged "errors" could be a statistically significant contributor to the flow of aid (adding or subtracting 520 thousand tons to compensate for last year's error), but the information from "errors" is not used in the model's actual predictions.

The major finding of this second model is to demonstrate that United States food aid does respond to overseas need as well as to domestic supply considerations. A second finding, however, based on dividing the model into periods of the 1960's and 1970's shows that overseas need has not increased as a factor shaping aid. The increased rhetoric in the 1970's which stated that food aid should respond to overseas hunger is not borne out in changed performance (see Appendix F).

Six countries, all significant recipients, were examined to see whether American aid might be more responsive to need in individual cases than in the aggregate. The results, detailed in Appendix F, are quite revealing. For some countries, United States aid has been very responsive to changes in their production situation, increasing in the year after a production lag, decreasing after production goes up. These

changes occurred even while supply disposal factors were being taken into account. For India, for example, if their wheat crop fell a million tons, United States aid (after other factors were taken into account) increased by 663 thousand tons. For Colombia, the increase was 259 thousand tons; for Pakistan, 59 thousand tons. For countries where political considerations were overriding, however, response to need, at least reflected in domestic production gains and shortfalls, was actually perverse. For Iran, Vietnam, and Egypt, American grain food aid decreased in the year following a decline from trend in their domestic production, while it increased in a year following production gains above trend. It must quickly be added that the factors used to predict flows--United States domestic policy and overseas need--did not perform very well in these cases, explaining only about half the variation in aid to Iran and Vietnam and hardly any toward Egypt. Nevertheless, the model suggests in these cases that when there was a deviation of a million tons less grain (not rice) produced in these countries, the United States reduced its grain food aid in the next year--by 279 thousand tons to Egypt, by 379 thousand tons to Iran, and by an astronomical amount to Vietnam (the figure is unreasonably high because Vietnam produces so little grain compared to rice). Appendix F gives more details.

My conclusion from examining overseas "need" as a factor in American food aid supply is simple--where politics is important need has not affected annual changes in allocation to specific countries. If anything political considerations have led and may continue to lead to the exact opposite--a generosity when it is least needed.

Food Aid Allocation: The procedures in deciding who gets what

The United States

While many decisions shaping United States food aid are made irregularly, two are made annually: What will be the total asking budget for food aid and how will it be divided? The answer to the first question, the budgetary issue, was already discussed. The total does depend upon domestic policy considerations as well as the expected need among potential recipients (i.e., the second question). The budget issue as discussed earlier places food aid in competition with other American policy objectives, both domestic and international. Theoretically it competes at the margin for additional dollars with highway construction, medical care, and weapons procurement. No single government official or even agency is responsible for setting priorities among these. Rather, such trade-offs are decided by a complex policy process in which there is pulling and hauling among pressure groups, Executive Branch bureaucrats, and congressional interests, all reacting to domestic and international needs.

During the period in which the annual budget level is determined by this broad process each year's allocative policy is also made. Potential recipients' needs are a factor in raising or lowering budget allocations--even to requiring supplemental appropriations, as occurred to pay for emergency food aid to Cambodia in 1979 and to Africa in 1980. Nevertheless, it is useful to review the concrete steps by which allocations are eventually made as an independent process from setting total aid outlays. Since issues and concerns vary from year to year, "players" in the allocation process may take different sides and be accorded

different weight, but the procedures for allocating food aid have evolved over many years of the P.L. 480 program's operation and remain largely the same from year to year.

There are in fact two separate processes by which provisional P.L. 480 allocations are reached each year. One takes place in the Agency for International Development, the other in the Department of Agriculture. Both begin about eighteen months before the beginning of the fiscal year being planned. Thus for fiscal 1982, which begins in October, 1981, preliminary budget requests are first formulated or reviewed in April-May of 1980. This initial stage lasts about six months, that is, until September or October, when a process of reconciliation of the two provisional sets of allocations begins.

AID allocation recommendations arise largely from an inductive exercise. Requests from the various field missions are collated, reviewed, and considered within the regional bureaus of the Agency in Washington. Then, in collaboration with the Food for Peace (FFP) division of AID, which is the official manager of the P.L. 480 program in AID, and with review by the Bureau for Policy and Program Coordination, an effort is made to adjust, usually downward, the various requests from overseas missions in order to arrive at an overall allocation among regions and countries that seems appropriate. Necessary factors such as the projected needs of countries, the historical pattern of aid to a country, other elements of the AID program to a country, and the political priority assigned countries by the Department of State are considered. This last interest, that of foreign policy, is monitored by State Department officials in the Food Policy Office of the Bureau of Economics and Commerce as well as by interested regional and

desk officers of the regional bureaus of the State Department. In short, a large number of bureaucrats have an opportunity to comment upon or argue about tentative allocation decisions. To the extent any decision may affect priority concerns of the Secretary of State or the President, senior officials such as the Assistant Secretary of State for Economic Affairs or the Policy Planning staff in the Office of the Secretary may also review the budget and iron out conflicts between AID and State Department priorities. Implicit in their calculations are concerns such as what should be the share of food aid for any given region, such as Africa, and what degree of "self-help," as evidenced in food production policies of aid recipients, should be rewarded. Trade-offs in shaping the AID budget proposal are largely among geographical-political units and between developmental and political objectives.

At the same time a parallel process is undertaken in the Department of Agriculture. In the Office of the General Sales Manager (OGSM) the provisional budget for the approaching fiscal year is drawn up with special consideration given to the supply availability of various commodities in the United States, expected future prices (and hence total tonnage that may be available), and the likely supply needs of traditional aid recipients. Whereas the AID budget process draws heavily upon requests from missions, the Department of Agriculture relies fairly heavily on reports from agricultural attachés who attempt to forecast the domestic supplies and import needs of recipient countries.

In general, neither of the two preliminary exercises utilizes information about the intentions of other food aid donors, though information concerning recent food aid and commercial imports to the potential

recipient is available during the Agriculture Department's review process. Both budget operations are essentially incrementalist and little is done by way of formally considering nutritional shortfalls or comparative poverty among recipients.

As tentative budgets are arrived at by both OSGM and FFP, consultation between the two begins. The aim is to present a unified, consistent proposal for inclusion in the President's budget drawn up by the Office of Management and Budget (OMB). At the same time OMB will set a goal for the total P.L. 480 budget for the upcoming year. This total usually forces those working on the budget to pare requests to approximately the ceiling suggested by OMB.

Although the P.L. 480 budget is administered in the Department of Agriculture, the P.L. 480 program is reviewed and examined by the international division of OMB (not the natural resources division, which otherwise handles Agriculture's budget). The international division P.L. 480 examiners, however, have maintained a liaison with the division reviewing the rest of Agriculture.

The major question with which OMB is concerned is the volume of dollar expenditures by the government. This relates to the expected effects on the overall performance of the economy. OMB is less concerned with trade-offs among spending options, particularly if such choices do not bear upon future spending or have special economic consequences. Very little analysis has been done by OMB to assess the net treasury cost of P.L. 480, or the macroeconomic impact of the program. There are, as discussed in Chapter Three, some savings in the cost of farm support programs, especially in years when large surpluses exist, from use of P.L. 480 to ship additional commodities overseas, as opposed to paying the storage

or support prices for these. Such costs have frequently been borne in part by the Treasury, under programs that encourage storage when prices are low. There are reflows in payments for Title I sales, also. To the extent that such exports are not additional but are substitutes for commercial exports, however, there would be no savings offset in other government programs and there would be a loss in earnings from trade.²³ The Congressional Budget Office (CBO) has examined these net costs as part of a review of the domestic impact of foreign assistance more generally. Their study may influence a more relaxed view toward the effects of food aid spending by budget officials, since the CBO concluded that the net Treasury cost was forty-seven percent of the stated program cost (for a hypothetical 1980 fiscal year) assuming food aid was additional United States exports. Even if aid exports replaced what otherwise would have been commercial exports for half the time, the Treasury cost would still be sixty-six percent of program costs.²⁴

AID, much like OMB, looks principally at the dollar value of the exports programmed under P.L. 480 and bases its calculation of foreign assistance on these figures. Agriculture, however, keeps a more watchful eye on reflows to the Commodity Credit Corporation (CCC) since the congressional appropriation for P.L. 480 is much smaller than the authorization. Convertible currency reflows from Title I sales to the CCC now provide a substantial portion of the funding for the overall P.L. 480 program; in 1974 such reflows amounted to about a third of the total costs of the program and by 1979 these had grown to cover about one-half of P.L. Title I annual costs. Congressional appropriations, therefore, are considerably below authorizations.

Once a reconciled total budget figure and prospective allocations

are agreed upon by Agriculture, AID, and OMB, usually in November or December of each year, the final step in the budgetary process is to submit the budget to Congress and await action. Congress has never reduced a budget recommendation for food aid. Once Congress votes an authorization, Agriculture can begin to sign agreements committing the United States for the fiscal year. Congressional authorizations since 1977 have placed a binding ceiling on the program; earlier, from 1969 to 1977, OMB set the effective ceiling; before then even greater discretion existed. For the first fifteen years of the program there was considerable Executive flexibility; CCC borrowing authority could be used to supply funding for P.L. 480 loans in amounts that exceeded annual outlays by several times. As late as the mid-1970's the President could have spent close to fifteen billion dollars in food aid without prior Congressional approval, even though the P.L. 480 program was budgeted at less than 1.5 billion dollars. Program constraints by 1980 were quite restrictive in contrast.

OMB plays both an oversight and a mediating role in the allocation process. In addition to its role in setting limits on the total budget request, OMB has served as an arbiter among competing allocation choices. For instance, in the fall of 1978 inter-agency negotiations occurred over the recipients that should benefit from a supplemental appropriation for food aid for fiscal 1979. Although the supplemental request was never considered outside the Executive branch--it was turned down by President Carter and White House advisers--^{OMB played an important role} in shaping the alternatives presented for Presidential review. It acted as arbiter between State Department interests that emphasized political goals and sought additional food particularly for Egypt, and AID and

Agriculture Department preferences that sought to allocate any additional P.L. 480 funds for developmental purposes. In this dispute OMB officials probed the different positions, asking what was the value and need of food aid to a proposed recipient and what might be the disincentive effects or the nutritional importance of a particular allocation.

Congress occasionally has some influence on allocations also. For example, in 1979 Congressional trips to Thailand and Cambodia, and subsequent testimony on the refugee and famine problems in this area, encouraged Executive pledges of additional food aid, administered through the World Food Program, and helped passage of supplementary legislation in 1979 to allow supplies to go to the emergency area without cutting shipments to others.

The United States' allocation process has several distinctive features. First, it involves greater high-level Executive involvement than that of other donors. Through the years Presidential interest in food aid policy has been substantial. President Kennedy participated in raising the priority of food aid and appointing a White House level coordinator, George McGovern. President Johnson took upon himself in one period to make monthly decisions on the flows to India during the 1965-66 shortfall. In the Nixon administration Henry Kissinger became increasingly involved in specific country commitments. Throughout the history of the program annual White House level decisions have regularly been required to approve the final amount and major allocations of the program. Because of the discretion the program offered until quite recently, Presidents have been particularly attracted to it as a useful tool in exerting Presidential authority.²⁵

A second way in which the American program is distinctive is the degree of legislative involvement it includes. Because of Congressional dissatisfaction with the program relating to its use in support of Vietnam War efforts in the period 1968-74, and because of Congressional concern during the global food shortages of 1973-74, legislative constraints on the program were added requiring greater emphasis on helping poor countries. Indeed, as we discussed earlier, the role of Congress has been significant since the origin of the P.L. 480 program in establishing broad priorities and initiating new directions. In the 1950's it was a favorite program of agricultural interests, and a number of special uses for food aid loan repayments, such as "Cooley" loans for American business, were added to the legislation.²⁵

A third distinctive aspect of the American allocation process arises because the budget for food aid is carried in the Department of Agriculture. This increases the role that export promotion interests play. As noted already in the discussion on surplus disposal motivations, the close ties with the CCC inside the Agriculture Department naturally have facilitated this original and continuing motivation for food aid. The United States is not alone, as we also noted, in its surplus disposal motives; the implications go further, however, because allocation choices that enhance market development interests are particularly facilitated by having management heavily in Agriculture.

Politics is still the overriding factor in allocation, as the 1977 allocations shown in Table 4.2 make clear. The prominence of Egypt, Israel, Korea, Portugal, Morocco, and Chile in the top fifteen recipients--all countries with fairly high average caloric consumption--is evidence of the importance of politics in United States allocations.

The fiscal responsibility for food aid being lodged in Agriculture has also decreased the extent to which this aid is integrated with development assistance programs designed in AID or forward budgeting

TABLE 4.2

VALUE OF UNITED STATES FOOD AID TO MAJOR RECIPIENTS, 1977*

(Millions of Dollars)

<u>Country</u>	<u>Title I</u>	<u>Title II</u>	<u>AID</u>	<u>Total Aid</u>	<u>Total U.S. Agricultural Exports</u>
Egypt	194.4	11.4	137.4	343.2	563.4
Israel	1.7	1.7	281.9	284.8	313.2
India	26.0	91.1	-	117.0	415.1
Indonesia	87.3	8.1	-	95.4	238.9
Bangladesh	59.5	26.2	-	85.8	108.2
Rep. of Korea	77.8	-	-	77.8	919.0
Portugal	68.2	-	-	68.2	373.8
Philippines	13.2	35.8	.1	49.0	180.3
Sri Lanka	36.3	4.5	-	40.8	41.5
Pakistan	36.9	.6	-	37.5	116.1
Morocco	9.6	15.6	-	25.2	70.1
Syria	14.7	6.0	-	20.8	22.9
Haiti	11.1	9.6	-	20.6	49.5
Zaire	18.5	-	-	18.5	31.1
Chile	-	17.0	-	17.0	94.9
Tanzania	7.6	8.0	-	15.6	17.7

* Small amounts of non-food items (cotton, tobacco) are included. Recipients of more than \$15 million in 1977 are included. 1977 is calendar year.

Source: Foreign Agricultural Trade of the United States (Washington, D.C.: USDA, June, 1978) p. 38. U.S. Foreign Agricultural Trade Statistical Report Fiscal Year 1978 (Washington, D.C.: USDA, September, 1979) pp. 24-26.

strategies. Only in recent years has food aid been incorporated into the five-year analyses of the Annual Budget Submissions prepared for each country. The PPC division has pressed for greater integration of food aid in foreign assistance planning. The Title III or Food for Development program has encouraged such integration. Because it required longer-term commitments of three to five years, and explicit plans for use of food aid to spur development, it has forced more attention to the food sector of recipients by AID officials.

Title III originates as a Title I program loan, even though the eventual expectation is that the food will be a complete grant. As a result of the major role of Agriculture in the Title I program, the Title III program has become a source of tension between the Department of Agriculture and AID. Each has vied to become the lead agency for this new program. Each has some capability to design and implement Title III projects. Although such competition can become counter-productive to the objectives of the policy, there may be benefits to recipients from having different agencies trying to demonstrate their interest or competence in seeing that food aid is used for development.²⁷

Other Donors

The allocation practices of other donors have many of the features of those of the United States, though none involves preparing two separate allocation proposals and none goes through the elaborate inductive exercise of AID. The mix of motivations that shape allocations in these other countries does contain the same factors as affect United States aid--commercial, developmental, humanitarian, and diplomatic. Commercial interests, particularly market development for grain, are less a motivating force than in the American case. Political factors

are also less important.

Table 4.3 compares the 1978 allocations of five major donors--the United States, Canada, the EEC, Australia, and the World Food Program. The American commitment to Egypt highlights the difference in motivating factors. On the basis of nutritional need Egypt deserves far less food aid than other recipients, since Egyptians enjoy a much higher per capita caloric intake than almost any other country in Africa or Asia. Still, it is the top country on the United States list and second for Europe. Canadian, Australian, and WFP allocations, therefore, come closer to reflecting a high priority for nutritional deficits than do the American and European allocations.

In Australia the allocation system is based on a syncretistic approach in which seven factors for potential recipients are weighed to determine the amount of grain to be sent to each. These include such need-related factors as current standard of living (GNP per capita), current food shortfalls, population and a quality of life which reflects birth, death and life expectancy rates.²⁸ The food aid office in the Ministry of Foreign Affairs arrives at provisional allocations based on this rather Cartesian approach. Two concessions to commercial interests are made, however. First, in the initial or provisional allocations, one weighting factor is distance from Australia. While this is a rational consideration for the purpose of minimizing transport costs, it also serves commercial concerns in that it biases food aid flows towards Australia's natural trading markets. The second concession occurs in reaching the final allocations. The Ministry of Trade has a chance to review them and to suggest modifications. Countries which have been disappointing importers from Australia may be targeted for a reduction at this stage; for example,

TABLE 4.3

Donors' Allocations of their Food Aid, 1978: The Ten Top Recipients

<u>UNITED STATES</u>	<u>% Total</u>	<u>CANADA</u>	<u>% Total</u>	<u>AUSTRALIA</u>	<u>% Total</u>
1 Egypt	17.4	1 Bangladesh	38.7	1 Bangladesh	26.6
2 Indonesia	11.6	2 India	16.9	2 Indonesia	26.6
3 India	11.4	3 Sri Lanka	7.2	3 Vietnam	11.7
4 Bangladesh	6.0	4 Portugal	5.8	4 Fiji	6.3
5 Pakistan	5.6	5 Egypt	5.4	5 Sri Lanka	5.2
6 South Korea	5.5	6 Vietnam	4.7	6 Philippines	3.6
7 Philippines	3.9	7 Tanzania	4.0	7 Tanzania	3.1
8 Portugal	3.8	8 Jamaica	3.0	8 Ghana	3.0
9 Sri Lanka	3.3	9 Ghana	2.5	9 Sudan	2.6
10 Peru	2.3	10 Senegal	2.4	10 Afghanistan	2.6

<u>EEC</u>	<u>% Total</u>	<u>WFP</u>	<u>% Total</u>
1 Bangladesh	22.9	1 Vietnam	12.6
2 Egypt	20.6	2 Egypt	9.4
3 Vietnam	19.7	3 Bangladesh	8.1
4 Pakistan	11.5	4 Uganda	5.7
5 Sri Lanka	4.3	5 Afghanistan	4.4
6 Mozambique	3.8	6 Cuba	3.7
7 Somalia	3.4	7 Lesotho	3.6
8 Ethiopia	3.4	8 Somalia	3.4
9 Madagascar	3.2	9 Syria	3.1
10 Jordan	2.2	10 Algeria	3.0

Sources: United States: New Directions for U.S. Food Assistance: A Report of the Special Task Force on the Operation of P.L. 480, May, 1978.

Canada: Food and Medicaments Group, Material Management Division, 30 June, 1978.

Australia: Record of Operations, International Wheat Council, Jan. 22, 1979.

EEC: Food Outlook, Food and Agriculture Organization of the United Nations, No. 5, 1979,

WFP: Food Aid Bulletin, FAO, No. 1, January, 1979.

resources may be shifted from Indonesia to, for example, Bangladesh (not a step that would offend developmentally oriented food aid observers).

At the extreme opposite in relying on formal requirements is the allocation process of the EEC. Within its overall budget the Directorate with Council approval and prodding tends to follow rather ad hoc policies with even less incrementalism than United States allocations. Idiosyncratic interests of member states are reflected in food aid to such countries such as Malta and Gabon. Other allocations arise solely as a response to requests--in general none is turned down completely. Furthermore the dairy component in European food aid (all of which is administered by the EEC Commission) is very closely tied to the existence of surplus stocks acquired in Europe to support dairy prices.

Canadian allocations result from a process quite analogous to the one in the United States. They reflect incrementalism, considerable priority for development, and a growing use of multilateral channels (in 1979 about half of Canada's food aid went through the WFP). Countries with a priority for development assistance generally, such as Tanzania, have been regular recipients of food aid in recent years; on the other hand, political considerations are not absent as Canada provides food aid to Portugal because of the general commitment of the Trudeau and Clark governments to join other Western countries in providing assistance to Portugal.

The American Food Policy Elite: Influence and Goals

In his classic study of the politics of American agriculture, Charles Hardin identified an "iron triangle" that shaped policy.²⁹

Three centers influencing what happened were the agricultural

committees in Congress, especially their senior members who were often from farm states, the leadership of the Agriculture Department, and the farm bloc lobbies. Since food aid emerged largely as a response to the concerns of this community over domestic government-held surpluses, not surprisingly all three groups remain important participants in food aid policy making. Because food aid has important international and foreign policy ramifications, however, various other groups also have a stake in and play some role in shaping food aid policy. Some groups aim solely at shaping food aid policy; for others, their main interest lies in domestic supply policies and the effect of food aid on these. Bread for the World is an example of the former, while the Rice Millers Association is a group in the latter category. The Rice Millers have strong views on food aid, at least regarding rice.

Officials in a variety of such policy-shaping organizations were interviewed. The interviews sought to assess the influence over policy exercised by these groups, at least as perceived by others in the process. Forty-one formal interviews were conducted. Questions followed the interview protocol reproduced in Appendix B, asking each person about his or her role in and views on food aid policy. In addition to these interviews, I discussed this study with a number of other officials in order to learn more about the mechanics of the American policy process and the role played by foreign events and international bodies--factors outside the United States policy community per se.

The major groups included in the survey were officials of the Department of Agriculture, AID, the State Department, the White House staff (including OMB), farm and commodity group leaders, church and hunger lobbyists, and Congressional personnel. Choices of whom to interview

were determined on the basis of recommendations by scholars who have written on food aid and by individuals who undoubtedly played an important role in food aid policy making in the last few years.³⁰

During the interview respondents were asked three kinds of questions. First, I sought to learn their scope of responsibility in activities in shaping food aid policies at least as they understood it. Second, I asked about attitudes and perceptions regarding food aid and the role that other groups played in shaping food aid policy. Finally, I inquired about the purposes served by food aid and their views regarding possible steps to improve the reliability of food aid in serving these purposes. The professions of those interviewed might be regarded in two ways. First, respondents generally held either "staff" or "line" positions. Line indicates they had policy responsibility and budgetary discretion and includes assistance secretaries, heads of offices, and chief executives of interest groups. Most of those interviewed, however, held staff positions. An individual with a staff position might be a reliable spokesman for the point of view of his or her particular agency or organization, but generally did not have direct operational responsibility. More often than not they did research, wrote speeches, or provided direct backup to senior personnel. Staff interviewed include largely congressional staff and executive officials serving on the State Department's Policy Planning staff, the National Security Council, and the White House's Domestic Policy unit. A second classification for respondents was to group them according to location in government or the private sector. Four classifications were possible: Executive branch, Congress, private farm and agricultural groups, and private non-farm organizations.

American policy elites are basically favorably disposed towards food

aid. Eighty percent approximately held positive views towards food aid. Much of this enthusiasm, of course, was qualified. Only two respondents favored abolishing food aid. Since many respondents were responsible for shaping food aid legislation or for executing the program, it is not surprising that most had positive reactions. This extremely positive view, however, is not solely a reflection of a job acquired outlook, because similarly favorable opinions exist in the American public generally. Both intensive and extensive (survey) results similarly show generally positive views regarding food aid and/or government efforts to alleviate hunger.³¹ Table 4.4 reports the reactions of policy respondents. The only exception to clearly positive views among those involved in the policy process is the private non-farm organizations. Here a stronger and academically based skepticism exists regarding the efficacy of food aid and the possible ulterior or largely domestic motives that it serves. Several respondents of this group held quite negative, cynical views of food aid. Working frequently in church, citizen, and hunger lobbies, these people have been exposed to many criticisms of food aid that allege it has adverse effects on recipients including disincentives to production, lowered rural income, and increased dependency upon imports.³²

Goals for food aid

Officials interviewed were asked to indicate the relative importance of six purposes that food aid might serve. They were not asked their personal views, but rather to indicate what importance they believed was actually placed by the United States government as a whole on the six purposes. The six purposes, all in fact included as purposes in the P.L. 480 legislation itself were: famine relief, nutritional improvement, stabilization of the domestic food supply, export market promotion,

Table 4.4

Policy Elite Attitudes Toward Food Aid

<u>Overall Attitude</u>	<u>Position of Respondent</u>					
	<u>Staff</u> (25)	<u>Line</u> (15)	<u>Exec.</u> <u>Branch</u> (13)	<u>Congress</u> (12)	<u>Private</u> <u>Farm-Ag.</u> (6)	<u>Private</u> <u>Non-Farm</u> (8)
Positive	76	80	85	83	86	50
Very Ambiguous	20	20	15	17	14	38
Negative	4	0	0	0	0	12

Source: Interviews, January-March, 1979.

economic development, and the advancement of non-food foreign policy goals. Table 4.5 gives the responses to this question. The table indicates that famine relief is considered the most important objective for food aid; it received over forty percent of all indications of high importance. Three goals were frequently assigned intermediate importance, and only occasional high importance. In descending order of frequency these are: foreign policy support, export market promotion, and nutrition improvement. One objective, supply adjustment or surplus disposal, was thought by a few to be highly important, but it also was the goal most frequently categorized as having low importance. This purpose, as the responses suggest, is the most controversial. At the bottom of motivations thought to be governing food aid was economic development. This purpose, which has received the most attention in the rhetoric and legislation of the 1970's, was least often thought to have high importance in allocating food aid and was second most frequently accorded low importance. The discrepancy between public rhetoric and the widely shared private view that economic development is not a high priority suggests another important conflict exists. This suggests that the efforts of recent legislators to emphasize development purposes, both in Title I and in the especially created Title III "Food for Development" amendment (see Chapter Two), have not achieved their purpose.

Diplomatic aims and pressures from producer interests are still considered more influential. Simply put, a large gap exists between the rhetoric of the Carter administration--as seen in its May, 1978, study of the P.L. 480 law, its April, 1980, World Hunger Study, and the heightened interest in P.L. 480 through the Agency for International Development--and the reality as perceived by the policy elite.³³ In the May, 1978 study, fifty-five

Table 4.5

Policy Elite Views on Relative Importance of the Purposes
Served by Food Aid
(N = 37)

<u>Current (1979) Importance*</u>				
<u>Purpose</u>	<u>High Importance (times ment'd.)</u>	<u>% of Total</u>	<u>Low Importance (times ment'd.)</u>	<u>% of Total</u>
famine relief	20	42	0	0
nutritional	6	12.5	2	10.5
dom. supply stabilization	5	10.5	10	53
export market promotion	7	15	1	5
economic development	2	4	5	26
foreign policy goals	8	17	1	5
	<u>48 total</u>		<u>19 total</u>	
<u>Importance in Time of Shortage</u>				
<u>Purpose</u>	<u>Not Vulnerable (times ment'd.)</u>	<u>% of Total</u>	<u>Very Vulnerable (times ment'd.)</u>	<u>% of Total</u>
famine relief	31	52.5	0	0
nutritional	7	12	0	0
dom. supply stabilization	2	3	15	43
export market promotion	1	2	13	37
economic development	0	0	7	20
foreign policy goals	18	30.5	0	0
	<u>59 total</u>		<u>35 total</u>	

*Respondents were asked to indicate whether a particular purpose was

Table 4.5, continued

accorded "high," "medium," or "low" importance. A few gave no purpose a "high" or "low" rating; others considered more than one purpose to be "high." The same is true for answers to "not vulnerable" and "very vulnerable" extremes. These figures report the number of times any purpose was assigned an extreme category by any respondent--and a respondent saying all were equally important was adding nothing to the table, while someone ranking two highs or two lows would be counted twice for total "times mentioned." This tabulation, showing the proportion of high and low importance accorded each purpose, seemed the best way to assess the strength of the alternatives rather than assigning some arbitrary weight to high, medium, and low categories.

of 122 "experts" on food aid were asked to rank these objectives according to their own priorities. Economic development ranked high (third), while surplus disposal and foreign policy/security purposes were given lowest priority.³⁴ Again, the experts' priorities, except for the top priority given emergency relief, differ from the "reality" as perceived by those shaping policy, and from the analysis of earlier food aid actions.

The same priority among purposes for food aid is revealed in responses to another question. We asked: "What purpose(s) would be most and least vulnerable if there were another grain shortage, as occurred in 1973-74?" The purpose cited most often as least vulnerable--by fifty-three percent--was famine relief. At the other extreme, no one thought economic development would be immune from cutbacks in a tight supply situation. Commercial programs were cited more often as very vulnerable under these circumstances.

Officials, therefore, seem to expect that economic development uses will be the first to be curtailed during shortage situations, but such uses were not thought likely to be the first to be dropped completely. The major reason that domestic supply stabilization and export market promotion were thought vulnerable was because the justification for using food aid to assist domestic agriculture to get rid of surpluses or expand markets simply would not exist during a shortage period. After all, when shortages exist there is an excess of market demand and little need to stimulate demand further through market promotion techniques.

One explanation for the contradiction between the high priority accorded economic development in the Carter administration's rhetoric and the low priority elite perceive it to be given in "reality" is that

those who have the most influence to affect decisions do not give development high priority. Thirteen groups that have a stake or role in food aid policy were mentioned to our respondents. With respect to each they were asked to rate how much influence each group exercised. Influence could range from determinative (at least over some food aid issues) to very little. Table 4.6 reports the answers of thirty-nine of the forty-one respondents. Six groups were accorded high or determinative influence: Agriculture, AID, International Organizations, Congress, the Office of Management and Budget, and the State Department. In general, officials tended to imagine their own group to be more influential than others. For example, seventy percent of those in Congressional posts rated Congress as having high influence, while only twenty-six percent of others did so. A similar pattern occurred for most groups.³⁵ The exception was farm and commodity lobbies; officials of these organizations consistently rated their own influence lower than others did. Wheat and rice commodity interests were thought to be especially strong, though not by leaders of those groups. Lobby groups are well known for deprecating their influence to the public while offering more generous estimates of their ability (or potential ability) to their membership.

Generally, those in government tended more than the average to assign high influence to American governmental agencies and low influence to outside agencies such as multi-national corporations, foreign governments, or international organizations. Conversely, those in the private sector reversed this pattern. Among "line" officials, that is, those with direct roles in decision making, AID and OMB were perceived as having the greatest capacity to determine outcomes, and in Congress, it is Congress and the Department of Agriculture that are rated as having

Table 4.6

Relative Influence of Specified Groups on Food Aid Policy:

Percentage rating the group as having either
high or "determinative" influence

	<u>All</u> (39)*	<u>Line</u> <u>Position</u> (15)*	<u>Exec.</u> (13)*	<u>Congress</u> (12)*	<u>Private</u> <u>Farm-Ag.</u> (6)*	<u>Private</u> <u>Non-Farm</u> (8)*
Agriculture	51	47	46	67	33	50
AID	49	60	54	58	60	25
International Orgs.	45	40	31	54	33	62
Congress	41	27	25	70	33	25
OMB	40	60	54	33	33	37
State	39	47	38	25	60	50
Other Donor Govts.	31	40	23	27	50	37
Multinat. Corps.	29	29	9	18	67	43
Commodity Assocs.	11	13	8	9	0	29
Recipient Govts.	9	20	8	0	25	12
Church/Hunger Groups	8	0	0	33	0	0
Dom. Farm Lobbies	5	7	8	8	0	0
Exporting Firms	4	0	10	44	0	0

*The number of respondents may be lower on occasion because of missing data; as a result, percentages sometimes are based on a lower N than that at the top of the column.

the most influence.

This pattern seems most explicable in terms of proximity. Officials who work close to one or another group are more likely to see it as having influence. The Congressional staff dealing with P.L. 480 most often are agricultural, not foreign affairs specialists. Overall, most of their dealings outside Congress were with the Department of Agriculture; hence, they tend to see Agriculture as dominating the policy process. Inside the Executive branch, however, and especially for those in line positions, AID with its large base of information from overseas missions and OMB with its central role in shaping the budget are rated as most influential.

Some respondents pointed out how difficult it was to assign high or low ratings to particular groups, since the relative influence of a particular agency or lobby can change and has changed, depending upon the policy issue in question. On the question of the food aid budget size, OMB might be decisive; if it is a question of which commodity can be included in the program for a particular country, Agriculture would be dominant. When respondents raised this problem, they were asked to assess the influence of each of the groups on the issue of the total aid package and how rules for administering food aid would be made, rather than the details of specific allocations.

The relatively weak influence assigned farm lobby organizations is consistent with the declining importance of concessional exports to farmers in general and commodity groups in particular. P.L. 480 wheat exports in the 1960's, for example, represented forty to eighty percent of total wheat exports. Since 1974, although exports as a percentage of total domestic production have remained high, averaging nearly sixty

percent, the proportion represented by food aid has declined to between five and nineteen percent. Corn has never been highly important in food aid flows but it too has declined as a proportion of total exports under P.L. 480, while its importance as an export crop has increased. In the 1960's rice, like wheat, had a large proportion of its total exports shipped as food aid. The proportion increased when food aid shifted heavily towards rice-consuming countries in Southeast Asia. Since the early 1970's, however, the percentage of rice exports covered by P.L. 480 has dropped from roughly fifty percent to twenty-five percent. In 1978, faced with large rice stocks in the United States, the Rice Millers Association mounted a campaign to increase the use of rice exports in P.L. 480 programs. Prominent rice growers, milling and trading executives, and Congressmen extensively lobbied Secretary Bergland and senior USDA personnel. In addition the Rice Millers Association drew up a detailed policy paper. The paper proposed an alternative set of rice shipments to P.L. 480 recipients, about double that proposed by the administration. In response, the USDA analyzed both the value to domestic farm programs of additional rice shipments, and the possible international impact of such increased P.L. 480 rice exports, including disincentive effects and potential harm to other rice exporters, particularly Thailand. The result showed fewer benefits and larger costs than the Rice Millers had thought. With rising costs for wheat and other commodities in the P.L. 480 program and with the decision made by President Carter in 1978 not to increase the initial budget, USDA decided not to seek a significant increase in the use of rice in P.L. 480. Rice, along with dry milk which was also in surplus, was however added to the list of commodities available for Title II programs. This allowed the CRS and the World Food Program to

add rice to their projects on a continuing basis for at least three years.

The groups with little influence were farm lobbies, exporting firms, and church groups. Some church and humanitarian groups were influential, however; these were the international voluntary agencies, and the World Food Program. They desire influence for understandable reasons--a large part of their budget and program support comes from United States food aid. Of the American-based voluntary agencies which help administer overseas distribution, the two largest, CARE and CRS, receive well over half of their budget from the United States and the U.S. Government, as Table 4.7 indicates. Such agencies clearly have a large and continuing stake in the food aid program. Indeed, to protect this stake these groups were able to get P.L. 480 amended in 1975 to guarantee 1.6 million tons, minimum, for the Title II program. While such groups do work for humanitarian and nutritional ends, their commitment to economic development has not been prominent. Along with Agriculture and the State Department, they seek food aid allocations that give priority to their institutional interests. Thus for these three influential groups, domestic farm needs, foreign policy goals, and sustaining overseas bureaucratic and religious organizations, respectively, receive higher priority than are given developmental ends.³⁶

Although some cynicism was expressed by policy elite over the lack of seriousness about development, at least as they saw it having low priority in current food aid programs, a large majority expressed support for improving the program so that it would better serve nutritional humanitarian and developmental interests. Many of them had worked for legislative amendments or new administrative practices aimed at this

Table 4.7

Voluntary Organizations' Budgets: Their Stake in Food Aid
(in millions of dollars for 1978)

	<u>CARE</u>	Catholic Relief Service <u>CRS</u>	Church World Service <u>CWS</u>	Seventh-day Adventist World Service <u>SAWS</u>	Lutheran World Relief <u>LWR</u>
Private Support (including revenues)	23.6	39.2	20.9	3.0	7.3
Government Support					
P.L. 480 Food	120.7	108.6	3.1	3.2	.99
P.L. 480 Shipping	43.1	29.9	.91	.87	.48
Other	8.5	7.5	4.0	.4	1.5
Total Government	172.3	146.0	8.0	4.5	1.9
Total Budget*	212.2	186.5	29.0	7.6	9.2
% Support from U.S. Government	81.2	78.3	27.5	59.2	27.6
% Food Value in operation	56.9	58.2	10.7	42.1	10.8

*Includes support from international organizations/other governments.

The American Jewish Committee also receives some food aid, but less than \$100,000 worth.

Source: Agency for International Development from PDC/PVC/PLD: 3/15/79.

very end. From their outlook the principal liabilities of the program have not rested with intrinsic features of food aid, such as possible disincentive effects, but with external constraints imposed by competing domestic and international interests which have successfully steered the priorities and resources of the program toward other ends. To summarize the elite's views, then, we note that support for food aid generally remains high. With the decline of its importance to commodity groups and farmers in general, however, there has been a corresponding decline of support for food aid, as reflected in the attitudes of spokespersons for these interests and the reports of others. This decline is most pronounced in general purpose farm organizations such as the American Farm Bureau, rather than in specialized wheat and rice organizations. In addition, because macroeconomic concerns centered in the White House, OMB, and Treasury and foreign policy interests in the State Department have increased their interest in food aid, support for the "new directions" use of food aid for development is weaker than rhetoric about it suggests. These non-development concerns have grown at a time when the key commercial groups, early supporters of food aid, show diminishing interest. Thus hunger organizations which have also long supported the program are not substantially more influential in shaping policy, in spite of the decline of the older narrow farm interests.

The decline in the volume of American food aid in the 1970's, therefore, is not a shortrun aberration; nor is it simply a function of the changing American stock position. Important but mild shifts in the intensity and breadth of support for the food aid program in general have also occurred. These were mentioned by a number of those interviewed and were reflected in their responses in a variety of ways. For example,

many respondents doubted that the volume of American food aid would ever certainly not in relative terms. rise to the levels of the 1960's,³⁷ Those for whom domestic supply motives were important--individuals working for farm interests in lobbies, Congress, and the Executive branch--with but one exception indicated the program had less appeal and importance for them than previously.³⁷ Among AID, Agriculture Department, and church/hunger group officials there was a general sensitivity to the criticisms, both practical and theoretical, that have been leveled at food aid (as discussed in Chapter Three). For many this has resulted in a degree of skepticism and wariness toward food aid that tempers their favorable orientations. Perhaps the only unreserved enthusiasts of food aid (though not all food aid policies) were the voluntary agency and World Food Program personnel.

The American Public's Views on Food Aid

There is substantial evidence that the American public supports efforts to alleviate hunger and that food aid is thought to do this. Such support, though diffuse, provides a context that encourages favorable predispositions among both politicians and bureaucrats. Neither political candidates nor government spokespersons can imagine themselves advantaged by appearing disinterested in the problem of hunger. As long as food aid is seen as a tool to address hunger and to improve the well being of desperate peoples it is immune from attack. A poll commissioned by President Carter's Commission on World Hunger in March, 1979, shows that thirty-eight percent of the population favored increased American efforts to end world hunger and only twelve percent preferred a reduction in the budget for this purpose (see Table 4.8).³⁸ Somewhat lower support is evidenced for hunger programs in general. This finding is consistent

Table 4.8

National Attitudes Toward World Hunger and Related Government Programs

	<u>Total</u> (2573)*	<u>Income over</u> <u>\$25,000</u> (438)	<u>College</u> <u>Education</u> (808)	<u>Republican</u> (563)
A. U.S. Gov't. programs to alleviate world hunger should:				
Have their budget doubled	14.6	12.3	17.9	10.8
Increase their budget to same level as other wealthy countries	23.1	29.5	24.0	23.3
Keep programs as at present	40.6	44.5	42.6	43.5
Reduce budget for hunger programs	12.4	10.0	10.4	15.3
Do not know	9.2	3.7	5.1	7.1
Reasons for the Above:				
Give more at home	20.5	17.4	17.0	18.7
Give fair share	19.5	23.3	23.8	16.5
We give enough now	13.9	14.2	12.0	15.8
Give enough to meet needs of hungry	10.1	11.0	12.3	7.8
Other countries should give more	7.7	12.8	8.0	11.0
Better to improve existing programs	5.9	5.7	7.3	5.7
People should help themselves	5.0	6.4	6.1	7.5
Cannot afford more	5.1	4.3	6.7	5.7
B. Gov't. spending to alleviate hunger should be:				
Increased	31.1	31.1	35.3	25.4
Kept at present level	49.9	55.5	49.1	52.4
Reduced	12.8	11.0	10.5	16.3
Ended	2.2	.9	2.2	3.0
Do not know	4.0	1.6	2.8	2.8

*Number in sample refers to the weighted base; the actual number of interviews was 1547.

Source: Gallup Poll, March 23-April 2, 1979, commissioned by the President's Commission on World Hunger. Data supplied by the Commission.

with earlier studies which have regularly indicated a favorable disposition towards policies aimed at alleviating international famine and hunger. Such broad snapshots of public opinion confirm the rationality of politicians who support foreign food and hunger programs.

After all, a principal objective of politicians is to be elected (or re-elected); they are unlikely to take a position, regardless of their private convictions, on an issue that is contrary to the views of a large proportion of the American population.³⁹

In addition to national surveys, an alternative is available for investigating the viewpoints of various segments of a population. This alternative approach relies upon intensive analysis.⁴⁰ Selected statements on a given topic are presented to a sample of people--one deliberately selected to reflect diverse points of view. I undertook such an intensive analysis on the topic of food aid.

The procedure followed was to give each person selected a sample of statements. Since the statements are fairly specific, informants need to be well informed, as well as having diverse views. Each person sorts the statements along a continuum from those with which they most agree to those with which they disagree. This technique is commonly referred to as a Q-Sort.

Forty-eight people responded to the study. They were drawn from various locales and social strata in the United States. They include a few farm lobbyists based in Washington, some farmers and nonprofessionals from the Midwest (Iowa and Illinois), a few members of a church and hunger committee in a Philadelphia suburb, and a group of professionals in the New York area.

Twenty-five statements on food aid and the use of food by the United States with respect to issues of hunger and development were used. Particular statements dealt with concerns about the purposes food aid should serve, the extent to which food aid has been a help to recipients, and the role that various groups, including multinational corporations, have played in promoting or alleviating problems of malnutrition and development. A complete list of the twenty-five statements appears in Appendix E.

The purpose of this inquiry was to capture in more accurate detail the viewpoints held by Americans, and to allow important differences in their views to be clarified. Compared to other applications of this method, such as to the issue of Watergate, there were practically no sharp differences in the orientations of respondents, even though a diverse group of respondents was deliberately sought. The average response, then, as shown in the pyramid distribution of Figure 4.1, represents a widely shared pattern. An interpretation of this consensus can be made by looking at the item which evoked the strongest reactions-- either in agreement or disagreement. These statements are presented in Figure 4.1. In general, altruism marks the American position. Giving priority to the interests of American farmers or export prospects is decisively rejected; what is accepted is that the United States plays a profound role in global food availability, that humanitarian concerns are overriding, and that international grain reserves and longer-term food aid commitments are desirable.

To test whether any distinctly different viewpoints existed among the panelists a procedure for separating the subgroups which were most alike was used: a "cluster analysis" routine. This technique distinguished

Figure 4.1

**Viewpoint of All Respondents to Food Issues:
Distribution of the Mean Score for Twenty-five Items***

Most Disagree					Most Agree				
-4	-3	-2	-1	0	+1	+2	+3	+4	
21 -1.9	4 -1.5	10 -1.4	5 -1.0	1 -0.3	18 0.4	7 1.1	19 1.5	9 1.8	Raw Scores assigned by each person
	12 -1.4	20 -1.3	24 -0.9	14 0.2	3 0.5	11 1.3	23 1.8		
		6 -1.1	16 -0.7	22 0.0	15 0.9	8 1.4			
			2 -0.4	13 0.0	17 1.0				
				25 0.3					

Most Positive Statements

The United States will continue to have a profound effect in the global decision of "Who shall eat?"

The U.S. should encourage other nations, both rich and poor, to build their own grain reserves rather than to rely on imports from the United States.

Food aid is a precious resource which, in a world of half a billion chronically malnourished people, must be used first of all for humanitarian needs.

If the food aid program is to help poor countries develop, the U.S. must make multi-year commitments to provide food aid.

Most Negative Statements

Food aid should only be a safety valve for otherwise unmarketable excess commodities.

We have given away \$27 billion of food in the last two decades, all the while having hunger and malnutrition within our own borders; now it is time to start looking out for ourselves first.

Our government's first priority for food aid should be to protect and advance the interests of our farmers.

The poor countries should put their first priority on expanding their manufacturing sectors rather than trying to compete with American food exports.

*In the inverted triangle above, similar to the one respondents used in recording responses, the statement numbers are given (see Appendix B) and below them the mean score the item received.

two groups, labeled I and II, and a residual category of people fitting neither pattern, labeled III. The groups are distinguished on the basis of their different pattern of scoring the Q-Sort items, although it should be recalled that no one individual or group held strongly divergent views from the others.

After discussing the subtle differences among the viewpoints of these three (or so) sub-types, I will describe some of the major demographic traits of respondents and of each sub-type. These traits, including sources people used for news information, help explain their different emphases for food policy issues.

Figure 4.2 lists the strongest positive and negative items, helping distinguish the different emphases of groups I, II, and III. The cluster of Type I respondents emphatically rejects an isolationist and a narrow self-interest perspective for America. For Type I respondents, now is not the time to start looking out for ourselves "first"; nor should food aid be used as a safety valve for excess commodities. They also reject notions that attack food aid, such as the statement that poor countries may not benefit from aid since such welfare can create dependency, or the view that poor countries should be prevented from competing with American exports. Consistent with these altruistic views are the statements they most closely associate themselves with--that food aid should be assured to people for its humanitarian benefits, assured in bad times as well as good, and assured by taking aid needs into account when planning how much American farmers should grow. They also accept a broad need to somehow reshape the world economy if a serious approach to the problem of malnutrition is to be undertaken.

Respondents in Group II held rather similar views to those of Group I.

Figure 4.2

Viewpoints of Sub-groups on Food Issues:
The Strongest Items for Groups I, II, and III

Type I (N = 24)

Most Positive Statements

Food aid is a precious resource which, in a world of half a billion chronically malnourished people, must be used first of all for humanitarian needs.

Our nation should participate constructively in meeting human needs overseas. This can only be achieved if U.S. food aid availability is assured in bad times as well as good.

No approach to the food problem that fails to involve basic changes in the structure of the world economy can be viewed as a serious approach to the problem of malnutrition.

Food assistance needs should be taken into account in planning how much American farmers should grow.

Most Negative Statements

Food aid should only be a safety valve for otherwise unmarketable excess commodities.

We have given away \$27 billion of food in the last two decades, all the while having hunger and malnutrition within our own borders; now it is time to start looking out for ourselves first.

To give food aid to countries just because they are poorer than we are is a very weak reason; we know how welfare creates dependency in our own country.

The poor countries should put their first priority on expanding their manufacturing sectors rather than trying to compete with American food exports.

Type II (N = 10)

Most Positive Statements

The real cure for hunger is jobs, earning, and purchasing power for food.

Food aid is a precious resource which, in a world of half a billion chronically malnourished people, must be used first of all for humanitarian needs.

The U.S. should encourage other nations, both rich and poor, to build their own grain reserves rather than to rely on imports from the United States.

If the food aid program is to help poor countries develop, the U.S. must make multi-year commitments to provide food aid.

Most Negative Statements

We have given away \$27 billion of food in the last two decades, all the while having hunger and malnutrition within our own borders; now it is time to start looking out for ourselves first.

It would be better to give foreign assistance as cash rather than as food aid.

Our government's first priority for food aid should be to protect and advance the interests of our farmers.

Food aid should only be a safety valve for other unmarketable excess commodities.

Figure 4.2, continued

Type III (N = 14)

Most Positive Statements

The United States will continue to have a profound effect in the global decision of "Who shall eat?"

The U.S. should encourage other nations, both rich and poor, to build their own grain reserves rather than to rely on imports from the United States.

The only permanent solution to world food and hunger problems is for poor countries to work harder and produce food for their people.

No approach to the food problem that fails to involve basic changes in the structure of the world economy can be viewed as a serious approach to the problem of malnutrition.

Most Negative Statements

The world needs food reserves, but if necessary the United States must pay for these alone.

Giant agribusiness corporations are at the root of the world food problem.

It would be better to give foreign assistance as cash rather than as food aid.

The Public Law 480 food aid program is vivid testimony to the generosity of the American people.

They rejected the same items, disagreeing that now is the time for Americans to start looking out for themselves first, that food aid should be a safety valve, or that its first policy priority should be to advance American farmers' interests. A distinctive view is their rejection of the conventional wisdom of economists that foreign assistance as cash would be better than food. One reason for this may be that respondents interpreted the statement as an implicit attack on food aid and a justification for cutting assistance budgets rather than as a philosophical claim.

Type III respondents also rejected this claim. Their greatest concern, however, is that although powerful, the United States still can not be fully responsible for meeting world food needs. Thus their preference for food aid may reflect a desire that the United States continue to play an important role as the supplier of food to the world. This rejection is in marked contrast to the viewpoint of the "experts" surveyed by the 1978 P.L. 480 task force, which agreed with this criticism of food aid, at least implicitly, by accepting as valid the disincentive and distorting effects of food aid (as discussed in Chapter Three).⁴¹ Type II respondents do, however, worry about exactly these effects; they do not follow economists consistently, however, in associating such criticism with the notion that cash is better than "tied" or commodity aid.

Type II respondents hold some views typical of those held by the leaders of hunger groups and church-based lobbies that I interviewed. For instance, the solution to hunger problems which they most accept relies on improving the earning power of poor people and on self-reliance of poor countries. Their differences with Type I are most sharp with

respect to the support that Type II respondents gave the statement that "an expansion of the food aid program should not be carried out lest it discourage increased food production within food deficit countries," a claim Type I respondents generally rejected. The 1979 amendments to the food aid legislation included precisely this admonition. The President now must ascertain that food aid will not discourage production in any recipient, an addition drafted and backed by hunger and church groups. The best explanation for the relative acceptance of this statement among Type II respondents is their high concern for the effects of food aid in developing countries.

Type III respondents, like Type II, differ only marginally from the generally favorable attitude towards addressing world food problems by the use of food aid. Aside from rejecting the idea that cash would be better than food as foreign assistance, they also reject strongly the idea that the United States should pay for needed food reserves on its own or that giant agri-business corporations are at the root of world food problems. Nor can they swallow the notion that P.L. 480 food aid testifies to the generosity of the American people. They are skeptical of this claim; it is the fourth most strongly rejected statement. Among the statements with which Type III respondents most agreed is one that Type I and II respondents both rejected, namely, "the only permanent solution to world food and hunger problems is for poor countries to work harder and produce food for their people." Possibly the phrase "work harder" acted as a code word for the somewhat more liberal and highly educated Type I and Type II audience, implying a criticism that people in poor countries were lazy, a proposition they would reject. In any event, however, Type III respondents clearly do wish to see the burden

for solving world food problems shifted from the United States and placed more on other countries, particularly poor countries. Just as the disagreements among the Commissioners of President Carter's Hunger Commission were over emphases and degrees of responsibility, so the intensive analysis of this group of the public reveals similar minor differences. All support using food as an international policy; not all are sanguine about every aspect of food aid or the degree of the United States' burden.

Table 4.9 presents some of the important demographic characteristics of these three groups. Type I respondents are traditional democratic liberals with a heavy representation of Jews, professional people, and those with high incomes (over \$30,000). Respondents who fell into the Type II category were even more notably democratic in party identification, but were heavily protestant in religious orientation and well educated. Their chief distinction from Type I respondents was that half of them were either students or without an occupation. Type III respondents were generally more conservative, more republican, less well educated and had a more diverse occupational status and somewhat lower income. These demographic differences are compatible with responses to the question about the sources of information our respondents used. Type I respondents largely read the elite press, such as the New York Times or the Washington Post, and elite magazines such as the Atlantic Monthly and Harpers, and relied somewhat less than the rest upon television news. At the other extreme, relatively few of Type III respondents read elite press or magazines.

Summary of Public Views

The most important conclusion from this intensive opinion analysis is that no major disagreements separate the three viewpoints. This is

Table 4.9

Major Characteristics for Food Issue Viewpoints

	All Respondents (N=48) %	Type I Respondents (N=24) %	Type II Respondents (N=10) %	Type III or Other Respondents (N=14) %
Political Party				
Democratic	52	54	80	29
Republican	19	13	20	29
Independent	13	17	-	14
Religions Affiliation				
Protest. Mainline	44	33	60	50
Jewish	15	21	10	7
Protest. Fundamental	8	17	-	-
Roman Catholic	13	8	10	21
Level of Education				
High School	6	-	10	14
Bachelors	23	20	20	29
Adv. or Professional	71	80	70	57
Occupation				
None	4	4	10	-
Executive	4	-	-	14
Professional	38	50	20	29
Farmer	6	-	20	7
Homemaker	6	13	-	-
Student	25	20	40	21
White collar cleric.	15	13	10	21
Blue collar	2	-	-	7
Income				
Under \$10,000	13	13	10	14
\$10,000 - \$30,000	38	30	50	43
Over \$30,000	50	54	40	35
News & Media Sources				
Read elite press	52	66	50	29
Read elite magazines	35	46	40	14
Informed from TV	31	25	30	43

in sharp contrast to most issues viewed by the American public. In a number of studies that have used the Q-Sort technique sharp disagreement has invariably characterized two or more distinctive viewpoints. For the cluster analysis for food issues -this is not true. There is broad agreement among this study's fairly diverse though well-educated respondents. Even though they could be categorized into distinct groups by maximizing the agreement within each group and thus sharpening potential disagreement among groups, common opinions existed favoring food aid and looking for solutions to world food problems, and there were few major differences. True Type III respondents worried less about the United States' being a reliable supplier and were more interested in not blaming the United States or agribusiness for food problems, but this more isolationist orientation is only a matter of degree. They are only mildly negative toward a statement rejected strongly by Type I and Type II respondents, that now is the time for Americans to "start looking out for ourselves first." There may be the flavor of "liberal" or "establishment" orientation in the Type I viewpoint, or a more radical or "isolationist" thread in Types II and III, but such sentiments are expressed only in mild ways by respondents and do not point to major disagreements on the food issue. While the sample in this study cannot claim to represent what percentage of Americans hold any particular view, the general positive orientation towards food aid is further evidence of the conclusion that broad support exists for efforts to solve world hunger problems--support among widely different groups of Americans. Even though some Americans prefer increasing and other limiting the role for the United States, food problems are accepted as a legitimate responsibility and food aid is seen as a legitimate tool of American policy, though not always the best one.

This general support for American food efforts is reflected in the four statements on which respondents were both in less disagreement, i.e., which they all supported. Figure 4.3 lists these four items. It also highlights the areas of largest disagreement by listing three items on which views were most dissimilar. The items of highest consensus supported continuity of food aid ("in good times and bad"), agreed that the United States had a profound effect on global food distribution, and expressed a reluctance to increase food aid programs whenever they could decrease incentives for food production in recipient countries. The fourth assertion to which all reacted similarly also reflected mixed feelings. It proclaimed, "there is no conflict between the interest of American farmers and the need to feed hungry people." This claim nearly always appeared in the middle of respondents' ratings, and indicates widespread ambivalence. The public cannot ignore that there may be some conflicts, but because it supports accepting American responsibility for food and hunger, it would prefer this goal to be compatible with farm domestic goals.

Controversy in public viewpoints exists around the claim that food aid is "our best practical tool in the fight against hunger." This highlights an important aspect in people's orientations; namely, although all might agree that the United States has some responsibility in the global fight against hunger, the virtue of food aid is quite debatable. This ambivalence is certainly consonant with the views of the policy elite, especially the church and hunger groups that felt doubt about the value of food aid for development, in contrast to government officials, who were enthusiastic about its prospects. Two other items engendered substantial disagreement. These dealt with "permanent solutions" and

Figure 4.3

Most and Least Controversial Food Issues

Most Disagreement
(average variance 2.1)

Food aid is our best practical tool in the fight against hunger.

The real cure for hunger is jobs, earning, and purchasing power for food.

The only permanent solution to world food and hunger problems is for poor countries to work harder and produce food for their people.

Least Disagreement
(average variance 1.2)

Our nation should participate constructively in meeting human needs overseas. This can only be achieved if United States food aid availability is assured in bad times as well as good.

The United States will continue to have a profound effect in the global decision of "Who shall eat?".

An expansion of the food aid program should not be carried out lest it discourage increased food production within the food deficit countries.

There is no conflict between the interests of American farmers and the need to feed hungry people.

"real cures." For many the responsibility to cure hunger lies with those suffering from insufficient food. Some, however, emphasize the need for such people to overcome poverty through jobs and purchasing power, while others reject this idea; some emphasize the need for hungry people to work harder, while others clearly reject this claim. Americans, in short, do not know what hungry people must do to achieve long-term solutions to their food problems. This is quite parallel to the more detailed dilemmas and disagreement among experts, including those whose job it is to administer foreign aid or to provide policy advice on food problems.

The Donor's Role: A Summary

I began this chapter by raising several general questions about donor country behavior. From this review of various donors, most especially the United States, answers to the most general of the questions raised can be given.

Why food aid?

What motivates donors--the first question--turns out in practically every case to be a blend of altruistic and humanitarian concerns over food needs, with more particular and self-interested objectives in supplying food.

In the United States, the evidence presented was most abundant. The general public and aid experts broadly support food aid and give priority to the liberal humanitarian concerns of emergency relief, nutrition, and economic development. The views of policy elite and a statistical analysis of the pattern of American food aid, however, indicate that surplus disposal (to aid farmers) and political considerations are

extremely important, the former in shaping variations in the tonnage of grain aid provided, and the latter in determining who will be major recipients. Both have been at odds with overseas needs. Supply considerations forced lower tonnages to be sent in the 1973-75 period, even though general overseas needs were rising, while political factors determined the heavy supply to Southeast Asia and Korea in the late 1960's and early 1970's and to Egypt after 1974.

The evidence for the role of surplus disposal and political considerations in the motivation of other donors is much less complete. Nevertheless, it is clear that political considerations play a role for most, either in choosing food or in allocations, or both. Furthermore, surplus disposal and market development factors have played a role for grain-exporting donors such as France, Canada, and Australia. That Australian and Canadian trade officials have a say in shaping allocations is perhaps evidence enough. In addition, for Canada the variation in grain and oil seed supplied and for the Europe the variation in dairy products supplied testify to the effect of surpluses upon food donations. Still, the fact that most donors except for the United States, Canada, and Japan have provided grain in amounts close to their stated pledges under the Food Aid Convention demonstrates the important role this agreement plays in mitigating instability in food aid flows and pressures from market factors.

The Soviet Union, an irregular donor, is a special case. Political factors unambiguously dominate in its choice of food aid recipients—Egypt in the late 1960's, India in 1973, and Vietnam and Cambodia in 1977-79. On the other hand, these cases presented genuine need due to shortfalls either in domestic supplies or, for Egypt, food aid imports

from others.

The most systematic evidence I gathered to assess the altruistic component in motivations is only for the United States. Nevertheless, dozens of interviews with aid officials and academics in Europe, Canada, and Australia convince me that sentiments quite similar to those found in the American national surveys, elite interviews, and intensive analysis of a sample of the public not only exist in most other countries, but also actively shape pressures on their governments' uses of food aid. The result is that the institutionalized program of the regular donors rest in fair degree upon a diffuse sense of obligation to address food problems in less fortunate countries by those in more affluent ones. An acute lack of food among some people on earth creates an irresistible claim upon those with affluence who have acquired even a minimal moral viewpoint. This altruism or sense of obligation to respond to critical food needs is evident in the widespread support for programs addressed to hunger among general publics and in the signal importance accorded emergency relief by food aid experts and policy elite. Emergencies, all agree, take precedence over political, development, or domestic adjustment purposes for food aid. Indeed, the diffuse moral basis for food aid sustains a broad envelope of support within which more particular consideration and motivations compete to determine the more specific details of food aid policy.

Why the year-to-year variations?

The major explanation for the variations in the tonnage of food aid provided by donors each year is domestic supply considerations. The United States is the principal contributor to year-to-year changes in food aid flows. The complex pressures from budget, macro-economic,

foreign policy and humanitarian organizations reviewed earlier have all been factors in shaping swings in American contributions in the 1960's and most importantly in the 1970's. Nevertheless, the biggest factor of all has been the rise in the demand for commercial food exports which, coupled with changes in the domestic government stock-holding policies, have both affected the tonnage that can be purchased for fixed dollar amounts and reduced pressure from domestic farm interests for food aid. Surplus disposal simply could not be eliminated as a significant factor in any of the regression equations used to "explain" the size of American aid. The swings in Japanese cereal aid and the downturn in Canadian aid in the late 1970's are also attributable to similar domestic pressures.

The other major factor determining the size of year-to-year international flows is the Food Aid Convention pledges. These have been institutionalized into the planning and budgeting operations of most of the small donors (Italy may be an exception). The increased 1980 FAC pledges have also been so incorporated. Indeed, they were anticipated in budget plans for many countries--though not the United States--as early as 1978, according to EEC and Australian officials.⁴²

What explains allocations?

The simplest explanation for allocations involves three factors: need, political considerations, and programs of others. In 1980, when Eastern African drought and Somalian refugee needs created a massive climb in food aid needs, the major donors, both bilaterally and through the World Food Program, responded with increased allocations. A similar pattern occurred for India in the mid-1960's, for the Sahel region of Africa and for Bangladesh in the early 1970's. Need affects American

allocations, as both the regression analysis and the review of the budget process indicated. It was built into the center of the Australian model for allocations. And its importance was cited in myriad examples offered by food aid officials at the EEC and in Canada.

Need is not controlling, however. It does not explain American aid to Egypt, Canadian aid to Portugal, certain WFP programs in Europe and Latin America, EEC aid to Malta, French aid to ex-colonial areas of West Africa, or British aid to India and Lesotho. In these and a significant number of other cases, political considerations based on an interest in improving or maintaining good relations with the recipient country government, and providing support for that government's continued existence, dictated the aid allocation. Occasionally semi-political factors such as bureaucratic inertia and program continuity also play a significant role.

The United States (USDA) estimated the proportion of its food aid under P.L. 480--not counting several hundred million dollars of food assistance under AID--that went for political purposes in support of recipient governments to have been thirty-nine percent ⁴³ (2.5 million tons). ⁴³ This is quantitatively the largest amount of total U.S. aid, a quarter of all aid that year, and probably the largest proportion that any country or organization allocated primarily for political reasons.

Finally, a third factor affecting at least some allocations of each donor is the activities of other donors. The American aid to Haiti has been affected by Canadian concerns; Canadian interest in and wheat aid to Tanzania has affected American allocations to Tanzania. Canada stopped sending aid to Egypt when its program was dwarfed by the American

program there. Emergency responses by the WFP in Vietnam have reduced the "need" concerns recognized by other donors, notably the United States. Specific donor collaboration in the Sahel in 1973-76, in Bangladesh in 1974-78, and in Zaire in 1978-80 have facilitated coordination of food aid allocations for these recipients and even attempted to optimize the timing of shipment arrivals. Collaboration in Eastern Africa begun in 1980 is aimed at similar objectives.

Individual bilateral donor efforts may be faulted for failing to give highest priority to the comparative needs of recipients. Clearly, bureaucratic, political, and other factors have affected allocations in ways that fail to address food needs and from a global perspective are deviations from a use of food aid that maximizes welfare cost/benefits. The increase among donors in tracking other countries' contributions and coordinating their aid explicitly or implicitly with others has been a positive step, albeit far from adequately utilized, towards allowing the peculiarities of individual donors arising from political, geographical, or other considerations, to be cancelled out. In short, a review of the allocation patterns of major donors shown in Table 4.3 suggests that the pattern of any one donor reflects political interests or rules such as "spread it around," resulting in allocations that inadequately consider the particular recipient countries' needs in that year. However, the total international flow, while still far from perfect, tends to compensate for the individual donor failures or deviations from the ideal. Donor coordination and reactions to each other's programs, therefore, can be a positive factor in improving allocations so that they more nearly correspond to the humanitarian ideals upon which international food aid programs most broadly rest.

CHAPTER IV: FOOTNOTES

- 1 See George Orwell, Animal Farm (New York: Harcourt, Brace, 1946).
- 2 Saudi Arabia has recently been providing twenty-five million dollars a year to the World Food Program.
- 3 In earlier years, of course, prominent senators such as Hubert Humphrey took a large leadership role in shaping food aid policies. However, Humphrey and others such as George McGovern and Dick Clark were always members of both the Agricultural Committee and the Foreign Relations Committee.
- 4 The characteristics of crises over food are discussed in Raymond F. Hopkins and Donald J. Puchala, The Global Political Commodity of Food (Madison: University of Wisconsin Press, 1979) Chapter I.
- 5 This conclusion has been suggested by studies carried out in 1975-76 by the General Accounting Office. See United States Export Prospects General Accounting Office, Issue Surrounding The Management of Agricultural Exports, Report to Congress (Washington, GAO, May 2, 1977).
- 6 These judgments are based upon conversations with Michael Allen, Principal, Food Aid Office, Administry of Overseas Development United Kingdom, and Dr. Friedrich Kalff, head of the German food aid program.
- 7 It is ironic that the Soviets, whose massive purchases of wheat and corn in 1972 had been a major factor in the world price increase, should be able to supply food aid in 1973. The 1973 harvest, however, was a bumper crop and, further, some analysts believe that some Soviet purchases were speculative--seeking to drive up prices for new buyers (notably China) and to hedge against the possibility of a second shortfall year in 1973 in their own country.

- 8 This estimate is based on a Saudi pledge of twenty-five million dollars per year to the World Food Program and discussions with grain corporation executives during 1975 regarding the Iranian and Kuwaiti purchases.
- 9 For example, the June 1980 issue of World Agricultural Situation published by USDA (Washington, D.C.: ESCS, WAS-22) described American food aid under the new FAC agreement as being either donations (1.5 million tons) or "concessional sales designed to aid and promote development within the recipient country," p. 52. No mention of market development objectives was made.
- 10 According to Frank Gomme, in the Office of the General Sales Manager, until this time carryover figures were based on factors of "convenience" and had no actual effect on availability under the 401 clause. The reduction of wheat and feed grain carryover requirements in 1973 was justified by the need to maintain continuity in supplying markets, even food aid markets, even if there was "technically" no surplus availability owing to the rise in commercial demand for exports. Thus the five hundred to six hundred million bushel carryover (about sixteen million tons) was slashed by half. Currently carryover targets which will affect the level of set-asides and production targets for 1980-84 are based on the United States holding 7.5% of world consumption of wheat and 5.7% of world feed grain consumption. Interview (by phone), February, 1979.
- 11 The equations were:

$$a) \text{PL480}_t = 2.59 + .081 \text{CCC}_{t-1} - 1.76 \text{DELP}_{t-1} + .49 \text{PL480}_{t-1} \quad R^2 = .8246$$

(2.47) (4.44) (2.34) (4.69) Standard error = 1.90

$$b) \text{ PL480}_t = 3.08 + .098 \text{ CCC}_{t-1} + 1.16 \text{ PGAP} + .35 \text{ PL480}_{t-1} \quad R^2 = .8203$$

(2.79) (5.00) (2.21) (2.81) Standard error
= 1.93

$$c) \text{ PL480}_t = 6.42 + .08 \text{ CCC}_{t-1} - 1.30 \text{ PRW}_t + .38 \text{ PL480}_{t-1} \quad R^2 = .8180$$

(2.97) (4.29) (2.15) (3.16) Standard error
= 1.94

All coefficients are of the expected sign and significant at the five percent level. An F test on the null hypothesis that the coefficients on lagged CCC stocks, and the lagged change in the price of wheat are jointly zero yields an F statistic of 13.3. The critical value at the five percent level is 3.15. Thus the hypothesis that these variables do not affect the level of aid is rejected with a high degree of confidence.

- 12 For an example of the use of this assumption of inertia in budgetary analysis see Otto A. Davis, M. A. H. Dempster and Aaron Wildavsky, "A Theory of the Budget Process," The American Political Science Review (September, 1966) pp. 529-547, and the discussion of standard operating procedures in foreign policy by Graham Allison, Essence of Decision (Boston: Little Brown, 1971).
- 13 According to John White, The Politics of Foreign Aid (New York: St. Martin's Press, 1974) this inertia (or last year) is the single best predictor of the level of foreign assistance a country receives.
- 14 See Aaron Wildavsky, The Politics of the Budgetary Process, second edition, (Boston: Little Brown, 1974).
- 15 The cutback was largely an administrative decision. One pressure came from the State Department to end the barter program. It was reportedly subject to large-scale corruption and was objected to by overseas exporters of the goods the United States received by "barter." In addition,

Agriculture Secretary Benson had decided to put pressure on American producers by having the surplus build as a threat--"to make the surplus fall of its own weight." These observations were contained in a letter to me by Donald Hadwiger, of Iowa State University, who has studied this period extensively, November 1, 1979.

- 16 These figures are from U.S. Agricultural Exports under Public Law 480 (Washington: USDA, ERS-Foreign 395, October, 1974) pp. 150-151.
- 17 Conversation with Arthur Mead, January, 1979, FAO North American office, Washington D.C. For many years Mead chaired the interagency P.L. 480 committee (ISC) and was Assistant Sales manager in charge of P.L. 480 programs in USDA.
- 18 The Israeli commitment had to be met through AID rather than P.L. 480 assistance because Congress had imposed a requirement that seventy-five percent of Title I aid (as of 1975) had to go to the most needy countries. Israel did not qualify and could not have been supplied by P.L. 480 within the new legal confines.
- 19 For an account of the foreign policy calculations of food and food aid in this period see I. M. Destler, "United States Food Policy 1972-76: Reconciling Domestic and International Objectives," in Raymond F. Hopkins and Donald J. Puchala, The Global Political Economy of Food, op. cit., Chapter Two.
- 20 CRS does little direct lobbying, but has a close association with the Washington-based organization, the National Conference of Catholics, which is a major force promoting legislation.
- 21 Initially this was set as countries with less than three hundred dollars per capita GNP; later it was raised to the level used by the World Bank for its soft loans (a GNP per capita of less than 560 dollars in 1979).

- 22 In 1977, the P.L. 480 program was renewed as part of the four-year extension of farm programs in the omnibus farm bill of that year. Some amendments occurred to de-emphasize surplus disposal motives. The hunger groups were able to legislate minimal tonnage commitments to the Title II program. This insures that food scheduled for emergency, humanitarian, and nutritional purposes will be more reliably available, an asset for both administering agencies and recipient countries. Other Congressional amendments required a presidential assurance that food aid to any country violating human rights must directly benefit the poor in that country. This amendments helps to explain the deficiency in food aid in 1977 compared to the "predicted" amount based on the surplus disposal model. Growing American stocks and declining prices predicted a larger amount than was shipped in fiscal 1977. This was partly the result of the efforts of the human rights activists in the Carter administration, who successfully imposed a freeze on food aid commitments for several months in 1977 until provisional allocations to visible violators of human rights, such as Korea, Chile, and Guinea, were either dropped or satisfactorily explained.
- 23 In a study by Leo Mayer based on the situation in the late 1960's net savings or offset costs for wheat to the CCC from lower payments to farmers for holding back production ranged from three percent to eighty-seven percent of the gross cost of P.L. 480 shipments. In general up to half the cost of the export price of commodities would be saved in reduced set-asides if the entire yield from the expanded production were shipped under P.L. 480; see Leo V. Mayer, "Estimated

Net Costs of P.L. 480 Food Aid with Three Alternative U.S. Farm Programs," American Journal of Agricultural Economics (February, 1972) pp. 41-50.

- 24 See Congressional Budget Office, Assisting the Developing Countries: Foreign Aid and Trade Policies of the United States (Washington: GPO, September, 1980) p. 31.
- 25 For a good account of this see Mitchel Wallerstein, op. cit., Chapters Two and Three.
- 26 I am indebted to Don Hadwiger, who studied the program extensively in its early years, for pointing this out.

In the EEC, for example, approval of specific allocations rests with the Council of Ministers, whose approval often delays for up to six months the capacity of EEC to make commitments during each financial year; however, the expected EEC flows in any given year are generally equal to their FAC commitment share, that is, fifty-five percent of the total FAC commitment.

- 27 The AID overseas missions are better staffed and able to administer and evaluate development projects; on the other hand, however, the mechanics of delivering the food will most likely remain with Agriculture, which also has considerable capacity in reviewing and supporting food and agricultural development strategies and projects in recipient countries.
- 28 This measure is one developed by the Overseas Development Council (Washington, D.C.) and is reported in their annual publication, Agenda for Action.
- 29 See Charles Hardin, The Politics of Agriculture (Glencoe, Ill.: Free Press, 1952).

- 30 Among those proposing names were Richard Esseks, Don Hadwiger, Donald Puchala, Mitchel Wallerstein, Fred Welz, and Joseph Stepanek. A list of fifty-six individuals was drawn up on the basis of the recommendations. Letters were sent to each, followed by phone calls to set up appointments. With the exception of Congressman Jamie Whitten, no one explicitly declined to be interviewed. However, either because many people's schedules were crowded with more compelling responsibilities or because further interviews from a particular organization, such as the Department of Agriculture, seemed unnecessary since several had already been conducted, only forty-one interviews were completed.
- 31 In an intensive analysis of "public" sentiment, forty-eight select respondents strongly agreed that "food aid is a precious resource," (see pp. below), while in a Gallup poll of March 23-April 2, 1979 forty-eight percent of a national sample wanted the United States to increase its budget for "hunger programs" while only twelve percent wanted it reduced. See Report to the Presidential Commission on World Hunger, "American Attitudes on Global Hunger Issues," by William Watts (Washington: Potomac Associates, May, 1979) pp. 6-7.
- 32 Among the authors and writings referred to in interviews as a source for negative or ambiguous views were Francis Lappe and Joseph Collins, Food First (New York: Simon and Schuster, 1977), and Susan George, How the Other Half Dies (Baltimore: Penguin Books, 1976).
- 33 See New Directions for U.S. Food Assistance: A Report of the Special Task Force on the Operation of P.L. 480 (Washington: USDA, May, 1978), a report to Congress by the Secretary of Agriculture Bergland, and Report of the Presidential Commission on World Hunger, Overcoming World Hunger (Washington: GPO, March 1980).

- 34 New Directions, Ibid., p. 237.
- 35 While these differences were visibly large, few were statistically significant given the small size of the sample.
- 36 The work of CARE and CRS has been particularly criticized for serving their own institutional ends rather than the development needs of recipients. See, for instance, Eugene Linden, The Alms Race: The Impact of American Voluntary Aid Abroad (New York: Random House, 1976). While such criticism is outweighed in my judgment by the very important humanitarian work provided by these agencies and by World Food Program projects, it is still the case that the WFP tries to give food aid to a wide number of countries and is pushed to deliver more aid on an emergency basis, and that CRS and CARE emphasize programs in countries where they have developed organizations, especially Catholic missions and dispensaries in the case of CRS.
- 37 These trends were most impressively cited by those who had held positions as lobbyists over a number of years. Robert Lewis of the National Farmers Union, for instance, the most ardent supporter of P.L. 480 (and of its expansion), was particularly frustrated at the decline in support he saw among his fellow interest-group spokesmen.
- 38 See Overcoming World Hunger, op. cit. The data are not contained in this final report.
- 39 On the general practice of Congressmen on such issues see David Mayhew, The Electoral Connection (New Haven: Yale University Press, 1974); the appeal of food for humanitarian purposes' bringing politicians together can also be seen in Senate Bill No. 1 of 1979, the Dole-McGovern bill that included many steps to promote food for the hungry (and farmers' interests). Republican Dole and Democrat McGovern,

usually in disagreement, were able to join together on this "popular" position.

- 40 See Steven R. Brown, Political Subjectivity: Applications of Q Methodology in Political Science (New Haven: Yale University Press, 1980).
- 41 See New Directions, op. cit., pp. 237-238.
- 42 Based on interviews with Ian McDonald (Australian food aid), October, 1978, and John Mackenzie (Director, EEC Food Aid Division), November, 1978.
- 43 New Directions, op. cit., p. 244.

CHAPTER V

RECIPIENT COUNTRY MANAGEMENT:

POLITICAL AND ECONOMIC FACTORS IN ACCEPTING FOOD AID

In discussing this study with one official of the World Food Program, I mentioned that I hoped to explain why countries accepted food aid. He reacted with a chuckle and the retort: "That's easy, because it's offered." Much to my chagrin as a social scientist, this straightforward explanation is really quite to the point. Food aid has rarely been rejected. Since by definition it is either free or at highly concessional terms, the only time countries have been reluctant to accept food aid was when troubling conditions were attached to it. Pakistan, for instance, was reluctant to accept an offer of American Title III aid in 1978-79. This was because it meant accepting changes in their government agricultural policies.¹ However, the fact that gifts of food aid are possible does not explain why some countries actively seek food aid, nor does it explain what recipient country purposes it serves.

The importance of food aid to selected recipients is highlighted in Table 5.1. This table reminds us that the largest share of grain food aid goes to countries labeled by the United Nations in the 1970's as "most seriously affected" (MSA), that is, hurt by the rising costs of importing oil and food. A small shortfall in food availability in a country with little reserve capability is especially serious. There are no easy adjustments such as a price hike or a shift to less expensive types of foods. The "adjustments" to domestic food shortages for some LDC's in the 1970's were increased malnutrition, occasional starvation,

Table 5.1

Cereals: Production, Imports, and Reliance on Food Aid
in Selected Developing Countries ('000 metric tons)*

<u>Country</u>	<u>Staple Food Production (1976)¹</u>	<u>Cereal Imports (1977-78)</u>	<u>Cereal Food Aid (1977-78) tonnage</u>	<u>% of Imports</u>	<u>% of Production</u>
Bangladesh	13,024	1679.2	1382.4	82.3	12.9
Chad	677	45.5	45.4	99.7	6.6
Egypt	8,024	5722.9	1790.6	31.2	22.3
Ethiopia	6,228	289.0	126.0	43.5	2.0
Ghana	2,179	357.1	76.5	21.4	3.5
Guinea	89	73.1	65.0	88.9	
Haiti	755	139.9	57.4	41.0	7.6
India	122,793	592.4	302.4	51.0	0.2
Indonesia	24,347	2536.2	671.1	26.4	2.8
Kenya	2,949	70.0	9.0	12.8	0.3
Mozambique	1,720	305.0	168.0	55.0	9.8
Pakistan	13,981	802.6	144.0	17.9	1.0
Philippines	7,078	947.6	78.1	8.2	1.1
Senegal	1,731	459.1	191.0	41.6	11.0
Somalia	292	92.0	92.0	100.0	31.5
Sri Lanka	1,455	730.3	379.4	51.9	26.0
Tanzania	3,162	138.9	112.4	80.9	3.6
Viet Nam	(No figure available)	1355.9	808.5	59.6	

¹ Staple food production includes not only cereals, but also seldom traded basic food crops such as root crops, pulses, groundnuts, and plantains.

*Source: FAO 1979 and Kenneth Bachman and Leonardo Paulino, Rapid Food Production Growth in Selected Developing Countries (Washington: IFPRI, 1979).

and political upheaval. Food shortages contributed to coups in Ethiopia, Niger and Bangladesh in 1974/75 and fears of food price rises led to riots in Egypt in 1977 and Ghana in 1979.

Motivations and Impediments for Recipients

Three reasons are principally responsible for countries' seeking food aid. First, a number of countries suffer from generally low levels of nutrition or have special groups in need of food, such as refugees fleeing from civil strife in a neighboring country or region. Second, there is production variability. Because of fairly wide swings in weather patterns variations of over twenty percent in production may occur. Since nutritional intake patterns cannot be adjusted--as people are already eating at the margin for the most part--domestic reserve stock schemes or imports are essential to cover shortfalls. Few poor, developing countries maintain a significant store of grain to cover such shortfalls. The cost of holding large stocks is prohibitive and often the more tropical climate leads to rapid stock deterioration through infestation and mold compared to the rate this occurs in the colder climates of industrialized states. Imports, then, are especially important to smooth out supplies and to avoid wide price swings. Price swings incidentally work most to the detriment of the poor farmer and the poor consumer.²

A third factor making countries particularly eager to secure food aid is the absence of foreign exchange. When poor countries experience shortfalls of export crops' production, or a decline in the price received for such crops, their foreign exchange earnings decline. If this occurs when there is a food shortfall, as occurred in 1974, the effect can be

devastating. Food-short countries will exhaust foreign exchange to pay for food imports. However, since food imports on a commercial basis use up vital foreign exchange, pressure from a variety of government sectors will grow in competing for this scarce source. In 1974, in Bangladesh, food was imported on a commercial basis when insufficient food supplies through concessional channels occurred, but only by foregoing imports planned to foster industrialization.

These three factors account for the intensity of the search for food aid. At times they encourage officials to heroic efforts. In 1979, Ethiopia, though heavily dependent upon Soviet and Cuban military and technical assistance, had its Minister for Rehabilitation and Relief travel to Brussels, Ottawa and Washington seeking food assistance to meet "emergency" needs of Ethiopia.³ Production shortfalls in 1974 in Bangladesh led officials to exaggerate their food needs, though not the urgency with which they were needed.⁴ When all three conditions are present the need for food aid becomes paramount. However, even one feature can promote acceptance and special solicitation of food aid. To review, the three are: the existence of low nutritional levels or special vulnerable groups such as refugees within a country; a bad harvest due to production variability; and insufficiency of foreign exchange.

The Government as Actor

The central factor of importance for food aid recipients is the connection between food aid and the food system. In practically all recipients the government plays a large role in the management of food production and sales, particularly basic grains that move in trade. The prices paid producers for basic food crops and the prices of such staples to consumers are set by the government. As a result maintaining

prices (and availability) is a key factor affecting the government's budget and the political satisfaction of the populace. In particular, subsidized food prices have come to play an important part in many countries' political economy. Since food aid can be critical in either encouraging or maintaining subsidies, or in reducing pressure on a government to procure local production cheaply, such aid is indirectly a part of a very sensitive set of political issues.

In discussing the factors promoting acceptance of food aid, I have treated them as uniform characteristics. In fact, however, recipient country governments are not monolithic entities. They consist of individuals located in various official and quasi-official bureaucratic positions. Hence the objective fact of, say, a food production shortfall, need not result in increased efforts to secure food aid. In 1974 in Ethiopia and in 1979 in Cambodia there were tragic instances of failures of bureaucrats to solicit food aid, even when portions of the population of each country faced starvation. Thus to understand the behavior of a food aid recipient we need to know a great deal more than simply the food-related statistics of the country. Other questions include what groups and individuals are involved in promoting and accepting food aid, to whose advantage receiving food aid works, how the food aid is understood, at least by those most aware of it, which recipient government agencies actually manage the import and domestic use of food aid, and how efficient their operations are. This chapter addresses these questions by focusing on three recipients of food aid: Kenya, Tanzania, and Egypt.

Each of these countries has a different history of receiving food aid from the others. In Kenya, food aid was not particularly important

until 1980, constituting but a tiny fraction of the Kenyan food supply and providing few resources for government ministries since most of it went through the Catholic Relief Services for use in feeding programs in refugee camps in northern Kenya. Not surprisingly, many Kenyan government officials in 1979 were unaware that Kenya received any food aid. Most prided themselves on the notion that Kenya was self-reliant with respect to food.

In Tanzania, because of severe production declines in 1973 and 1974, large-scale food imports were needed beginning in 1974. Food aid was sought by Tanzania and substantial amounts began arriving after the middle of 1975, with a milder recurrence of increased need in 1980.

Egypt has had a continuing need for wheat imports since the 1950's in order to feed its growing population. In 1979, it was the largest food-aid recipient in the world and one of the largest per capita food importers. Egypt's growing reliance on food imports is necessary to continue a dramatic food subsidy provided consumers that in turn is the key to maintaining the relatively high levels of per capita consumption of calories.

The food import needs of recipient countries vary considerably, from the usually minimal need of Kenya to the chronic need of Egypt. Need, however, does not play a consistent role in orienting countries towards receiving aid. In some cases, as we noted earlier with respect to United States aid to Egypt, food aid has not been available in relation to variations of domestic production or to growing demand, but in relation to political developments. Moreover, need itself is often difficult to ascertain precisely. Many Third World countries have weak and sluggish information systems regarding their food needs. Where need is identified,

at least by officials of the developing countries, several problems remain.

Problems for Recipient Government Officials

One major problem of officials in recipient countries is uncertainty. While there are quite a number of "old hands" at food aid, especially in larger, more bureaucratically developed countries, a number of countries lack officials with any expertise in the food aid business. Because many recipients are unfamiliar with the decision processes among donors and have developed no ties with relevant donor country officials, officials seeking aid may work largely in isolation, unsure of what approach to take. When the Ethiopian Commissioner of Relief and Rehabilitation, for instance, traveled in November, 1978 to Brussels and Washington to seek increased food aid, he left Ethiopia without much understanding of the decision process in the donor countries he visited, and without knowledge as to with whom to speak.⁵ Officials also may be uncertain how to ask for food aid. The effective channels to pursue and the supporting evidence to accompany a request are not clear to many developing country officials. Most successful requests require extensive conversations and drafting by representatives of development assistance agencies and/or United Nations program officials. There are cases of recipient country food officials who are uncertain or ignorant as to what requirements will determine a positive response to a food aid request, or what the prospects for receiving aid actually are. Tanzanian officials, for example, in May of 1979 had little firm understanding about the process for initiating and developing requests to various donors, while in other countries such as Kenya there were virtually no requests for food aid since the mid-1960's until 1980.

Another problem for recipients is the choice of persons to whom

they should give responsibility for making a request. Should the choice be a food expert from the ministry of agriculture, someone in the ministry of trade or finance who is worried about balance of payments problems, or should it be someone in a ministry that plans to manage the end use of the food, such as the ministry of education (which would administer school feeding programs) or the ministry of works (which would administer food-for-work projects).

A second set of problems for recipient governments arises in the course of the physical movement of food aid to their country. These consist largely of bad timing of arrivals and transportation bottlenecks. For various reasons food aid has been slow to arrive for a number of needy recipients. As a result, food aid has often arrived later than desirable and after a substantially longer period from the point of need recognition than commercial imports would have required.

Another aspect of this second type of problem is the concentration of arrivals at the wrong time. When food aid arrives just as the major crop of a recipient has been harvested, locally produced food will be filling up the domestic storage facilities. When this occurs, as it has in Bangladesh, ships may have to wait in the harbor before suitable warehousing facilities for the grain and other food aid can be identified and food aid competes for scarce storage space. If there are seasonal variations in price and food availability in the country, and food aid arrives shortly after production, it tends to further aggravate the cyclical swings within the country as it expands supply at a period of relative surplus.

A third aspect is that total food aid flows in the 1970's have tended to be cyclical with the cost of imports from recipient countries.

Less food aid has been available when imports have been most expensive. This puts tremendous pressure on those poor countries that need to import both food and equipment to attain economic development. Swings in the global supply of food aid have increased the very difficult task of economic development for poorer countries, therefore. Foreign exchange holdings are eroded, and goods for use in development projects are prevented from being imported.

Transportation bottlenecks are a fourth problem associated with the physical movement of food aid. Since a variety of officials in at least two governments are involved in food aid transactions, and are bound by more complex bureaucratic procedures than commercial flows, frequently arrival information is not coordinated and food aid arrives when harbors are overcrowded. Some demurrage charges are inevitable--the result of overcrowding of port facilities in many less-developed countries. Bad timing of food aid shipments, however, has also frequently contributed to the overload peaks at recipient ports. There are additional transportation problems for recipients once the food aid has been off-loaded in their country. Often, due to poor transportation networks, it is difficult to move food to areas outside the port city where food needs are highest. A food aid shipment to Burundi, for example, stayed in Dar-es-Salaam for a year because it was given low priority by Burundi officials for the limited space that Burundi had access to on the Tanzanian central rail line from the coast to Burundi. There are many tales of grain rotting in the warehouses of tropical countries' harbors in Asia and Africa where transportation to the inland was difficult because of overtaxed facilities, washed-out road and railbeds, and bureaucratic red tape.

These problems in moving food to recipient countries, particularly the less-developed recipients (as opposed to recipients like Portugal and Malta), reduce the value and effectiveness of the food. If such problems become too large, the value of food aid to improve the political and economic well-being of recipients is undercut. In looking at particular country cases, such factors must be taken into account to see how serious difficulties they pose are.

Kenya: From Resistance to Pragmatism

Since becoming independent in 1963, Kenya has largely followed Western-style economic policies. Indeed, Kenya is widely considered a leading example of capitalist patterns of development. From 1963 to 1978 Kenya was led by Jomo Kenyatta. As President, Kenyatta successfully wielded power by relying upon the institutionalized bureaucracy inherited from the colonial period, combined with a pragmatic, westernized approach to economics, and a deft skill at forging political alliances among other Kikuyus like himself, the Kikuyus being the leading tribe, and with leaders from most of the other major regions and tribal groups in Kenya. His authority derived largely from the nationalist spirit he created and symbolized during the waning years of colonialism when he was imprisoned and detained as a leader of the rebellion. In the fall of 1978 he was succeeded by Daniel Arap Moi. A non-Kikuyu, Moi was successful in holding together a similar coalition, at least for the period 1978-80.

In 1980 Kenya had a population of nearly fifteen million and a growth rate estimated by various sources between 3.2 and 4 percent.⁶ With this rapid population growth--the rate has nearly doubled in the

last twenty years--and with the rise in real incomes of many Kenyans, food consumption has grown at a fast pace. Wheat consumption, for example, rose at an annual average rate of eighteen percent from 1975 to 1979. A similar per capita rise in demand for other foodstuffs has occurred, although not as steep. Corn or maize is the basic staple food for Kenyans; wheat tends to be more the luxury grain, and one largely consumed in urban areas.

Agricultural products constitute Kenya's most important commodity export. In the 1950's in addition to the major export crops such as coffee, tea, and sisal, Kenya also exported modest amounts of wheat to her East African neighbors, and in good years corn was exported also. Prior to independence wheat was generally grown on large farms owned by European settlers. Maize production, however, was undertaken by peasant farmers as well as small-scale and large-scale commercial farming operations. By and large Kenya has been self-sufficient in her food supply, at least until 1980, thanks to the spread of hybrid varieties that have helped to expand production markedly.⁷ Except for a shortage in the mid-1960's of corn, during which she received a fairly substantial shipment of food aid from the United States, Kenya had received very little food aid and imported virtually no maize until a shortfall in 1979 led to emergency maize imports in 1980, including significant food aid.

The situation in wheat, however, is different. Until 1972 Kenya was an exporter of wheat; since then she has become an importer. Wheat imports have increased nearly every year, reaching 69,000 tons in 1978.

The two largest food imports in Kenya are cooking oil and wheat, which in 1978 cost \$36.3 million and \$14.1 million, respectively. This represents a relatively small portion of Kenya's import bill, about three

percent of the 1.75 billion imports in 1977/78.⁸

As Table 5.2 indicates, only a small portion of Kenyan food imports have been in the form of aid. Except for the corn imports in 1966, food aid has consisted of small amounts of Title II aid for nutrition programs run by the Catholic Relief Services, located largely in the northern and western parts of Kenya, among the poorest populations and refugee groups. A few thousand tons of bilateral grain aid were also provided by Kenya by the EEC and Australia in the mid-1970's.

The small total flow of aid in the 1970's was consistent with Kenya's need, which was never dramatic. Not surprisingly only a small interest in food aid preceded the 1980 production shortfall. Most Kenyan leaders considered food aid unnecessary. They were proud that during the drought of 1974, when food shortages in Tanzania, Somalia, Ethiopia, and the Sahelian countries led these countries to search desperately for food imports and new domestic production policies, Kenya did not need food aid. Kenya proclaimed herself self-reliant, an official philosophy in the Office of the President where responsibility for emergency feeding resided.

The very small amount of food aid Kenya did receive was primarily to meet the needs of refugees who were on Kenyan borders. Much of this effort was handled directly by various voluntary agencies such as CRS which used Title II food from the United States in its programs, and by local groups such as the Kenyan Freedom from Hunger Council and the National Council of Churches (NCCCK). Support for relief and feeding programs came from SIDA, CIDA, UMCEF, the EEC, and the German government, all in the form of general support except for locally purchased maize provided by the Germans and some oil and dairy products. Title II funds have also helped the Ministry of Social Services Family

Table 5.2

Kenya: Wheat Production, Consumption, and Food Aid
(1000 metric tons)

<u>Marketing Year</u>	<u>Domestic Production</u>	<u>Consumption</u>	<u>Annual Net** Imports (-=exports)</u>	<u>Annual Food Aid</u>	<u>Imports as % of Consumption</u>	<u>Food Aid as % of Imports</u>
1960	*109		1			
1961	84		13			
1962	110		52			
1963	135		8			
1964	172		0			
1965	128		5			
1966	162		25			
1967	216	105	4		4	-
1968	242	104	2		2	-
1969	222	105	-16		-	-
1970	206	131	-33		-	-
1971	164	163	- 3		-	-
1972	150	158	64		41	-
1973	138	181	73		40	-
1974	158	179	13		7	-
1975	176	156	84	5	54	6
1976	194	190	0	0	-	-
1977	179	219	70	9	32	13
1978	158	257	54	5.5	21	10
1979*	180	301	90	13	30	14
1980*	151	300+	105	82	49	55

*Estimate from FAO and Ministry of Agriculture data.

**Based on Wheat Board and Kenyan Economic Survey reports. 1969-78 figures include wheat exported as flour; earlier figures do not.

Source: Wheat Board of Kenya, 5 February, 1979.

Life Centers. Bilateral aid from the EEC and from Australia, unlike relief aid, was not channeled through the Office of the President but through the Directorate of External Aid in the Ministry of Finance. Here the small amounts of aid were welcomed but not integrated into food policy as worked out by the Ministries of Finance and Agriculture, the Wheat and Maize Boards, and the top politicians who controlled producer price and marketing prices.

This bilateral aid followed the standard food aid contracts of Western donors; the government of Kenya agreed to accept the food itself and it was handled by the Kenyan Wheat Board, which was responsible for its physical import, milling, and sales to flour wholesalers and retailers. Since all such grain food aid went into the commercial stream, the donor governments (EEC, Australia, and in 1980 the United States) requested that funds generated from the sales of wheat and corn be used for development efforts. Projects of interest both to Kenya and the donor and which promoted food production and agricultural development were the major aim. Counterpart fund stipulations are conventional components of bilateral food aid arrangements and stem (at least partly) from the 1966 American legislation stressing "self-help." Such requirements have seldom been taken with great seriousness, certainly not in Kenya, by either the donor or the recipient. In 1979 officials of the European Community in Nairobi noted that they had offered no aid for two years and that accounting for counterpart development spending had not been received by them for earlier aid.

In 1979 planned food aid to Kenya was still expected from Australia and the WFP. Because of its allocation formula, given that Kenya had become an importer of wheat and is a "MSA" country, the Australian High

Commission in Nairobi, on orders from the Ministry of External Affairs in Canberra, offered a modest (six thousand tons) amount of wheat to Kenya. Kenya's Finance Ministry, upon learning of this provisional allocation of wheat on a complete grant basis, found it difficult not to accept it. A free gift of something a country expects otherwise to buy is inevitably attractive, as Archie Githenji, the Head of the Department of External Assistance, admitted.¹¹ Githenji was also involved in negotiations between the WFP and the Ministry of Education for food aid to be used in school feeding. WFP aid in oil and wheat, foods already imported, would support the use of food in poor regions of Kenya, largely through sales of the imports and local food purchases for the school program. Kenya, like Egypt but not Tanzania, was prepared to substitute local maize and beans for a feeding project and use comparable valued imports of food elsewhere.

In spite of the admitted value of aid, Githenji, for instance, was reluctant to acknowledge that Kenya needed food aid.

We are very proud of our agricultural development. We have invested more in agriculture than in any other sector. Even in wheat we have a good scheme. We recently lowered the government price to producers to reduce the subsidy in the price of wheat by the government. It is only a matter of time before we meet our requirements and have a surplus, as we already do with maize.¹²

Githenji's views were echoed by officials at the Ministry of Agriculture and the Wheat Board. Kenya was a strong, self-reliant food producer. Food aid played no real role in setting domestic prices or supplying basic needs.

The 1980 Crisis.

The reluctance of Kenya to seek food aid and her pragmatic acceptance of small amounts were based on an optimistic faith in agricultural productivity. The trends, however, were clear. Kenya's rapidly growing population was increasingly dependent on food that passed through government-related markets. Wheat consumption in the late 1970's, you may recall, was growing at between fifteen and twenty percent each year. Maize consumption was also growing. Domestic production growth was based partly on higher yielding seeds, but these were also more vulnerable to shortfalls. Drought brought bad crops late in 1979 and early in 1980. Kenya was driven from a confident maize exporter with a 400,000 ton stored capacity at Maize and Produce Board (MPB) to a significant importer of maize, wheat, and even rice. In April, 1979, the chief economist of the MPB predicted Kenya would export 190,000 tons of maize and have 260,000 tons in storage (exceeding the 182,000 ton strategic reserve target).¹³

Lowered prices to producers in 1979 (as prices fell from eighty to sixty-five shillings for a ninety-kilo bag, i.e., from about \$125 to \$100 per metric ton) also contributed to the vulnerable position of Kenya in 1980. For several years the price paid domestic producers of maize and wheat had been above world market prices (i.e., 1976-78). This was an old practice that arose in colonial times to subsidize European producers for export. As a result in 1978 it was estimated that the Kenyan MPB lost over \$70 for every ton it sold for export because of the high domestic price and the internal costs of storage and transport. The government policy then was aimed at keeping producer prices for maize only high enough to encourage production sufficient to

meet domestic needs. Wheat producers were paid about \$185 per ton in 1979 --well above world market prices. With declining land planted in wheat, however, as large holdings were broken up and used by African small holders, this high price was felt justified. Moreover, by 1980 world prices had risen above Kenya's. High prices were also politically attractive because they were paid to powerful farmers organized in the Kenya Farmers Association (KFA). The KFA was the official buying agent for the Wheat Board.

In spite of her serious commitment to maintain food self-reliance, and the offering of prices for food higher than those on the world market, Kenyan food self-reliance is not guaranteed. Kenya has done more to stimulate production than many LDC's, including such major food aid recipients as Bangladesh and Egypt. Nevertheless, she found herself in dire straits by the spring of 1980. As a result of drought and producer prices for 1979 that turned out to be lower than world prices, there was a major decline in the corn crop. Kenya turned to South Africa and the United States, securing commercial imports of corn to meet an expected deficit of 400,000 tons. (See the trend in increasing burden for the Maize Board in Table 5.3.) Food aid to help cover the deficit was also actively sought. The United States provided food under a Title I sales agreement (on about sixty-nine percent concession) of about 20,000 tons of corn, 60,000 tons of wheat, and 10,000 tons of rice.¹⁴ The WFP and other donors also responded. This covered only a large fraction of needs, however.

Having exported her 1979 surplus and having spurned food aid philosophically, at least since 1965, Kenya in 1980 became a significant food deficit country. In 1964 Kenya had sold even her security reserve of maize and needed food aid. In 1979 she sold less but still needed aid. The prospect is that she will remain in need, at least through 1981, for all grains, and probably indefinitely with respect to wheat.

Table 5.3

Kenya: Corn (Maize) Production, Consumption, and Food Aid, 1968-1980
(1000 metric tons)

Marketing Year	Total Production	Domestic Purchases by MPB	Sales by MPB	Annual Net Imports (-=exports)	Food Aid**	Imports as % of Sales	Food as % of Imports
1960	*1143	168	120	- 10	0	0	-
1961	1270	153	181	113	3.2	62	3
1962	1394	150	122	8	5.4	7	67
1963	1400	199	83	0	10.8	-	-
1964	1270	87	98	0	1.7	-	-
1965	1270	105	161	80	36.6	50	46
1966	1451	132	144	194	191.1	135	98
1967	1633	249	138	- 79	0	-	-
1968	1600	353	88	- 277	2.2	-	-
1969	1400	280	104	- 140	1.7	-	-
1970	1500	206	160	- 2	1.5	-	-
1971	1300	257	267	29	2.3	11	8
1972	1700	373	168	- 22	0	0	-
1973	1600	441	158	- 164	0	0	-
1974	1600	365	324	- 137	0	0	-
1975	1900	488	341	0	0	0	-
1976	2200	522	380	- 227	0	0	-
1977	2553	561	385	- 15	0	0	-
1978	1800		131	- 120	0	0	-
1979				- 190	0	0	-
1980	1700			150	20.5	-	14

*Production data are total country estimates. Imports/exports are estimated from interview reports in 1979 and 1980 FAO data.

**Corn food aid here includes some Title II special foods.

Source: FAO, USDA and Maize and Produce Board data.

The Impact of Food Aid.

Food aid to Kenya cannot be said to have created a disincentive to production or an import dependency through its effects on policy. Kenya's policy decisions on macro food policy have always had a large political component. The heads of the Maize and Wheat Boards have been key political appointees. The prices are set as major political decisions. Support and loyalty from major groups is an important consideration in setting agriculture policy. Organized Kenyan farmers--the NFU and KFA, for instance, were eager to demonstrate its support for the new government of President Moi in 1978.¹⁵

Internationally Kenya has played an active role in international food agreement negotiations, chairing the food aid committee of the wheat trade discussions in Geneva in 1978-79. The strong food production and grain export record of Kenya, at least among LDC's, has been eroded by the vulnerability revealed in 1980. This should not reduce her basic position, but certainly underlines the importance of the international system for helping countries to adjust to periodic shortfalls. This is especially important for LDC's' governments, like that of Kenya, which are committed to supplying basic grain at government prices to the urban population and thus bears the bulk of the adjustment effects from production variations. Even the strongest LDC food producer is not strong enough to bear the costs of carrying stocks to buffer such accoridian demands.

Tanzania: Inspiration and Disaster

The Tanzanian experience with food aid includes some of the best and the worst examples of the effects of food aid. It has created no

bureaucracy or dependency and has been given with nearly total concession. It has also arrived too late to be of greatest help and has been of little value in promoting agricultural or general economic development.

Since independence, in 1961, Tanzania has been an early and leading advocate of many of the developmental principles that eventually became the accepted norms for development. Under the leadership of Julius Nyerere, who led the drive for independence and has been the country's president ever since, Tanzania has stressed rural development, self-reliance, and growth with equity. Unfortunately, many of the steps taken to advance these goals have proved unworkable, even self-defeating. Tanzania's food self-reliance has declined while at the same time her production of non-food agricultural products for export has dropped off. Tanzania's disappointing performance, nevertheless, offers some valuable lessons on how food aid may be useful to recipients.

National Goals and the Food System.

The elections of 1960 set the stage for President Nyerere to come to power in a peaceful movement toward independence from the British. The government which emerged confronted a limited number of difficult tasks and inherited a small but reasonably efficient bureaucratic apparatus. Twenty years later Tanzania had expanded the role and activities of the government and had had to face extraordinary complexities. In 1980, the Tanzanian government had to grapple with food shortages, economic downturns, and scheduled elections in both Tanzania and Uganda, which Tanzania occupied militarily in 1979. In the intervening twenty years Tanzania experienced considerable change. The population grew at over three percent per year rising from ten to seventeen million; the urban population expanded much more rapidly; the capital, Dar es Salaam, grew from 1967 to 1978 at over eighteen percent annually. From a nation that was five

percent urbanized in 1961, it was thirteen percent urban by 1980. In 1964, the island of Zanzibar was amalgamated to form (with Tanganyika) Tanzania, and in 1965 two one-party systems were established in the two areas. The integration of the formerly separate countries proceeded slowly; in 1977 the mainland and Zanzibar parts of Tanzania moved closer to unity as the TANU (mainland) and ASP (Zanzibar) parties merged to form the new CCM (Chama Cha Mapundzi). In 1979, after a long period of hostility with the Amin regime in neighboring Uganda, the Tanzanian army, in collaboration with anti-Amin collaborators, invaded Uganda, defeated the Ugandan army, and undertook the management of reconstruction in Uganda.

During these two decades the most important economic policy shift occurred in 1967. In that year the Tanzanian legislature and party adopted the "Arusha declaration," a statement of principles drafted by Nyerere that emphasized socialist development. It called for control of the economy through nationalization, an emphasis on agricultural development, a reduction of reliance on foreign finance and technical assistance, and a declaration that political office could not be used for economic gain. Nyerere argued that year that Tanzania's resources were:

land in abundance and people who are willing to work hard....

The use of these resources will decide whether we reach our total goals or not. If we use these resources in a spirit of self-reliance as the basis for development, then we shall make progress slowly but surely, and it will be real progress affecting the lives of the masses, not just having spectacular showpieces in the towns while the rest of the people in Tanzania live in their present poverty.¹⁷

From 1967 to 1974 Tanzania's chief aim was to create socialism in the countryside. To accomplish this, three policies were pursued. First, producer prices for cereal commodities were kept constant from 1967 to 1974. This prevented more successful farmers from selling surpluses after their family and local needs were met. The objective was to prevent peasants from having sufficient gain to be able to expand their holdings and develop into a class of wealthy farmers analogous to the small proportion of well-to-do European and Asian farmers.

A second policy was the creation of government cooperatives and marketing agencies to replace independent middlemen, largely Asians, for the transportation and marketing of that food which moved in the domestic commercial markets of Tanzania. After several reorganization efforts, in 1974 the major marketing boards were merged into a single parastatal organization, the National Milling Corporation (NMC), which itself had been created in 1968. The NMC was given the mandate to buy all food crops not directly consumed by producers, to handle all milling, and to become the chief supplier to the nation's food stores. This move was aimed at improving government control and coordination of domestic food flows, and at increasing the participation of Africans in the trading and food preparation processes.

Finally, people were urged to move into more compact village units and to adopt socialist principles in farming. This last policy sought to achieve efficiencies in production through rationalizing the plots, increasing the acreage on which people worked, and reducing the costs of delivering services to the rural population. At the same time, the aim was to induce people to practice socialism. After a first step of "villagization," communities that achieved the status of "Ujamaa village"

would be given priority for government services such as new wells, marketing, and credit. Until 1973 this program was largely voluntary. In 1973-74, in order to complete movement of people into new village locations, coercion was used. In some cases people were forced onto trucks after short notice and taken many miles distant to new locations while their existing homesteads were burnt. The result was considerable confusion and resentment among a large portion of the peasantry. Unfortunately, this forced reorganization in the countryside occurred at the same time that Tanzania experienced a serious drought. The combination of these factors led to a serious reduction in the production of key staple foods, particularly corn (maize). From 1974 to 1976, for the first time, Tanzania had to import a little over half the food it needed to sustain the portion of the population that relied upon market purchases for its food needs.¹⁸

Until this time Tanzania had been largely self-reliant in food, importing only modest amounts of rice and maize. Tanzanians rely upon a wide variety of staple food crops, including maize, cassava, sorghum, millet, rice, beans, ground nuts, bananas, and plantain. In 1976, a more normal crop year than the shortfall years of 1974 and 1975, Tanzania's production of staple food crops was estimated at about 3.1 million tons. Although a majority of Tanzania's staple foods consist of traditional foods such as cassava and millet, maize is the major commercially traded food. It constitutes about one-third of staple food tonnage, while the other two major market foods, wheat and rice, make up only about one-fifteenth the tonnage of staple foods. Most of Tanzania's food is grown and consumed on a subsistence basis; bartering and periodic market days that bring together a few villages on a rotating

basis have supplied the food needs for most of the rural population.

The NMC, as reconstituted after 1974, was responsible for the residual aspect of the food system. It was to buy foods, as the older marketing boards had done, i.e., wheat, rice, and maize, but at prices specified well in advance and in as much quantity as farmers delivered to it. The government could thus reduce marketing risks for producers. On the consumer side, the NMC would supply maize and wheat flour and milled rice in quantities needed by the approximately fifteen to twenty percent of the population that depended on commercial purchases. As conceived, by setting selling prices at a "fair" level the government could prevent middlemen (usually Asian or Arab merchants) from exploiting economically weak African consumers. This government role was supposed to guarantee fair prices to both producers and consumers and to reduce the risk that either had to bear in facing unregulated markets or unscrupulous merchants. It placed a large burden, however, on the government.

Tanzania has a very poor system of transportation. Many roads become impassible during the rainy season; railroads and trucks break down with frequent regularity. The various regions of the country have food systems largely compartmentalized from one another. Except for the movements of cereals, especially maize, there is little intra-regional trading of food in Tanzania. This separation is both a source of strength and weakness. Shortages are seldom nationwide, but surpluses in one region are not readily available to relieve shortfalls in another. Moreover, dietary habits vary throughout the country as local growing conditions make yams or cassava an important product in one area, while plantains and bananas are a major staple for another.

In this context the national economic policies of the Tanzanian government until 1974 were aimed principally at expanding production of agricultural commodities such as cotton, coffee, tobacco, pyrethrum, and cashews, for export. The domestic food supply seemed to pose no major problem; indeed, with large areas of arable land available for expanded cultivation, with the constraints imposed by the colonial power no longer inhibiting cultivation, and with the introduction of new, high-yielding seed varieties in corn and rice, the major concern of government officials in the 1960's and 1970's with respect to food was not over the adequacy of production, but over the management of income to farmer and consumer marketing. The subsistence sector ran itself; the problem was to capture control over the small commercial sector of the food system in order to advance socialist goals. Of greater concern to the Ministries of Agriculture and Finance was how to expand production and earnings from cash crops such as cotton, coffee, or sisal. After all, government marketing boards and cooperatives purchased close to one hundred percent of these crops, while among food crops only a small portion of production was purchased except for wheat, which was a rather minor food source. In the 1970's government purchases of rice production ranged from thirty to fifty percent, and for corn from ten to twenty percent. In short, the food system was not the central concern of the political and economic policies that were shaped following the Arusha Declaration in 1967. It would largely take care of itself. The small commercialized sector of the food system would be taken over by expanded government policies simply to assure greater justice in food sales and purchases.

Domestic Food Policy after 1974: Problems and Responses.

By March, 1974, the National Milling Corporation was running out of food to provide to cash customers. Farmers who had food had little incentive to sell it to the NMC at prices which had not been raised in ten years. Because the drought and the rural dislocation of "villagization" had caused many rural dwellers to lose their subsistence source of food supply, many people in rural areas began turning to the commercial market to meet their food needs. The government was caught in the middle. The shortages had reduced the amount of food farmers were willing to sell, as their interest in saving food for their own potential needs grew. Interest in trading food outside government channels at much more favorable prices also grew. At the same time, a larger than usual number of people looked to the government to supply their food, either because they had lost their own crops, or because it was now cheaper to buy from the government at fixed prices compared to purchases in the informal and rural markets which at other times offered lower prices than those in commercial urban shops.¹⁹

The production shortfall began in 1973 and by October of that year the NMC had been able to purchase only a small fraction of what it needed for the following year. As Table 5.4 on maize or corn production imports and food aid shows, NMC purchases began to fall in 1973 and during 1974 were a quarter of those in 1972. From August, 1973 to July, 1975 Tanzania imported more than a half million tons of maize. Wheat production also fell, as Table 5.5 shows. Increased wheat imports were also needed. In 1974 and 1975 wheat imports exceeded two hundred thousand tons compared to an average of twenty thousand tons in the previous ten years. Rice imports also climbed dramatically from less than ten million tons

Table 5.4

Tanzanian Maize Production, Government Purchases, and Sales and Imports, 1960-1978
(1000 metric tons)

Marketing Year	Production	Marketed NMC	Sembe* Sold by NMC	Annual Net Imports	Annual Food Aid	% U.S.	% Total	Imports as % of Sales
1960	559 ¹			57 ¹				
1961	457 ²			57				
1962	475			22				
1963	738	109 ²		-				
1964	589	80	84 ²	4				
1965	513	70	85 ³	3 ³				4
1966	739 ⁴	108 ⁵	71	8	1			12
1967	630	105	88	5	-			6
1968	647	130	99	-27 ^t	2			0
1969	603	54	117	-27 ^t	2			0
1970	746	186	111	10	1			9
1971	730	43	152 ⁵	-	2			0
1972	856	106	146 (154) ³	119	1			81
1973	624	74	199 (242)	13	1			7
1974	623 [‡]	24	191 (274)	255 (269)	6	0	0	138
1975	825	91	127 (166)	231 (240)	10	0	4	182
1976	897	127	122	59**	59	59	100	48
1977	968	214	96	39**	39	78	100	41
1978 ⁺	1000	210	198	- 9 ^t	0 ^t	-	-	0

t = exports r = 25,000 tons expected originally as 1/2 + = estimates of SGR commitment

* = sembe/corn flour was converted to maize equivalent .35 to 1975; .95 since then

** = in addition Tanzania imported sorghum: 35 1975/76; sorghum grits: 20 1977; both were P.L. 480 Title II grants

‡ = FAO estimates almost double

Sources ¹USDA; ²Newhouse FAO; ³Coopers & Lybrand; ⁴Kilimo; ⁵M.D. Board; ⁶Foreign Embassy or AID

Table 5.5

Tanzanian Wheat Production, Government Purchases, and Sales and Imports, 1960-1978
(1000 metric tons)

Marketing Year	Production	Marketed (NMC Purchases)	Sold NMC (flour converted to wheat)	Annual* Net Imports	Annual Food Aid	% U.S.	% Total	Imports as % of Sales
1960	12 ¹			26 ^{6,8} (12)				
1961	6			18 (13)				
1962	18	19 ⁵		18 (21)				
1963	25	21		25 (18)				
1964	27	30		28 (24)				
1965	23	30	39 ³	5 ³				13
1966	39	28	40	20				50
1967	17 ⁴	33	51	4 (12.3) ⁷				8
1968	44	28	60	19 (36.7)				31
1969	41	21	57	19 (35.7)				33
1970	71 ²	43	60	14 (11.6)				21
1971	85	57	89	24 (46.2)				27
1972	98	47	54	42 (-3.7)				78
1973	80	28	66	12 (56)		0	0	18
1974	46 ⁵	14	60 ⁹	103 (113)	31 [‡]	0	30	170
1975	46	25	60	111 ⁵ (31)	151 ³ 65 [‡]	0	59	185
1976	58	27	75	15	6	0	40	20
1977	71	35	91	47	47	0	100	51
1978		27		85	69	0	81	

* As wheat, including flour

‡ Hopkins' estimates on NMC data, CIDA data and C & L study showing 98,000 tons of food aid March 1974 to March 1976

Sources: ¹USDA; ²FAO; ³Coopers & Lybrand; ⁴Kilimo (Peter Newhouse); ⁵Market Dev. Board; ⁶USDA; ⁸Kenya imports;
⁷CIDA, Wheat Sector Study; ⁹C. Alexander

a year from 1965 to 1973, to one hundred thirty-five thousand tons in 1974-75 (see Table 5.6). While wheat and rice play a less important role in the overall food supply of Tanzania, they are a significant ingredient in the urban populations' food supply and an important factor in the balance of payments for Tanzania. The heavy import costs of these three grains in 1974 and 1975 drained Tanzania of foreign reserves and contributed to a half billion dollar trade deficit in 1975.²⁰ During the 1960's Tanzania had frequently had a trade surplus, especially with all countries excluding her East African neighbors, even though she was not a grain exporter as Kenya was. Indeed until 1971 Tanzanian imported wheat flour from Kenya.

The data reported in Tables 5.4, 5.5 and 5.6 display the dramatic changes that took place in Tanzania's food supply. They also reflect the difficulties in accurately assessing the magnitude of the food problem and the burden faced by the National Milling Corporation. In compiling these tables, data were drawn from a variety of sources: the National Milling Corporation, the Market Development Board of Tanzania's Ministry of Agriculture, the World Bank, a study done by Coopers and Lybrand for the World Bank using the National Milling Corporation's records, studies done by Tanzanian government consultants such as Peter Newhouse and Charles Alexander, and statistics from the United States Department of Agriculture and the Food and Agriculture Organization of the United Nations. Rarely did figures from any of these sources agree precisely. Frequently they had remarkably differently figures for any given year, and a few cases of these variations are shown in parentheses.²¹

In response to the 1974-75 food crisis, Tanzania introduced and changed a number of policies. There is considerable controversy over

Table 5.6

Tanzanian Rice* Production, Government Purchases, and Sales and Imports, 1961-1978

(1000 metric tons)

<u>Marketing Year</u>	<u>Domestic Production</u>	<u>NMC Purchase</u>	<u>Sold by NMC</u>	<u>Annual Net Imports</u>	<u>Food Aid</u>	<u>Food Aid % of Imports</u>	<u>Imports as % of Sales</u>
1961	61 ²						
1962	68						
1963	99						
1964	78	18 ²					
1965	47	13 ⁵	16 ³	14 ³	-		88
1966	73	24	22	1	-		5
1967	72	20	23	15	-		65
1968	82 ⁵	29	24	8	-		33
1969	91	30	28	8	-		28
1970	120	61	35	7	-		20
1971	125	45	52	9	-		18
1972	111	48	60	2	-		3
1973	121	39	60	1	-		2
1974	88	15	41 ⁵	71	-		173
1975	98	12	37	64	20.5	32	173
1976	112	15	56	9	-	?	16
1977	126	35	73	40	20	50	55
1978	120 ⁶	32	87	55	22	40	64

* Paddy expressed as rice at .65

Sources: ¹USDA; ²FAO; ³Coopers & Lybrand; ⁴Kilimo (Peter Newhouse); ⁵Market Development Board; ⁶Estimate by Steven Lombard, FAO Early Warning Project.

the extent to which unfavorable weather, namely lack of rainfall during 1973 and 1974, accounts for the production shortfall and subsequent shortage. Even Lofchie, who attributes most of the shortage to government policies, admits that weather played some role,²² while the Ministry of Agriculture, which largely blames weather, suggests in the Annual Price Review prepared by the Market Development Board that some production decline resulted from policies such as low producer prices and the nationalization of large wheat farms which had been a major source of domestic wheat production.²³

Solutions to the shortage problem were sought in a whole series of policy changes. The food shortage threatened the economic livelihood of hundreds of thousands of Tanzanians and this in turn threatened the very credibility of the government. One account, urging a strategic grain reserve, declared that "It is no exaggeration to state that at the beginning of March, 1974, Tanzania was on the brink of starvation."²⁴

To prevent economic chaos and starvation, and to encourage food production, the following major steps were taken:

1. Prices to producers for all grains were increased.
2. Food was imported, where possible as food aid.
3. The extraction ratio in the milling of grain--mostly maize--into flour was increased.
4. Consumer prices were raised, but only by small amounts.
5. Grading and differential pricing of grain was eliminated.
6. Plans were drawn up and resources solicited from donors for a strategic grain reserve.
7. All programs to move villagers into collectivized units or "Ujamaa villages," especially ones using coercion, were ended.

8. Government intervention into the rural area was confined to renewed efforts to deliver promised benefits such as water supplies, fertilizer, and extension services. This last benefit is to be provided through the efforts of a new cadre of village managers.

These changes reflect the deep shock that many Tanzanian leaders, including President Nyerere, felt as a result of the food crisis. In an agriculturally rich country such as Tanzania, a resolve that this should "never again happen" emerged.²⁵ By 1979 these policies were largely successful. Except for rice, which continued in short supply (due in part to low producer prices) production and sales to the NMC were up. The low rice price encouraged producers to consume more and to sell on the black market. The National Milling Corporation had its total storage facilities completely filled and was forced to store a large amount of grain in open areas where, as a result, it was subject to mildew and rot. It is important to note that because Tanzania does not have a single national food, it is difficult to meet a deficit in one food in a particular area with a surplus from another. Thus in 1979 while maize and millet were piling up and even rotting, the black market price for rice in Dar-es-Salaam was three times the government controlled price of 3.5 shillings_A a kilo. Both mainland Tanzania and Zanzibar were forced to import rice at expensive commercial prices to meet the demands of coastal rice eaters. Added to the regional variation in tastes and demand is the difficulty in transportation and storage. While maize is a national crop for Kenyans, in parts of Tanzania it can only be used as a relief food during a famine. "It is hard to sell maize to Sumbuwanga, Songea, and West Lake."²⁶

In order for the NMC to assure food security to the various regions, therefore, and to encourage production of drought resistant crops such as sorghum, millet, and cassava, the government ordered the Corporation to purchase nearly all staple crops, and to set attractive prices for them. By 1979 the Tanzanian government faced a very different food situation—surplus. With it came a new set of problems, ones brought on by the extreme reaction to the earlier shortages, combined with the weakness of the National Milling Corporation in storing and marketing grains. These problems are sketched out to illustrate the dimensions of the problem.

1. Debt. National Milling Corporation in 1979 had a debt of 1.7 billion shillings and assets of stored grain worth about 600 million shillings. As a parastatal the NMC is expected to operate on a break-even basis. Yet even some of these stored "assets" were probably of no value either because they had rotted or, thanks to the absence of inspection and gradings at time of purchase, the grains may have been wormy or otherwise unfit for use. In 1979 the NMC was given a hopeless set of constraints by the government. The Treasury expected the NMC to operate in a manner to cover its expenses of operation without government subsidy. Cabinet level committees, however, set producer prices for particular crops, often changing the recommendations of the Ministry of Agriculture to achieve political goals rather than simply production target goals. Cabinet committees also set prices that retailers had to charge for key staple items such as corn flour, bread, and rice.
2. Wheat deficits. The government was seeking and accepting wheat food aid from Canada, Europe, and Australia. To achieve food

self-reliance in wheat for Tanzania the Canadians were helping to set up new state wheat farms in the Arusha region. These were planned as large-scale, capital intensive, extensive agriculture, using tractors, and would require continuing research to breed wheat varieties resistant to local rusts and other disease. There was a growing demand for wheat, largely among urban populations. In 1973-74 the Tanzanian government had taken over most of the wheat-producing farms in Tanzania, mostly from European owners or operators. These farms were either diverted to other crops or were managed in ways that allowed equipment and fields to deteriorate. The result has been a dramatic decline in production. The solution has been to rely upon greater imports, a majority of which came as food aid after 1974. The effort to expand domestic production through adopting techniques similar to those practiced by Canadians in their western provinces is the other solution, but one at variance with Tanzania's general commitment to Ujimaa villages and peasant agriculture.²⁷

3. Loss of cashcrop earnings. There has been a production decline in several cash crops which are important for Tanzania's foreign exchange earnings and capacity to import. In particular, cotton and cashew production dropped from 1976 to 1979, in part, some believe, due to farmers' shifting their energies to production of millet and cassava, for which they get a higher return for their effort.
4. Unstorable surpluses. A search for export outlets was undertaken by the NMC as Tanzania agreed to sell forty thousand tons of

maize to Zambia and swap nine thousand tons of maize for use in WFP programs in Mozambique in return for five thousand tons of rice. Some cassava and millet sales for feed grain to Europe were also undertaken. The marketing efforts were limited because Tanzania had little experience in marketing food crops overseas and an inadequate transportation system for moving grain from farms to storage to trains or ships for delivery, either nearby to Zambia or Mozambique, or more distantly, to Europe. As a result, the marketing efforts began late, only after storage facilities were bulging, were ad hoc, and were able to benefit from assistance by the good offices of donor agencies such as the WFP.

5. Market distortions and black markets. Because of shortages and low or undependable quality of food supplied by the National Milling Corporation, many urban consumers had developed habits of relying on informal or black markets. Since rice producers were offered only about two-fifths of the world's price and consumers were supposed to be able to buy rice at perhaps half the typical consumer price in developed countries, portions of the domestic rice supply began to move through black market channels at double or triple the official price. Quality was an important problem for wheat and corn flour. Nyerere had ordered the NMC to shift extraction rates for wheat and corn from .72 and .85 to .85 and .95, respectively. The resulting flour, of course, entailed less loss in milling, contained more nutrients, and was more coarse. It also was deemed less desirable by urban consumers. A third local marketing problem arose when the NMC chose to mill

and market wheat flour which had begun to mold and which had an unpalatable taste. These practices led consumers to seek higher quality maize and wheat by buying directly from farmers or through informal marketing networks.²⁸

6. Inadequate reserves. To meet shortage problems, a strategic grain reserve, initially proposed in a 1974 study by the Market Development Bureau, was promoted by an FAO study completed in August, 1976. Following a conference in Rome in 1977 among major donors the reserve appeared ready for building in 1978 and completion in 1979. The United States, the United Kingdom, Denmark, Canada, Italy, the EEC and the World Food Program all promised financial support either through food aid, financing of storage facilities, or technical assistance. Tanzania was to build three thousand tons of storage, Great Britain fifty thousand, and Denmark twenty thousand. The reserve as planned would be a special set aside above the stocks carried by the NMC and held solely as a backup guarantee for the food security of Tanzania. By 1979 the reserve was an item of low priority in Tanzania because the government already owned excess stocks of corn and hence had little need of food aid supplied for the reserve in corn. The grain storage facilities in the country were already overtaxed and NMC management was most concerned to maintain the value of stocks already obtained from domestic production. In 1980 as production slacked off and the March rains were late the prospect of new shortages grew. Commercial imports of maize began which along with wheat and rice food aid were able to meet the NMC requirements for 1980. The forecast for 1981 was bleak, however.²⁹

The strategic reserve, never formally completed, would have at best bought the government several months' more time in 1980 before it would have had either to turn to maize imports or to experience a change in the domestic supply situation (through favorable weather, price changes, or other adjustments).

These six features of the food situation in Tanzania illustrate how Tanzania's problems, like the pendulum on a clock, have swung back and forth in the 1970's from near famine to overflowing storage and waste. The socialist aims that have shaped the government's role in the food supply system are partly responsible for this situation. By holding to fixed prices during periods of supply fluctuation the government encourages farmers to sell less to the government during shortages and to sell more during periods of surplus. The domestic supply available to the government for distribution in commercial channels moves in exactly the opposite direction from the demands placed upon those channels. When supply is down is exactly when more Tanzanians become dependent on market/government food supplies.

With the population growing at three percent a year, and with urban population growth over double that, the heavy adjustment burdens of the government are bound to grow. The effect of this burden has been to increase Tanzania's dependency upon food imports as a backup for their food system. Further, since few incentives are provided farmers for storing grain, Tanzania has come to seek more, not less, technical assistance and foreign aid to build grain reserves, transportation facilities, and management capability for the NMC. As Table 5.7 shows, Tanzania received in 1978 a large amount of foreign assistance from a large variety of donors. Foreign assistance amounted to over \$25.00 per capita in a country whose

TABLE 5.7

ESTIMATED ANNUAL ASSISTANCE LEVELS FROM MAJOR DONORS TO TANZANIA, 1978

(millions of dollars)

World Bank	90
Sweden	80
Netherlands	60
West Germany	50
Norway	40
Canada	30
European Economic Community	30
Denmark	20
United States	20
Finland	10
United Nations Development Program	6.4
China*	5.20?*

* 330 million to finance and maintain Tanzania/Zambia Railway from 1969 onwards.

Source: United States Agency of International Development; Mission to Tanzania, May, 1979.

GNP per capita is estimated at around \$200.00. In 1979 foreign assistance grew dramatically, but a large portion of this helped to offset the major burden Tanzania undertook in its invasion and occupation of Uganda in that year.

Tanzanian Food Aid and International Policy Issues.

The history of food aid to Tanzania, particularly in the 1970's, reveals several important contributions to Tanzania and several areas where food aid has failed to be helpful, although it could be in the future. I will examine these with respect to three major impacts that food aid may make in Tanzania and one impact that food aid could facilitate along with Tanzania in the more general international food aid supply needs. The three are: nutrition, production, and domestic supply management.

A. Food Aid to Improve Nutrition. Tanzania has received food aid targeted for particular groups since 1963 when the World Food Program undertook its first feeding activity among refugees. Shortly after independence in 1961, Tanzania became a host country for groups of refugees from neighboring countries either as a result of struggles against colonial rule, as in Mozambique and Zimbabwe, or because of domestic pogroms as in Rwanda, Burundi, and, more recently, Uganda. In the same year the United States Title II Program administered by the Catholic Relief Services also began. Aside from special arrangements for clearing customs easily this donated food is given little attention by the Tanzanian government.

The World Food Program has proposed several projects such as a public works scheme. According to its local director, Ingmar Forsberg, these have not materialized because "Tanzania does not like our type

of food assistance except for refugee relief."³⁰ Even the small WFP program in support of the dairy industry in Dar-es-Salaam has received a mixed welcome.

Catholic Relief Services have had programs designed for feeding specific populations including mother-child health clinics, pre-school feeding, day-care centers, and primary school feeding. These programs began to be wound down after 1977 at the request of the Tanzanian government. In the mid-1970's the CRS counted two hundred fifty thousand recipients of their programs compared to seventy-nine thousand for 1980.

There are several reasons why the Tanzanian government has been reluctant to accept project food aid. First, it is counter to their principles of self-reliance. High protein food, for instance, seemed better manufactured in Tanzania than the United States. This conclusion spurred an effort within the National Milling Corporation to manufacture, using local maize and beans and overseas powdered milk imports, a nutritional supplement similar to that imported by the voluntary agencies and which could replace imported nutrition food in self-reliant Tanzanian programs.³¹

A second reason for Tanzania to limit nutritional programs is the administrative cost involved. Generally speaking, the government would prefer to have government agencies rather than church groups such as the Catholics administering feeding programs. The problem is that feeding programs require substantial costs in inland food transportation and distribution, costs which are borne by the Catholics for their programs through modest charges paid by recipients and local Catholic organizations. Administrative and transportation costs for government costs, like those in the Ministry of Health which parallel those of the CRS, come out of the government budget. Lack of funds and trained personnel in the Ministry

have resulted in food not reaching the interior and, occasionally, in its rotting. Feeding programs in the Ministry of Health, thus, represent costs that compete for scarce budgetary resources and were a source of complaint due to failures in the program. The response of the Ministry in the late 1970's was to curtail programs and to shift nutritional burdens away from the central government rather than to allocate more funds and resources to the task. From the point of view of the individual ministry this was a more satisfactory solution.

A third reason that Tanzania limited food aid for nutrition is control. In general the government did not like to see foreign and private sector organizations receiving credit for nutritional and welfare programs that are construed as appropriately a government responsibility, should they be undertaken at all. This is particularly true since such programs usually have nutritional standards and patterns for accountability which are required procedures when food aid is accepted. These both limit government choice and impose burdens of reporting which are resented. Finally, there may be an element of irrationality in project aid requirements. In Tanzania, Title II and WFP food aid moves through its own special transportation and storage facilities. "The only people who really know about it are in the Treasury" or those in specific projects and refugee camps being supported.³² Since the cost of transporting food from Dar-es-Salaam to the various points of distribution inland is exceedingly high, perhaps doubling or more the cost of food delivered to these areas, it would probably be cheaper to sell the imported food in the urban and port areas and use the funds generated to buy local foods for feeding projects up-country. For various reasons, including donor government reluctance, such a pattern of substituting food has not occurred.

As we shall see, in Egypt and in many developing countries such swapping has become an institutionalized practice for at least a part of the food assistance provided for projects.

B. Production. Production is the second area where food aid could help Tanzania. In the 1970's food aid did little to support food production. At best, one can say that donor country rejections of food aid requests have been justified by donors as a way to encourage favorable government policies toward production. For example, in 1979, faced with a rice shortage, the Ministry of Agriculture requested the United States government to substitute rice food aid for the corn that had been promised as a Title II gift (fifty thousand tons) in support of the strategic grain reserve. AID officials in Dar-es-Salaam refused this request on the grounds that the producer price for rice, 1.5 shillings a kilo or about 10¢ a pound, was being held far too low and the United States did not want to support such discouragement to production.³³ In light of continuing rice deficits, and the offer by Japan to sell rice to Tanzania at concessional prices, the United States reversed its position. The problem of withholding food aid to encourage favorable production policies is that recipient governments, certainly Tanzania, are not organized in ways to make such pressure effective. The principal planning officer for food aid in the Ministry of Agriculture, Mr. Ndbilila, described his conversation with the chief of the AID mission, Steverson. He understood the United States was reluctant to supply rice because "they say we are no longer in a food crisis because other commodities are in surplus; a rice shortage does not justify the United States' providing rice." Thus, Tanzania "did not qualify."³⁴ This message, whether convincing or not, neither helped officials whose mandate was to get rice nor did it get

through to government levels where rice price changes could be made.

When I asked the chief economic adviser to President Nyerere, Simon Mbilini, about the rice request, he said that there would be no problem if "we are asked to use rice aid to improve our rice production, say by greater rewards for producers; it would be no imposition at all; for us food production is first." Mbilini was aware of no United States aid related to production efforts, however. The Director of Planning for the Ministry of Agriculture, Mr. Tinesi, found the world food aid situation faced by Tanzania largely and unfortunately constrained by the extent to which there were surpluses in donor countries. Thus his interpretation of the unwillingness of the United States to substitute rice for promised maize food aid was that the United States wished to push maize not rice-- just the opposite of what United States domestic producer pressures in fact were. The effect of denial then led to quite a contrary message to that intended by the United States government. ¶ In discussing food aid needs Tinesi cited two major problems in accepting food aid. First, there was the problem of coordinating with the Treasury food aid accounts and providing credit to donors by assigning counterpart funds for local projects. The second, more serious problem was that of inflexibility.

Food aid is tied to what is in surplus. Ideally we need more flexibility so donors can give commodities that are needed. Last year the EEC tried to give us wheat while the Ministry said no, we needed maize. This year we need rice and wheat, which are in shortage, even though we have a maize surplus. We have tried swapping grain commodities, but donors only give food that is in surplus for them.³⁵

INDENT

The episode of the initial United States refusal to substitute rice for promised corn food aid did not result in a clear signal to the

Tanzanian government or stimulate its consideration of rice pricing policy. While the actual grounds for refusal may have been welcomed by some, e.g., the President's chief economic adviser, it did not appear to be understood in the Ministry of Agriculture. Indeed, it is somewhat ironic that while the Rice Millers Association was pressing for expanded use of rice in the P.L. 480 program because it was in surplus in the United States, the top agricultural planner in Tanzania construed the American refusal to swap rice for maize as a reflection of surplus disposal pressures from the United States.³⁶

A rather different initiative to use food aid to assist production has been the undertaking by the Canadians to supply wheat food aid. Of a thirty million dollar aid budget from Canada for Tanzania in 1979, five million dollars was for food aid. The Canadians saw this food aid as balance of payments support and as a stopgap measure prior to the success of their help in expanding local wheat production. Tanzania was counting on new wheat farms built with Canadian aid and technical assistance. The CIDA official in charge of overseeing both food aid and the wheat production projects had no illusions that the wheat imports in food aid really helped Tanzania's wheat situation where projected demand growth outpaced even production aspirations. After all, aid relieved pressure on the government to slow wheat consumption. He doubted, in fact, that the stated Tanzanian goal of self-reliance was achievable.

The wheat food aid was defended on several grounds. First, it complemented the wheat farm project providing short-term food needs and complementing long-term development plans. Second, Canadian food aid (five million out of thirty million dollars in CIDA's budget for Tanzania) was considered additive (that is, CIDA was not free to substitute more

assistance for production instead of wheat imports, since the food aid component in CIDA's budget was an expansion of and not a substitute for other items in the total CIDA budget formulated in Ottawa.³⁷

C. National Food Supply Management. For Tanzania food aid as a way to enhance supply management is the most important potential and currently practiced use of food aid. As described earlier Tanzania's food supply system is saddled with enormous problems of storage, transportation, pricing policy, and low interregional substitutability among commodities. The planning horizon for particular commodities in Tanzania is relatively short. In spite of an FAO sponsored early warning project, because Tanzania has only about a three-month supply of stocks to meet average "commercial" needs both for "working" and security purposes, shortfalls that contract the food sold to the government can lead to emergency situations fairly quickly. Food aid then can be an important back-up used fairly frequently.

Long-term planning for Tanzania assumes adequate domestic supply of all food needs except wheat. Moreover, if wheat production in the 1980's should return only to pre-1972 levels, food aid imports of fifty to seventy thousand tons would cover this import need. Since Tanzania has been importing wheat for several decades, it is not surprising that this constitutes the most reliable long-term import need and one for which food aid can supply balance of payments support as part of a general effort to promote economic development in Tanzania. Even rice import requirements are limited and with some effort the three-to-one ratio between production and NMC sales in the 1960's might be restored.³⁸

A serious shortfall in maize production, however, is a strategic threat. It was to guard against this that prices for maize producers

were raised to levels above those of international prices. This heavy emphasis on domestic self-reliance, however, as we noted earlier, is responsible in part for large food surpluses in 1979 and the large drop in production of export crops such as cotton which in the 1960's averaged seven hundred to one million bales a year and dropped to three hundred fifty by 1979. Aside from ideology and national pride, however, there is good reason for Tanzania to emphasize national self-reliance. In the 1973-75 period a glance at Table 5.4 showing maize production imports and food aid makes clear that food aid arrived well after the onset of the crisis and only after Tanzanian foreign exchange reserves were heavily depleted. When world food prices were at their zenith in mid-1974, Tanzania got very little help. It was only after mid-1975 that substantial amounts of food aid began to arrive. Granted this aid was critical to resupplying the dwindling stocks of the NMC. This aid, along with the return of normal rainfall and higher domestic production, ended the food crisis. Food aid shipments arriving late, however, have not been as helpful to national problems as they might have been. According to Mr. Mwananache, Chief Procurement Officer for the NMC, while food aid has been "very useful to Tanzania," and "prevented a big political tumble in 1974-76," those shipments came later than when they were most needed.³⁸

The United States has been the worst donor in terms of late shipments. The small NMC staff available to manage imports, most of whom spend the bulk of their time managing domestic procurement, have found the idiosyncratic policies of each donor country particularly burdensome. At times the United States banking policy standard in New York or Washington has required information or guarantees that were incongruent with Tanzanian practices: then a Tanzanian Treasury-NMC and United States

Government agreement would be help up unexpectedly. The burden of sorting out such problems has fallen upon NMC officials rather than AID officials in Tanzania or Washington. The Tanzanians at their embassy in Washington did not have the expertise to deal with the Departments of Agriculture, State, or AID on these issues, while AID in Dar-es-Salaam was not competent to deal with American-based officials in the Department of Agriculture or in commercial banks. Mwananache preferred the Australian policy of offering a free donation of so many tons of a commodity. The Australians allowed the NMC to handle chartering the vessel and, hence, the time of arrival of their wheat food aid. Canadian food aid, since transportation was paid by Canada, has occasionally arrived unexpectedly at a time of Canadian, rather than Tanzanian choosing. According to NMC figures, in 1978 Tanzania imported about \$10.5 million of rice commercially and received a million dollars more on concessional terms, while it imported \$2.5 million worth of wheat commercially and received about \$12 million of wheat as food aid.

The constraints encountered by the National Milling Corporation in managing food aid imports are largely an artifact of international and bureaucratic barriers separating the chief food manager in Tanzania, the NMC, and the food aid managers in donor countries. Once development officials or diplomats in the respective governments agree on food aid levels, coordination and management problems for transportation, arrival, and storage receive little or no attention. The result is that the National Milling Corporation works at arm's length from key information about food aid shipments, in some cases not knowing until it actually arrives at the harbor of Dar-es-Salaam details about the management of the aid.³⁹

Lessons from Tanzania.

Disorganization, competing and incompatible policy objectives, and failures of communication among and between donors and the recipient have sharply reduced the value that food aid could play for Tanzania. During the 1970's Tanzanian government officials have shifted ground concerning food aid. Initially they were ideologically ideological resistant to such aid that contradicted self-reliance; then they engaged in a hectic search for large quantities of food aid in the mid-1970's, followed by a period of ambivalence and sporadic pushes for food aid since 1978. These features of food aid management are best illustrated in a few cases. The examples show both Tanzanian officials and donor government officials evolve food aid policy in a very compartmentalized and ad hoc fashion, with the result that goals for food system management, both in Tanzania and in the international realm are seldom well served.

A. Counterpart funds. Virtually all donors require that food aid recipients undertake some tasks. Frequently food aid sales are supposed to generate funds to be used for development projects. At a minimum such requirements put pressure on a government not to use the balance of payments savings from food aid for the import of luxury goods. In some cases a commitment for the use of such "counterpart" funds generated by food aid sales will be reached in advance, as for example the use of funds for a grain storage project by the Germans in Tanzania. In other instances, such as the American Title I food aid to Tanzania from 1975 to 1977, uses of counterpart funds may be negotiated after the fact and with some difficulty. For example, some ninety-three million shillings (over ten million dollars) was supposed to be available for approval by the AID mission for use in Tanzanian government development projects. Such

funds are important to AID because they can be assigned as the Tanzanian government contributions to projects for which the external assistance, cash and technical expertise, is provided by the United States. The United States, however, is not among the largest donors, and so its projects are not always given top priority (see Table 5.7). In its simplest form this is a way to ensure the Tanzanian government will fulfill its pledged contribution to mutually-funded development projects. A good bit of this use of counterpart funds, however, is a charade. Middle-level Treasury officials in Tanzania seek to identify a number of development projects already underway for which they can give the American government some credit. This is how the "counterpart funds" from food aid are "spent." Only when local American government officials press to have funds assigned to a particular project must the Tanzanian government take seriously the required concurrence of the United States, and consider whether it wants the United States government to share in making priority allocation decisions for the use of its development resources. Because a large number of projects constantly compete for limited Tanzanian funds, the United States leverage can be helpful in backing some favorite United States projects, but whether such activity is valuable or desirable is debatable. In Tanzania, for instance, this is likely to have strengthened the reliability of Tanzanian contributions to the Agriculture College at Morogoro and to agricultural projects in the Arusha area. It is unclear, however, to what alternative uses funds might have been put-- perhaps even better ones. Negotiations over counterpart fund accounting certainly took a fair amount of AID mission time and also that of several officials in the Ministry of Finance of Tanzania.

B. Whose Aid? or How can Aid be Policy if it Flows Behind a Veil of Ignorance? In one rather amusing case involving the British, it is clear that no development impact could be attributed directly to food aid, at least through the use of counterpart funds. In November, 1978, ten thousand tons of wheat as food aid arrived at Dar-es-Salaam, Tanzania's capitol and main harbor. This was actually the second wheat shipment to arrive as a gift from her Majesty's government. An earlier shipment had been sent but when NMC officials discovered the wheat was of high quality, for use principally in pastries rather than the coarser grade of wheat commonly used in Tanzania, the shipment was sent on for delivery as food aid to Mozambique. When the desired wheat did arrive, dock workers were not prepared to offload it. Demurrage charges mounted. Finally, the British High Commission^{and} officials from the Overseas Development Ministry (ODM) talked Tanzanian officials into paying the demurrage costs and the wheat was accepted by the NMC. Two British officials involved in this delivery indicated a skepticism about the virtue of food aid and explained they were pleased that at least it was not from Britain but rather from the European Community. In their view the British had merely been asked to facilitate delivery. Once this was done the ODM officials in Tanzania were happy to close their books on the affair. Although they considered it European food aid, they never discussed food aid with the European Commission office in Dar-es-Salaam. Of course this wheat was not EEC food aid but a bilateral gift from Great Britain. Why would ODM officials think the food aid was a result of decisions in Brussels? The reason is that British bilateral food aid (national actions) is managed by a small food aid office in the European division of ODM. According to ODM officials in Dar-es-Salaam the East African and Tanzanian officers of their ministry

in London were unaware of the food aid.⁴⁰

Although the British gift came from France, Mr. Nec of the European Commission's office was clear that this was not part of the European food aid package. European aid also has been mostly wheat and has been managed by the Directorate of Development in Brussels and the EEC office in Dar-es-Salaam.

Except for the ten percent demurrage charge, this incident exhibits little harm since Tanzania needed wheat imports. Moreover, the wheat imports involved no corruption. Corruption in import sales may occur in the Zanzibar part of Tanzania, however, for officials there have imported rice at well above world prices. In Kenya, too, private gain from food trade seems likely from the experience of 1977-78 when the Wheat Board imported wheat at above world prices. Food aid, then, is less subject to corruption, at least before its delivery, since it is not a private sale.

The British aid incident leads to another general observation, however. It is difficult to improve the use of food aid in Tanzania when Tanzanian officials frequently do not know how much food aid they receive or where it comes from and when donors are unaware of the total food arrivals and in some cases can not even distinguish food aid provided by their own government from that of multilateral "European" aid.

C. Domestic Supply Management. In 1979-80 Tanzania undertook several steps to redress the problem of supply surpluses of maize and subsistence crops. Among the steps taken was the lowering of maize prices to producers, though without re-introducing grading. During 1977-80 Tanzania also negotiated with the World Bank for a substantial soft loan to re-organize and rehabilitate the National Milling Corporation. In the course of two major studies preparatory to a loan substantial attention was paid

to such problems as transportation, storage, and management. Virtually no attention, however, was given to food aid. The Bank's principal concern was the enormous overdraft on the Tanzanian Treasury held by the NMC and its almost certain inability to be able to operate without a loss. Little attention was given to the management of the food system of Tanzania as a whole or to the role that food aid could play in the financial affairs of the Corporation, even though commercial import costs exceeded the total deficit of the National Milling Corporation and in spite of the fact that the value of food aid in the latter half of the 1970's exceeded the proposed development investment by the Bank. In this case both the Tanzanian government and the potential donor (the World Bank) saw, at least from 1977 to 1979, ways to improve the national food system through expanding and improving the resources of the NMC which serves as the government arm for managing the food system, but without either a study of the total national food system of Tanzania or any attention to the role that food aid had played or could play in the projected period of improvement, 1980-1985.⁴¹

D. Food Export. Food-exporting countries generally have greater food security since they can generally use expected exports themselves if a domestic shortage occurs. Thus exports can bring both foreign exchange and reserve capability. A novel problem occurred in 1979 for Tanzania when the NMC came to hold large surpluses of cassava, millet, and sorghum with little potential to sell these domestically. Donor countries interested in providing food aid or helping Tanzania to improve its food management system gave little or no help to Tanzania in solving this surplus problem. While Tanzania scrambled with some limited success to find commercial foreign buyers, basically Europeans, who would import such food

for livestock feeding, donor governments, either through their development agencies like SIDA, CIDA, and AID, or through their commercial attaches, provided no real assistance. Even the FAO, which had supported the creation of a Market Development Bureau in the Ministry of Agriculture, provided little help in marketing strategies.

One attractive solution to Tanzania's abundant agricultural capacity, and hence reasonable as a goal compatible with food self-reliance, would be for Tanzania to develop regular food-export markets. Then, in a year of drought and crop shortage, the amounts produced for export would reduce the effect of shortfalls in domestic production and become a source to meet domestic needs. The problem with such a proposal is that food production would have to be able to compete with world market prices, and Tanzania would need assistance in developing markets and acquiring a reputation as a reliable supplier. In 1980 Tanzanian prices are below those used for world trade--so one objection seems met. The variability of Tanzanian production, however, is another problem. Fortunately, it is quite separate from that of the production variability of the major food aid donors. Thus, it would be possible for food aid donors to assist Tanzania's development of food production aimed at both national consumption and exports by helping to stabilize Tanzania's supplies, providing international support or backup guarantees for both domestic nutrition needs and long-term export commitments. To do this would require better information on production and better early warning as to crop yields. The crop early warning project, begun in 1979, is a step which might support this longer-term strategy.⁴²

Partly as a result of this advance notice capacity, when the late rains of 1979 led to a decline in maize production in Tanzania, the

Tanzanian government was able to make timely requests for food aid assistance in rice and wheat which would relieve pressure on urban maize sales. Deliveries of maize to the National Milling Corporation in the spring of 1980 were roughly half those in the comparable months in 1979.⁴³

E. Avoiding Donor Control. A final problem that must be faced with respect to improving the role that Tanzania can play in a coordinated food aid-domestic food system management effort, would be to overcome the fear among Tanzanians of being manipulated as a result of "ganging up" as a donor strategy. Tanzania's apprehension about this is typical of many recipient countries. LDC's resent coordination among donors to apply pressure, upon them—irrespective of whether the pressure is benign and regardless of whether it is related to political and diplomatic concerns or to food issues. Tanzania has, like most recipient countries, agreed to the coordination of aid efforts that occurs when consortia meetings are held with donor governments and an individual recipient reviews development projects and aid resources. Efforts at these meetings are made to allocate recipient-proposed projects among interested donors. Tanzania, however, has resisted any permanent donor organization and collaboration inside Tanzania.

In searching for food aid, therefore, Tanzania has preferred to make requests individually from each potential donor, rather than to approach them jointly. It is probably no accident that I could find not one donor government or international agency in Dar-es-Salaam that had figures on the food supplied by other donors. Certainly it was no accident that the American AID staff were cognizant of the price paid rice (mchele) producers and the black market price of rice (wali) in Dar-es-Salaam; they were, after all, being asked to supply rice food aid. Conversely,

the Canadians and Europeans were relatively unconcerned and unaware of the rice shortage in 1979, but they were aware of the wheat situation since they were being asked to supply twenty to thirty thousand tons of wheat each-- the Canadians did so and the Europeans did not.

Conclusion.

Tanzania is an excellent case of a country that would benefit from a food system study such as that proposed by the World Food Council in Ottawa in 1979. Such a study could raise a number of questions for the Tanzanian government. Is it really in the interest of the Tanzanians to encourage black market trading in food commodities by retaining a high consumer subsidy when the food is relatively unavailable? Is it in the interest of the Tanzanian government to subsidize the largely urban-based consumers who rely on commercial exchanges at the expense of rural producers, as seems to be the case with respect to rice in 1978-79? Will it be in the interest of Tanzania to build storage and transport systems to accommodate at least modest food exports, at least of maize and drought-resistant crops, in "normal" years?

These and other questions about the food management system could conceivably be thrashed out with experts from donor countries, the FAO, and relevant ministries in Tanzania. If long-term goals and appropriate policies were articulated as part of a food strategy for Tanzania which would improve its domestic food supply management and allow it to play a positive role in international food adjustments, including occasionally providing food for use as food aid to other African countries (and paid for by rich donors), Tanzania could become a model for a most important and relatively new role for food aid, that of addressing global food problems through expanding the "solution" of LDC trade. Donor countries

have the resources to assist in this endeavor. They have the organization and coordination skills needed to help Tanzania. A study of the food aid system and other donor welfare programs will clarify the structure of opportunities currently presented by donors and the international community to Tanzania and will point to desired changes. With outside support it is likely that the fragmented and overreacting food management patterns now common in Tanzania can be changed and substantially improved.

Egypt: Food Dependency and the Dominance of Politics

In contrast to the fluctuating needs of Kenya and Tanzania, Egypt has become regularly dependent upon food imports. These food imports play a key role in maintaining political stability and sound nutrition. The per capita caloric consumption in Egypt has been estimated at well over three thousand calories--very high compared to the 2000-2200 consumption levels of India, China, and most other non-OPEC developing countries.⁴⁴ Nearly half of Egypt's forty million population live in urban areas, principally in and around Cairo and Alexandria. Millions of desperately poor people in these areas are able to secure adequate food only because key food commodities, most importantly bread, are heavily subsidized. In January, 1977, when the government, under pressure from the International Monetary Fund and foreign aid donors, announced plans to reduce subsidies, riots in Cairo and Alexandria killed over one hundred people and destroyed Sadat's party headquarters in Alexandria. Food subsidies in 1980 are estimated to exceed 1.5 billion dollars out of a total budget of 7.9 billion.⁴⁵

The Egyptian case represents in an exaggerated fashion many of the characteristics of the agricultural and food situation in the majority

of less developed countries. Food policy itself is highly political with prices set by special cabinet committees, and not by the Ministries of Agriculture or even Finance, let alone national or international market forces. Food aid has become an increasingly important outside resource to bridge the gap between domestic production and the political and nutritional requirements of the population. Although food self-reliance has been adopted as an official goal, many, perhaps most, government policies promote greater dependency on outside resources. These include production pricing policies that tend to discourage domestic production, population policies which tolerate if not encourage substantial population growth (although the 2.4 percent population growth in Egypt is significantly lower than Tanzania's 3 percent or Kenya's 3.5 percent plus), and social welfare policies that expand the government responsibility for providing food, at least to special groups.

The Rise of Food Dependency

For centuries Egypt was an exporter of grains, especially wheat. During the first half of the twentieth century, however, this changed. Egypt has become increasingly dependent on food imports. The reason for this trend is clear; the Egyptian population and its food needs have outstripped growth in production. Even though yields per feddan (1.038 acres) have grown regularly and even though double cropping has expanded to the point where each field averages nearly two crops a year, the production on each cultivated feddan amounts to about one-third the per capita amount at the turn of the century. In 1897, Egypt's population was calculated at 9.7 million or about one person for each half acre or feddan of arable land. By 1937 the population had about doubled while the land available for cultivation had increased only three percent. These shifts

in population and cultivated land from 1897 to 1976 are traced in Table 5.8.

As the tipping point between surplus and deficit production was reached in the mid-1930's, the cost of food imports began to rise, tripling from 1936 to 1946. The dislocations of the first Arab-Israeli War in 1948 then led to a new and even more dramatic rise of imports. In 1965-75 the deficit in food trade came to account for half or more of the total trade deficit that the Egyptian economy regularly ran, as Table 5.9 makes clear. Food increasingly required more and more Egyptian exports to pay for it.

By 1980 Egypt's population was estimated at forty million, up two and one-half times since 1937. During this same period, however, in spite of the irrigation of new land made possible by the Aswan Dam, the area under cultivation has increased only thirteen percent. Along with the growth in the number of people living in Egypt, the animal population has also increased dramatically. Animals are still a major source of transportation and farm work in Egypt as every day hundreds of thousands of animal carts bring food and crafts into the major urban centers and carry out the cities' wastes each evening. Feed for animals, therefore, such as clover, must compete with food crops and cash export crops such as cotton. With a growing population, rising affluence, and strictly limited amounts of arable land, it is no wonder that by 1980 Egypt was importing two-thirds of her wheat needs, two-fifths of oil and fats, one-fifth of her maize, and one-tenth of her sugar, pulses, fish, meat, milk, and dairy products.⁴⁶ Cereals constitute about seventy percent of the daily caloric intake and wheat is by far the most significant. Overall, the Egyptian population has a good supply of calories per capita

TABLE 5.8

Egyptian Population and Cultivated Land, 1897-1976

<u>Year</u>	<u>Population</u>		<u>Cultivated Area</u>		<u>Cropped Area</u>		<u>Per Capita</u>		<u>Population Growth</u>
	(millions) <u>Total</u>	<u>Index</u>	(thousands) <u>Feddans</u>	<u>Index</u>	(thousands) <u>Feddans</u>	<u>Index</u>	<u>Cultiv. Area</u>	<u>Cropped Area</u>	<u>Rate</u>
1897	9.7	100	5123	100	6761	100	0.52	0.75	
1907	11.3	116	5432	106	7662	113	0.48	0.68	
1917	12.7	131	5269	103	7667	113	0.42	0.61	
1927	14.1	145	5544	108	8661	128	0.39	0.61	
1937	15.8	163	5281	103	8358	124	0.33	0.53	2.4
1947	18.8	194	5761	112	9167	136	0.31	0.49	
1960	25.6	264	5844	114	10435	154	0.23	0.41	2.5
1966	29.7	306	5974	117	10506	155	0.20	0.35	2.5
1976	38.2	393	5974	117	11163	165	0.16	0.29	2.6

Source: "Wheat Consumption in Egypt," by Dr. Farouk Shalaby (Cairo: December, 1978, AID Program Economist's office, unpublished manuscript).

TABLE 5.9
 CONTRIBUTION OF NET FOOD IMPORTS
 TO EGYPT'S BALANCE OF TRADE DEFICIT, 1936-1977
 (Millions of Egyptian Pounds)

<u>Year</u>	<u>Total Food Imports</u>	<u>Net Food Imports (+ = net export)</u>	<u>Balance of Trade</u>	<u>Food Imports as % of Balance-of-Trade Deficit (+ = contribution to surplus)</u>
1936	3.1	+ .41	+ 1.46	(+) 28
1938	3.8	.39	+ 2.41	*
1940	3.3	+ 2.03	- 3.0	*
1943	4.1	.73	- 12.6	6
1946	9.3	+ 2.7	- 14.3	*
1948	37.8	16.6	- 29.8	56
1950	46.1	34.3	- 37.3	92
1952	60.3	55.2	- 77.5	75
1954	21.1	13.7	- 23.1	59
1957	43.5	25.1	- 11.0	228
1960	44.0	21.5	- 34.7	62
1965	110.2	78.0	- 142.8	55
1970	72.6	9.4	- 10.8	87
1975	555.6	456.2	- 990.7	46
1977	440.1	307.5	-1215.8	25

*Net food exporter or net positive trade balance this year.

Source: Statistical Yearbook, Arab Republic of Egypt, 1952-77 (Cairo: Central Agency for Public Mobilization and Statistics, 1978) pp. 222-227; Egyptian Department of Statistics and Census: Statistical Yearbook of Egypt's Foreign Trade, according to UN Standard International Trade Classification, 1936-60; 1955-57 figures from Central Statistical Committee: Basic Statistics, 1962, pp. 126-7 (Arabic); 1965 and 1970 figures are from Bent Hansen and Karim Nashashibi, Foreign Trade Regimes and Economic Development: Egypt (New York: Columbia University Press, 1975) pp. 20-21.

available to them, especially by developing country standards. The mix of sources of food for Egypt is shown in Table 5.10.

The increasing dependence of Egypt on food imports and food aid is illustrated by looking at the production, imports, and estimated annual human consumption (in kilograms) of the three principal cereals—wheat, maize, and rice. The three cereals are shown in Figures 5.11, 5.12, and 5.13. Wheat and rice are the principal grains consumed in urban areas, while maize is the major food of the rural peasantry. A large portion of the maize production is used for non-human purposes, such as animal feeding and starch production, especially imported yellow maize. Although perhaps only a third of maize imports are used for direct human feeding, these imports reduce pressure on the maize market and make more of the maize grown in the rural areas available for human consumption.

Wheat production, as Table 5.11 shows, has not increased dramatically since 1956. Then, domestic production amounted to 1.57 million tons, compared with 1.75 million tons in 1978. This slow growth in production is due largely to the relative area planted in wheat not expanding, and the reluctance of the Egyptian farmer to adopt new high-yielding varieties of wheat. This reluctance, even though the Egyptian government offers a premium price for a high-yielding variety, is explained best by the general low price (below world market) paid to Egyptian wheat farmers and the fact that older varieties have higher stems and produce more straw which can be profitably sold for animal feed. In general, earnings from the lower price and the lower yield of the older varieties combined with the increased earnings from the sales of the wheat straw, provide farmers higher earnings than they receive from planting the new

TABLE 5.10
Calorie Intake Per Day in Egypt

<u>Food Group</u>	<u>Average</u> <u>1950/51-1954/55</u>		<u>Average</u> <u>1970/71-1974/75</u>	
	<u>Q</u>	<u>%</u>	<u>Q</u>	<u>%</u>
Cereal grains	1693	71.0	2271	72.8
Starchy roots & tubers	19	0.8	30	0.9
Sugar & sugar products	166	6.9	208	6.7
Pulses	103	4.3	103	3.3
Vegetables	34	1.4	68	2.2
Fruits	104	4.4	86	2.8
Meats	51	2.1	46	1.5
Eggs	4	6.2	6	0.2
Fish	6	0.3	5	0.2
Milk & dairy	117	4.9	118	3.8
Oil	86	3.6	178	5.7
Total	2383	100.0	3119	100.0

Source: Ministry of Agriculture, Food Balance Sheet.

TABLE 5.11

Egypt: Wheat Production and Supply 1956-1978
(1000 metric tons)

Year	Net Production (1)	Net Wheat Equivalent Imports (2)	Total Supply (2)	Total Food Aid (3)	Total Food Aid As % Of Imports	Available Supply Per Capita (Kilograms) (2)
1956	1,567			493		
1957	1,467			10		
1958	1,412			10		
1959	1,443			421		
1960	1,328	1,236	2,563	1005	81	99.2
1961	1,272	1,230	2,502	1091	89	94.4
1962	1,427	1,501	2,928	1688	112	107.8
1963	1,334	2,003	3,337	1557	78	119.8
1964	1,354	1,807	3,161	1754	97	110.7
1965	1,112	1,980	3,092	1368	69	105.6
1966	1,309	2,162	3,471	1242	57	115.6
1967	1,134	2,568	3,703	78	3	120.7
1968	1,366	2,192	3,558	792	36	113.4
1969	1,122	1,455	2,577	142	10	80.6
1970	1,356	1,183	2,539	133	11	77.7
1971	1,567	2,313	3,880	440	19	116.8
1972	1,458	1,618	3,076	299	18	90.8
1973	1,662	1,733	3,395	386	22	98.1
1974	1,695	2,505	4,199	585	23	119.2
1975	1,845	3,269	5,114	932	28	142.8
1976	1,765	3,728	5,493	1478	40	151.1
1977	1,534	4,345	5,849	1836	42	155.6
1978	1,751	4,900	6,651	1839	38	

- (1) Production statistics, Ministry of Agriculture, less seed of 75 kilograms per feddan for next year's plantings and on-farm losses of four percent, found in (2).
- (2) Black & Veatch, International Consulting Engineers, London, "Master Plan for The Development of Egyptian Storage and Distribution Systems for Food Grains," vol. 3, September, 1978. Net Wheat Equivalent Import includes Wheat and flour, flour converted at .72 milling rate, four percent loss deducted.
- (3) Food Aid 1955-67 is from U.S. Agricultural Exports under Public Law 480 (Washington: USDA, 1974) pp. 152-153; for 1968-78, from Joachim Von Braun, Wirkungen von Nahrungsmittelhilfe in Empfängerländern (Göttingen: Institut für Agrarökonomie, February, 1980) Appendix Table 4A.

Table 5.12

Egypt: Maize Production and Supply 1960-1978
(1000 metric tons)

<u>Year</u>	<u>Net Production</u>	<u>Net Imports</u>	<u>Human Consumption*</u> (Kgs. per Capita)	<u>Total Food Aid</u>	<u>Total Food Aid As % Of Imports</u>	<u>Imports As % of Human Consumption</u>
1955	1714					
1956	1652			0	0	
1957	1498			0	0	
1958	1758			0	0	
1959	1500 ¹			0	0	
1960	1691	120	49.84	72	60	9.30
1961	1588	137	48.95	40	29	10.71
1962	1996	695	46.95	439	63	54.51
1963	1865	352	45.57	180	51	27.81
1964	1920	774	44.24	366	47	61.30
1965	2140	202	42.98	75	37	16.11
1966	2359	159	41.01	2	1	12.96
1967	2163	193	39.31	1	.5	16.06
1968	2313	127	37.64	0	0	10.81
1969	2366	43	36.08	1	3	3.71
1970	2386	70	34.54	0	0	6.21
1971	2343	37	33.17	0	0	3.41
1972	2417	84	31.76	0	0	7.86
1973	2515	64	30.46	0	0	6.10
1974	2647	373	29.14	0	0	36.31
1975	2781	401	28.11	0	0	39.81
1976	3045 ²	643 ⁴	26.70	0	0	66.21
1977	2724	567		371 ⁶	62	
1978	3117 ³	720 ⁵		320 ⁶	43	

(1) Min. of Agr., 55-59 rounded figures not net. (2) 60-76 figures: Min. of Agr., less seed of 30 kilograms per feddan for next year's plantings and on-farm losses of 4%. (3) Min. of Agr., 77-78, rounded and not net figures. (4) Min. of Agr., 60-76 Figures adjusted to include Food and Imports. (5) 77-78 USDA rounded. (6) USDA. (7) Commodity Import Program figures, 1977-78.

* Excludes maize used for animal consumption. (Production and Imports - Human Consumption = Animal Consumption.)

** All U.S. Food Aid except for the 1977 figure. Includes 51,000 non-U.S. tons.

Table 5.13

Egypt: Rice Production and Supply 1960-1978
(1000 metric tons)

<u>Year</u>	<u>Net¹ Production</u>	<u>Net Exports</u>	<u>Human Consumption,² (Kgs. per Capita)</u>	<u>Total Food Aid</u>	<u>Imports as a % of Consumption</u>
1960	807	190	23.21	42	5
1961	645	137	19.21	0	0
1962	1162	254	23.11	0	0
1963	1275	148	23.36	0	0
1964	1171	380	23.66	0	0
1965	1025	527	23.92	0	0
1966	951	330	24.36	0	0
1967	1301	347	24.81	0	0
1968	1547	435	25.26	0	0
1969	1467	498	25.66	0	0
1970	1496	772	26.11	0	0
1971	1453	654	26.61	0	0
1972	1442	515	27.41	0	0
1973	1426	433	27.70	0	0
1974	1283	292	28.20	0	0
1975	1373	136	28.50	0	0
1976	1318	104	29.1	0	0
1977	1397	140	29.8	0	0
1978	1446				

- (1) Net Figures: Less seed for next year's crop at 60 kilograms per feddan, farm losses of 4% and average milling rate of 61.5%. Black and Veatch, op. cit. The 1978 figure is from Ministry of Agriculture data and is rounded, not net production.
- (2) Black and Veatch, op. cit. This figure is the production. Remainder not accounted for by seed, wastage or other uses, and smoothed to include inventory management efforts.

high-yield varieties.

Rice production has also grown fairly slowly, especially in comparison to domestic demand. Price is less a factor here than the lack of suitable additional land to devote to rice cultivation. While rice exports were a significant foreign exchange contributor in the 1960's, these have been declining to the point that rice will become an import item in the 1980's. Egypt has not imported rice since it received forty-two thousand tons of rice as food aid in 1957 from the United States.

Dr. Kamel Hindi, Director of Agricultural Economics of the Ministry of Agriculture, was relatively pessimistic about the prospects for expanding wheat and rice production. The area planted in rice has remained stagnant because of constraints on irrigation and the draining of fields. He believes that virtually no land not already in cultivation would be suitable to add to rice production. During the 1980's, as all grains become imports, wheat consumption in particular can be expected to continue its growth, now only in tandem with population growth but also at faster rate as urbanization leads to a shift first from corn to local wheat, and eventually to imported wheat used in breads baked from more finely milled flour. Several Agricultural Ministry studies have indicated that total wheat consumption will reach nine million tons before the year 2000.⁴⁷

Among grains, only maize production (see Table 5.12) has evidenced a substantial growth since the 1950's. This growth seems related largely to the increasing use of hybrid seeds (with their higher yields) and to the absence of government production controls. Since corn prices are less controlled than wheat or rice prices, they tend to fluctuate in response to local supply and demand situations and international prices.

In 1979 the price of corn was higher than the price of wheat, both as paid to producers and as available to consumers. That a ton of maize should cost more than a ton of wheat in Egypt is a reversal of the normal relationship between these two crops, a relationship that holds in nearly every country of the world. It is one of the perverse effects of the heavy subsidization of wheat in Egypt, with the consequence that the poorer rural population, the principal consumers of maize, "pay" more for their food than the urban wheat-eating peoples.⁴⁸

These trends in cereal production and consumption patterns in Egypt point to an inescapable conclusion. Egypt is heavily dependent on cereal imports, particularly wheat. This dependency is almost certain to increase during the 1980's. Every Egyptian and foreign government official with whom I spoke expressed deep concern over this trend.

The response, however, has been largely rhetorical, not concrete. Egypt has declared a goal of becoming food self-sufficient by the year 2000! In spite of this proclamation, no current steps or future production plans contain means by which this food production goal can be achieved. Population policy to slow growth is weak to non-existent. Efforts to expand food production are severely narrowed by natural and practical limitations. The areas of land reclamation, both those already brought into production since the 1950's and those contemplated for future development, offer little hope. New land is especially suitable for dry crops because of poor soil and limited water, while better irrigated soil is best used for high value crops such as fruits and vegetables or cotton.

The foreseeable future, then, seems to promise a continuing subsidization of food, especially wheat, a growing domestic demand, an increasing reliance upon food imports, and a growing dependence upon food aid. In

spite of a history that illustrates the potential lack of dependability of food aid, Egypt seems on a path of continuing to count ever more heavily upon it.

The Role of Food Aid: Who Gives What and When?

The supply of food aid for Egypt in any given period is affected by a combination of factors. Fluctuations in domestic production are not, as I noted in Chapter Four, an important factor. If anything aid has shrunk, not expanded, after a crop downturn. Fortunately, crop variability is rather small in Egypt compared to other countries such as Tanzania or Bangladesh. The domestic supply of grains to the Egyptian marketplace is relatively predictable for two reasons. First, the acreage planted and tonnage obligated for delivery to the government's Ministry of Supply are carefully controlled through the Ministry of Agriculture. Each farmer is expected to plant certain crops and wheat is particularly carefully controlled. Each wheat farmer is expected to plant a set quota of crop land. The second factor is that weather and water availability are relatively constant, so that weather variation plays a smaller role in influencing production in Egypt than in most other countries.

External factors play the most important role in shaping the urgency and success with which Egypt acquires food aid. These external factors include the fluctuation of international prices of grains and the political and economic ties between Egypt and foreign aid donors. Similarly, Egypt's need for food aid grows as commercial imports rise in price and as the foreign exchange available to Egypt changes. Foreign exchange holdings in turn depend upon Egypt's earnings from export crops, services such as tourism and the Suez Canal, and currency inflows from overseas workers' remittances, foreign assistance, and loans.

Since Egypt imports twice as much wheat as she produces domestically, the price of wheat is something Egyptian government officials follow quite closely. The General Agency for Supply of Commodities (GASC), a division of the Ministry of Supply, is responsible for both the domestic and international acquisition of Egyptian food supplies. Since foreign exchange is generally scarce, the Ministry of Finance and the Egyptian National Bank ration quite carefully the foreign exchange that can be spent by government ministries, and by quasi-public and private industries. During a food price rise, as occurred in 1979-80, the significance of food aid to Egyptian officials is underlined. Ahmed El Dakkak, the Deputy Director for food supply in the GASC, discussed the cost problem with passion:

I remember we got wheat in 1977 for \$130 while two years later it was \$165 and still rising. We need to import, but at lower prices. Especially we need lower prices from the United States. They give us a grant--they call it aid--but it is really a loan which must be paid back. As prices go up, the privilege of a P.L. 480 loan goes down. What we now want is to guarantee tonnage rather than loan amounts.

We have bread that is the cheapest in the world. We sell bread for one-sixth what it costs us, a half a piaster instead of three piasters. Politically we have no choice. This means I have to follow the market carefully and submit tenders to get the best prices. Normally we carry a two- to three-month supply and base out import needs on maintaining that level of reserves. We receive offers based on tenders from countries and a committee then decides which offer to accept.⁴⁹

When world food prices do rise, the supply agency must either renegotiate its budget with the Ministry of Finance or seek additional food aid. Not one of the Egyptian officials I interviewed was willing to contemplate reducing domestic demand for food as a policy alternative, presumably either through rationing or a price rise. Several Egyptians explicitly rejected what they suggested was bad advice from the IMF asking Egypt to reduce subsidies in 1977, since with even minor changes in the high quality flour announced, rioting broke out.⁵⁰

Most Egyptian officials I interviewed (see Appendix C) thought the subsidization was not the problem; the problem was in the rise in international prices. El Dakkak, for instance, argued that the solution for Egypt was

to import at lower prices. But what do I see; supply and demand doesn't seem to be working. Even though supply is up, prices in the United States and Australia are also up. Australia is having a record wheat harvest and yet it does not lower its prices.⁵¹

It was the Egyptian policy, at least in the latter half of the 1970's, to maintain an unlimited supply of wheat at the fixed subsidized level. This is understood to be a key promise to the Egyptian population. In order to do this the Egyptian government seemed prepared to import as much wheat as necessary. When wheat prices rise, therefore, the only policy option available is either to seek additional food aid or to spend more foreign exchange. This latter course necessarily lowers the import capacity in other commodities which adversely impacts development. At current levels food is not a constraint on human resource productivity in itself.

There was a period when an alternative policy occurred. It may be called "belt-tightening." From 1968 to 1973 American food aid was not available. Following a decline in United States-Egyptian relations beginning in 1965 and the 1967 Arab-Israeli "June" War after which diplomatic relations between Egypt and the United States were broken, American food aid was ended. As Table 5.11 reports, there was a sharp drop in the available wheat supply per capita; it fell from a high in 1967 of 121 kilograms to a low in 1970 of 77 kilograms. Since 1976, with the return of large United States food aid supplies, kilograms per capita have returned to or exceeded the upward trend in wheat consumption of the last twenty years.

Egyptian officials were reluctant to discuss these earlier periods of tight food in 1969-70 and 1972-73. The ease with which Sadat moved the Egyptian economy toward a capitalist and Western orientation after 1973, however, was facilitated by the unpleasant economic memories many Egyptians have of these late years of Nasser's rule and the failure of the Russians to be reliable suppliers after their initial large "donations" in 1968. The Russian aid, like that from the United States, came in amounts and at times dictated by political alliance, not nutritional need or development planning.

Politics: the History of Food Aid in Egypt

From the mid-1950's to the mid-1960's the United States was the only supplier of food aid to Egypt. Under Title I of P.L. 480 Egypt was one of the early significant recipients of food aid. After providing a half million tons of food aid in 1955-56, however, the United States dramatically cut back its food aid commitments following the November, 1956 Suez Crisis. Secretary of State Dulles was angry at Egyptian policies

that emphasized socialist development and welcomed exchanges with Asian, Soviet Union, and Eastern Bloc countries. He successfully urged that food aid to Egypt be drastically cut back. This policy was later reversed in the last years of the Eisenhower administration. Under President Kennedy American food aid to Egypt continued to expand, averaging over 1.5 million tons a year from 1962 through 1965 as the United States sought to maintain significant influence with President Nasser. By 1965, however, Congressional resolutions urging that food and other aid to Egypt be stopped began clearing one or the other chamber, and Nasser responded to American requests to control nuclear proliferation in Egypt by telling the United States to "go drink the Mediterranean."⁵²

From their inception, then, and throughout their history, American offers of food aid to Egypt were dominated by political considerations. It is not surprising, then, that following the 1967 Arab-Israeli War and the closing of the American Embassy in Cairo, American food aid to Egypt virtually ended. Nor is it surprising that when Henry Kissinger sought to reestablish cordial relations with Egypt and move the United States into the role of mediator between Egypt and Israel in 1973-74, food aid became a principal inducement offered to Egypt in return for diplomatic cooperation. Of all the cases in the world in which food aid has been determined by political considerations, Egypt is the most dramatic case. The size and timing of aid shipments to Egypt have had significant effects on the Egyptian food supply. When Egypt turned in 1967 to reliance on the Soviet Union for economic and military assistance, the Egyptian need for wheat imports led the Soviet Union to provide 769,000 tons of wheat on special concessional terms in order to ease the loss of American food aid.⁵³ The suppliers and flow variations in grain aid to Egypt are shown

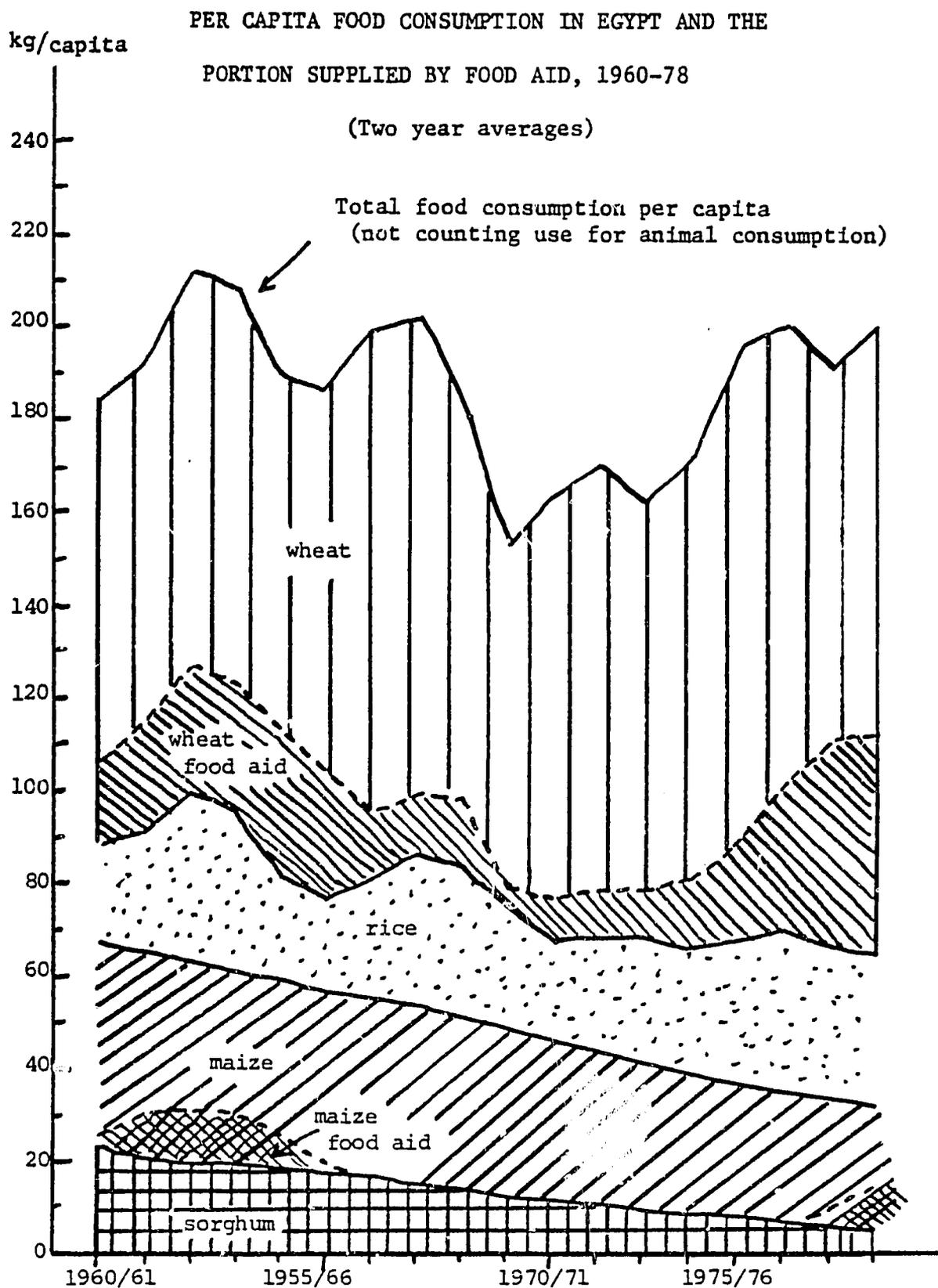
in Table 5.19, later in this chapter.

In summary, there are overriding domestic political considerations affecting Egyptian food imports. These are reflected in the continuing effort to stabilize the size of food aid donations to Egypt. Fluctuations in the size of aid and its source have coincided with the shift in Egyptian diplomacy from a quasi-Western alignment in the 1950's to neutralist and Soviet-oriented ties under Nasser that culminated in the 1967 to 1972 downturn, and the shift after 1973-74, led by President Sadat, to renewed close ties with the West, the United States in particular.⁵⁴

Food Supply Management and the Effects of Food Aid

The drop in the wheat and food supply in 1972-73, unlike the drop in 1969-70, was almost exclusively the result of Egyptian government policies. This decline is rather marked, as the data in Tables 5.11, 5.14, and Figure 5.1 show. The production of other staple foods, such as sorghum and maize, continued to grow, roughly keeping pace with population while rice production actually fell. However, more rice was made available domestically, as Figure 5.1 shows, because much less was exported. Since wheat food aid increased in these years, and since domestic wheat production increased, the decline in food availability is solely the result of a drop in wheat imports. As Table 5.15 shows, wheat imports in kilograms per capita fell from 68 kilograms in 1971 to 47 and 49 kilograms per capita in 1972 and 1973. It then increased in 1974 to 69 kilograms per capita and to 80 kilograms by 1977 (see Table 5.16). Domestic production in fact rose from 1970 to 1973 largely because yields per feddan rose from 1.16 in 1970 to 1.47 metric tons. This twenty-seven percent increase in yield was larger than the overall

FIGURE 5.1



Source: Von Braun, *op. cit.*, p. 39.

TABLE 5.14

Wheat Availability for National Consumption in Egypt 1960-1977 (Two-year averages) (*000 Metric Tons)

<u>Year</u>	<u>Production</u> (1)	<u>Imports</u> (2)	<u>Exports</u> (3)	<u>Seeds</u> (4)	<u>Losses</u> (5)	<u>National Consumption</u> (6)
1960	1471	1287	6	109	106	2538
1961	1468	1260	5	104	105	2514
1962	1515	1509	5	109	116	2793
1963	1543	2105	16	101	141	3390
1964	1496	1888	17	97	131	3139
1965	1386	2078	14	86	135	3230
1966	1369	2276	21	97	141	3386
1967	1378	2687	10	93	158	3802
1968	1404	2284	-	106	143	3440
1969	1393	1516	.01	93	113	2703
1970	1392	1232	.03	98	101	2429
1971	1623	2409	-	101	157	3774
1972	1673	1686	-	93	131	3135
1973	1726	1805	.01	94	138	3300
1974	1860	2609	.02	103	175	4192
1975	1958	3405	.01	105	210	5048
1976	1997	2919	-	105	192	4618
1977	1829	3273	-	91	200	4811

(1) Average of two consecutive years.

(2) Includes wheat flour converted to wheat at 72%.

(3) Wheat flour converted to wheat at 82%.

(4) At 75 kilograms per feddan.

(5) At 4% of (1) + (2) - (3) - (4).

(6) Equals (1) + (2) - (3) - (4) - (5).

Source: Ministry of Agriculture, Research Institute of Agricultural Economics, Statistics Department, and Central Agency for Mobilization and Statistics, Monthly Bulletin of Foreign Trade from 1960-1976. See Mostafa Hafez Ali, Economics of Wheat Production in Egypt (M.S. diss., Department of Agricultural Economics, Air Shams University 1979) p. 47. Adopted Goveli, op. cit. p. 26.

TABLE 5.15

Per Capita Annual Wheat Availability for Consumption 1960-1977

Year	National Consumption (*000 tons)	(July 1) Population (thousand)	Per Capita Annual Wheat Consumption (kilograms)		
			Domestic ^a	Imported	Total
1960	2538	25832	50.4	47.8	98.2
1961	2514	26579	49.0	45.5	94.5
1962	2793	27257	49.3	53.2	102.5
1963	3390	27947	49.0	72.3	121.3
1964	3139	28659	46.3	63.2	109.5
1965	3230	29389	42.0	67.9	109.9
1966	3386	30139	39.8	72.5	112.3
1967	3802	30907	39.6	83.4	123.0
1968	3440	31693	39.3	69.2	108.5
1969	2703	32501	38.4	44.8	83.2
1970	2429	33329	37.3	35.5	72.9
1971	3774	34076	42.9	67.8	110.7
1972	3135	34839	43.5	46.5	90.0
1973	3300	35619	44.0	48.7	92.7
1974	4192	36417	46.3	68.8	115.1
1975	5048	37223	47.8	87.8	135.6
1976	4618	38228	47.5	73.4	120.9
1977	4811	39260	42.5	80.0	122.5

^a $\frac{(\text{Production} - \text{Seeds} - \text{Exports} - \text{Losses})}{\text{Population}}$

^b $\frac{(\text{Imports} - \text{Losses})}{\text{Population}}$

Source: Goueli, op. cit., p. 28.

production gain (twenty-one percent) which was less owing to a slight decline in the area planted in wheat.

Was the Egyptian government's decision to import less wheat in 1972 and 1973 caused by the rise in international prices? This seems an unlikely factor, as Table 5.16 illustrates. Based on statistics from the Central Agency for Mobilization and Statistics, which exclude at least grant food aid, it can be seen that the amount of wheat imported in 1971 was over double that of 1970 even though the average price rose from twenty-four to thirty Egyptian pounds. The volume of imports then fell in 1972 and 1973 even though the price was approximately the same as in 1972 and only twenty percent higher in 1973. The key is 1974. Domestic supplies were growing increasingly right. Then came the October 1973 War with Israel. In this context, the Egyptian Government under President Sadat felt it had to provide food in amounts at least as available as they had been in the early 1960's. To meet this goal wheat imports climbed sharply in 1974 even though world prices were at an all-time high. The result was that the cost of wheat imports quadrupled (see Table 5.16), rising from fifty-five million Egyptian pounds to two hundred thirty-three million pounds (at official rates around a half billion dollars). This transformed the cost of food subsidies, which had already become important under President Nasser. A new level of burden upon the government was reached. The high cost of wheat imports also dramatically increased the value to Egypt of securing food aid. In general, the Egyptian government's policies have reflected domestic needs, both political and economic, and have been taken in the face of counter-vailing world pressures such as the extraordinarily high prices of 1974. Consequently the conclusion that food aid to Egypt is virtually a complete

Table 5.16

Quantity and Value of Wheat and Wheat Flour Imports 1960-1977

Year	Wheat Imports			Wheat Flour Imports			Wheat and Wheat Flour (value) (2) + (4)
	Quantity ^a (1)	Value ^b (2)	Average Price ^c (2) (1)	Quantity (3)	Value (4)	Average Price (4) (3)	
1960	631	13458	21.33	473	11266	23.84	24723
1961	661	14569	22.03	431	10644	24.69	25214
1962	860	24313	28.26	510	16993	33.31	41306
1963	972	31421	32.33	815	30124	36.94	61545
1964	810	30476	37.62	776	31553	40.65	62029
1965	1230	39036	31.73	610	22643	37.11	61679
1966	1429	42806	29.96	610	22625	37.08	65431
1967	1783	55035	30.87	651	23125	35.53	78160
1968	1507	41421	27.49	560	17857	31.88	59279
1969	1200	31939	26.62	228	6665	29.24	38604
1970	851	20582	24.19	275	7953	28.94	28535
1971	1931	58554	30.33	345	10999	31.52	69553
1972	1386	41806	30.16	216	7583	35.14	49389
1973	1490	55102	36.98	227	10613	46.75	65715
1974	2251	232777	103.41	258	29123	113.00	261900
1975	2681	213008	79.46	521	46509	89.20	259527
1976	2358	153582	65.14	404	36392	90.07	189974
1977	2419	128604	53.16	615	49368	80.25	177972

^a Quantity in thousands of tons. ^b Value in thousands of E. ^c Price in E per ton.

Source: Central Agency for Mobilization and Statistics, Monthly Bulletin of Foreign Trade, several volumes; Goueli, *op. cit.*, p. 63.

substitute for cash imports is especially credible.

A simple econometric test of this hypothesis--that food aid has been a substitute for commercial imports--was undertaken by Joachim Von Braun in 1979. Von Braun assumed a government policy aimed at keeping per capita consumption at the 1960's level. He then calculated the imports needed after using domestic production to meet this goal.⁵⁵

Von Braun's policy formula then predicted commercial imports for any given year, based on domestic production and the assumed goal of the 1960 per capita wheat consumption level. He compared actual imports with those predicted. Through most of the 1960's, imports were above the predicted levels; they fell below this in 1970 and again in 1973, and then climbed above the predicted import level in 1974 and beyond, as depicted in Figure 5.2. Commercial import demand, therefore, does not seem to be a function of the size of food aid, except perhaps with considerable lag. Rather, both commercial imports and food aid seem to vary with other factors, including the political and economic priorities and internal demands of the Egyptian government as well as international price and diplomatic factors. As a result, food aid and commercial imports have moved in tandem, and with no pressure from exporters to increase commercial imports when aid went up (i.e., not through UMR requirements).

Food aid, moreover, as we argued earlier, is not directly linked to prices for domestic wheat producers. It is hard to show a disincentive effect on prices for production. Indeed, food aid may serve to alleviate pressures on the government to set prices for wheat producers in order to reduce the costs of subsidizing wheat flour to consumers. That is, food aid to Egypt may have allowed the Egyptian government to pay higher prices to producers, a reverse of the classical criticism of food aid

TABLE 5.17

Government Subsidies to Wheat and Imported Wheat Flour 1950-1977
('000s of Egyptian Pounds)

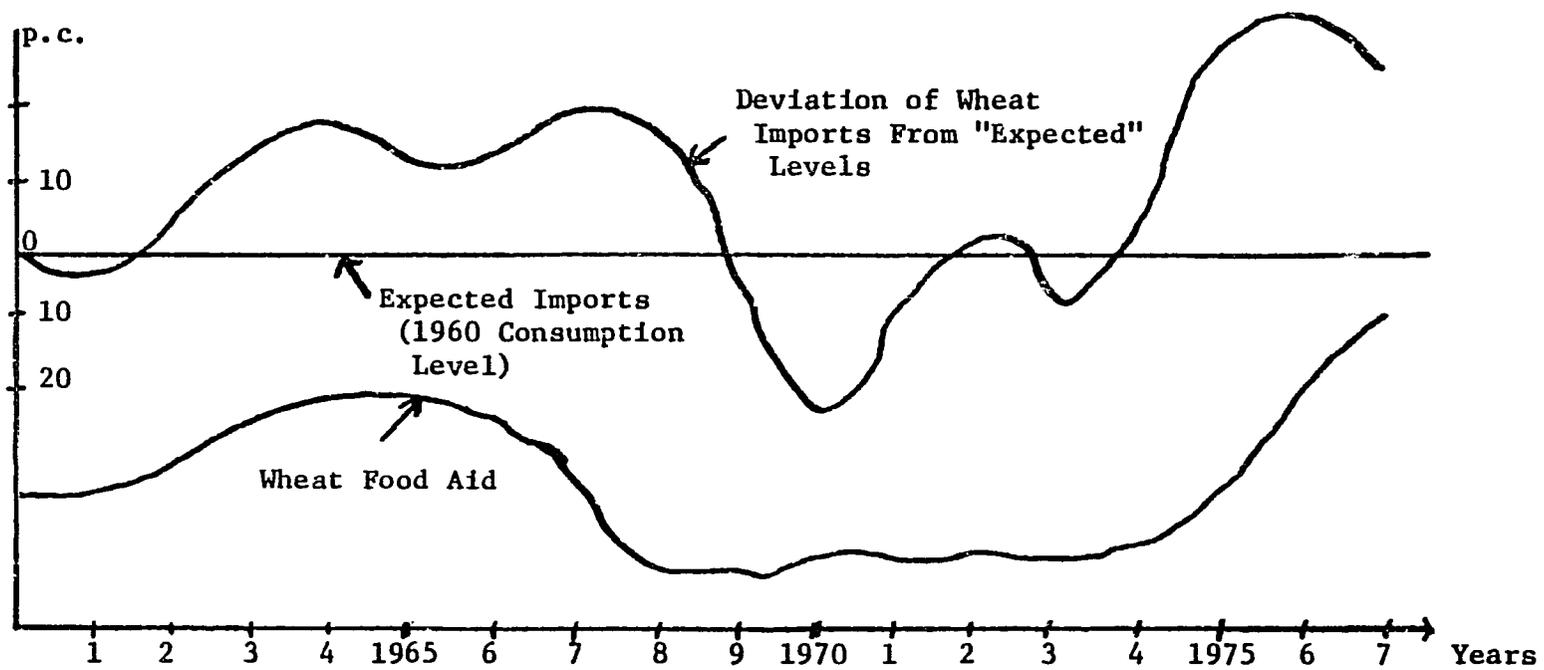
<u>Budget Year</u>	<u>Wheat and Wheat Flour (imported)</u>	<u>All Commodities</u>	<u>Percent Wheat Subsidy of Total Subsidies</u>
1950/51	4585	7956	57.6
1951/52	12914	18046	71.6
1952/53	12930	15500	83.4
1953/54	5680	6250	90.9
1954/55	1694	1734	97.7
1955/56	1900	1917	99.1
1956/57	2000	3000	66.7
1957/58	535	2072	25.8
1958/59	2500	6715	37.2
1959/60	2500	8911	28.1
1960/61	2000	9000	22.2
1961/62	9200	16646	55.3
1962/63	22740	36512	62.3
1963/64	17900	32400	55.2
1964/65	18050	35000	51.6
1965/66	13500	35000	38.6
1966/67	15541	46159	33.7
1967/68	23589	41000	57.5
1968/69	13675	33213	41.2
1969/70	15362	23697	64.8
1970/71	20900	41800	50.0
1971/72	15501	41900	37.0
1973	79000	136200	58.0
1974	216400	393200	55.0
1975	293017	458519	52.1
1976	236223	404255	58.4
1977	166119	313408	53.0

*Includes wheat; imported wheat flour, maize, lentils, sesame, oil, meat and poultry; rationed sugar; kerosene; and other commodities.

Source: compiled from Abd el-Azim Mostafa, Egyptian Agricultural Economic Policy during the 1952-1972 Period: An Analytical Study (Ph.D. diss., Department of Agricultural Economics, Cairo University, 1978), p. 230 (in Arabic). From Goueli, op. cit., p. 17.

FIGURE 5.2

Import Fluctuation and Food Aid Fluctuation Per Capita in Egypt*: Wheat



*Two year averages.

Source: Data Analysis by Joachim von Braun, September, 1979.

arising from the market analyses first proposed by Theodore Schultz in 1960.⁵⁶ Food aid, then, has tended to rise and fall with imports, except for the 1969-74 period. This pattern is graphically displayed in Figure 5.3. The big effect of changes in aid is on subsidies; a rise in wheat subsidies in 1967 and 1969 coincided with aid declines, as shown in Table 5.17.

In the winter of 1973-74, Henry Kissinger made the first offer of food aid to Egypt in seven years. This occurred in the context of a growing concern in Cairo over the maintenance and improvement of Egyptian food supplies. To meet perceived needs both commercial imports and food aid rose sharply in 1974 and 1975.

In 1973 Egypt spent approximately ninety million Egyptian pounds on food imports, which represented twenty-six percent of their total import bill. This rose to three hundred forty-five million pounds in 1974, constituting forty-three percent of Egypt's import bill (see Table 5.18). This dramatic rise was accompanied by a similar growth in non-food imports. The general import rise is attributable to the resumption of Western ties in 1974, the dramatic increase in foreign assistance, and the opening of Western capital markets to private investment in Egypt. Although the total costs of food imports remained relatively stable through 1977 (they were three hundred fifty-eight million Egyptian pounds that year) the proportion of imports accounted for by food declined to only eighteen percent of total import costs,⁵⁷ although wheat subsidies remained high (see Table 5.17).

Thus, although food aid has been a major factor in the food supplies of Egypt, it has been so largely through substituting for commercial imports. Neither imports nor food aid have been particularly responsive to changes in domestic production. Indeed, as indicated in Chapter Four, food aid supplied by Egypt's largest donor over the years, the United States, has in fact been negatively correlated to changing domestic

FIGURE 5.3
WHEAT PRODUCTION, CASH IMPORTS, AND FOOD AID
IN EGYPT, 1960-77

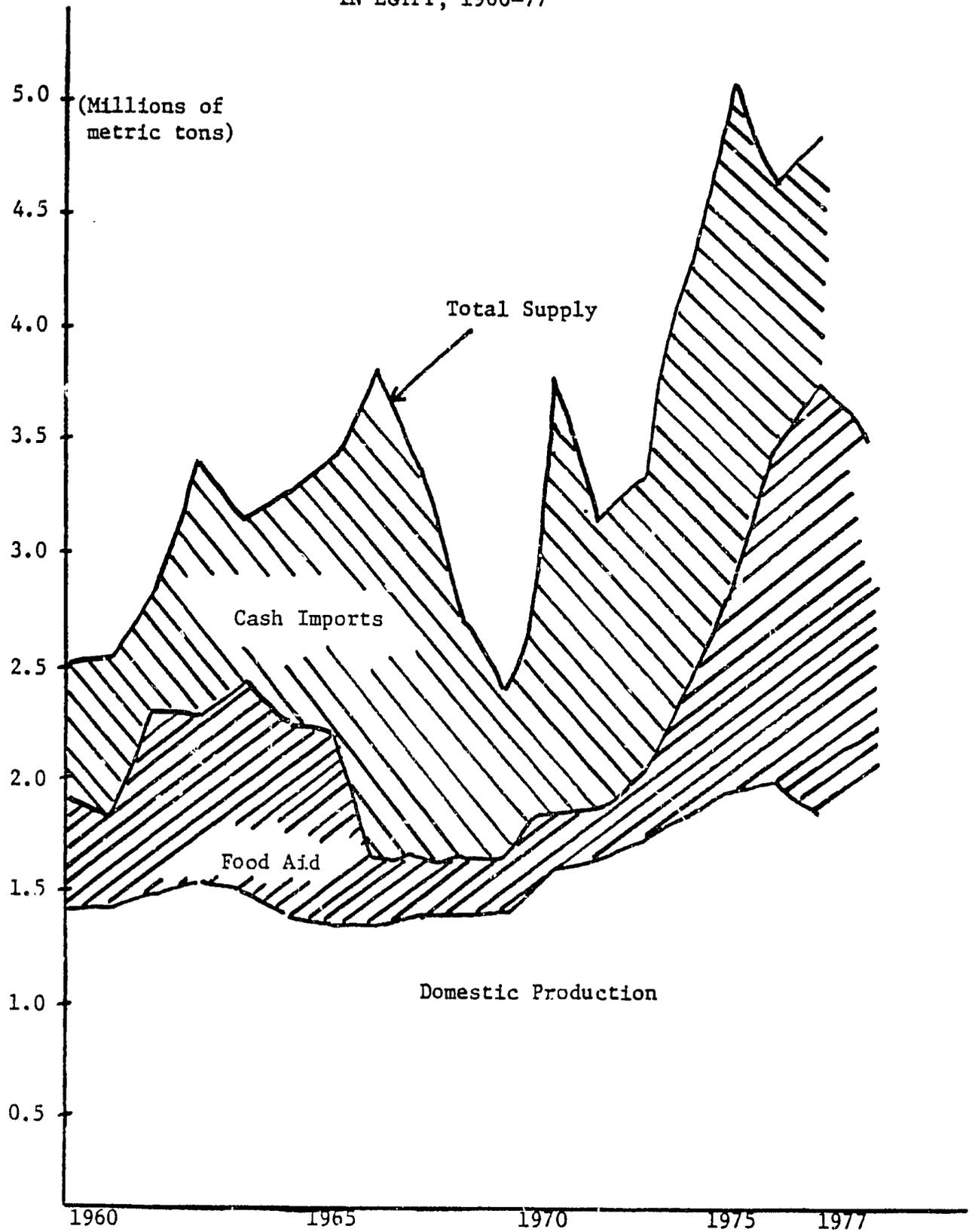


Table 5.18
 Commercial Imports: Principal Agricultural Commodities
 and Total Imports*
 (in Egyptian Pounds)

Imports	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Cereal, Milling Products	68.2	288.9	286.6	221.0	268.0
Animal and Vegetable Oils	16.8	47.3	135.2	37.4	55.0
General Grocery (includes meat)	4.8	8.6	16.0	21.2	35.0
Total Food Imports	89.8	344.8	439.8	279.5	358.0
Total Imports	339.6	808.7	1414.3	1334.3	1884.0
Food Imports as a % of Total Imports	26.44%	42.63%	31.09%	20.95%	18.09%

* Import figures do not include food aid.

Source: 1977 figures from Egypt Statistical Handbook.
 1973-1976 figures from Europa Yearbook.

1975, 1976, 1977 figures include pounds spent on oil imports
 which also greatly increased their price during 1973-74.
 Categories in the two sources differed slightly.

consumption needs in Egypt based on variations in production. This is not extremely perverse, however, if you recall that grain production is not subject to variations as large as in some countries. The variability of United States aid still has led to an accentuation of supply problems. However, food aid from other countries and Egypt's large per capita consumption and supply resources have given Egypt much more ability to adjust to food aid fluctuations from the United States (see Table 5.19, next section).

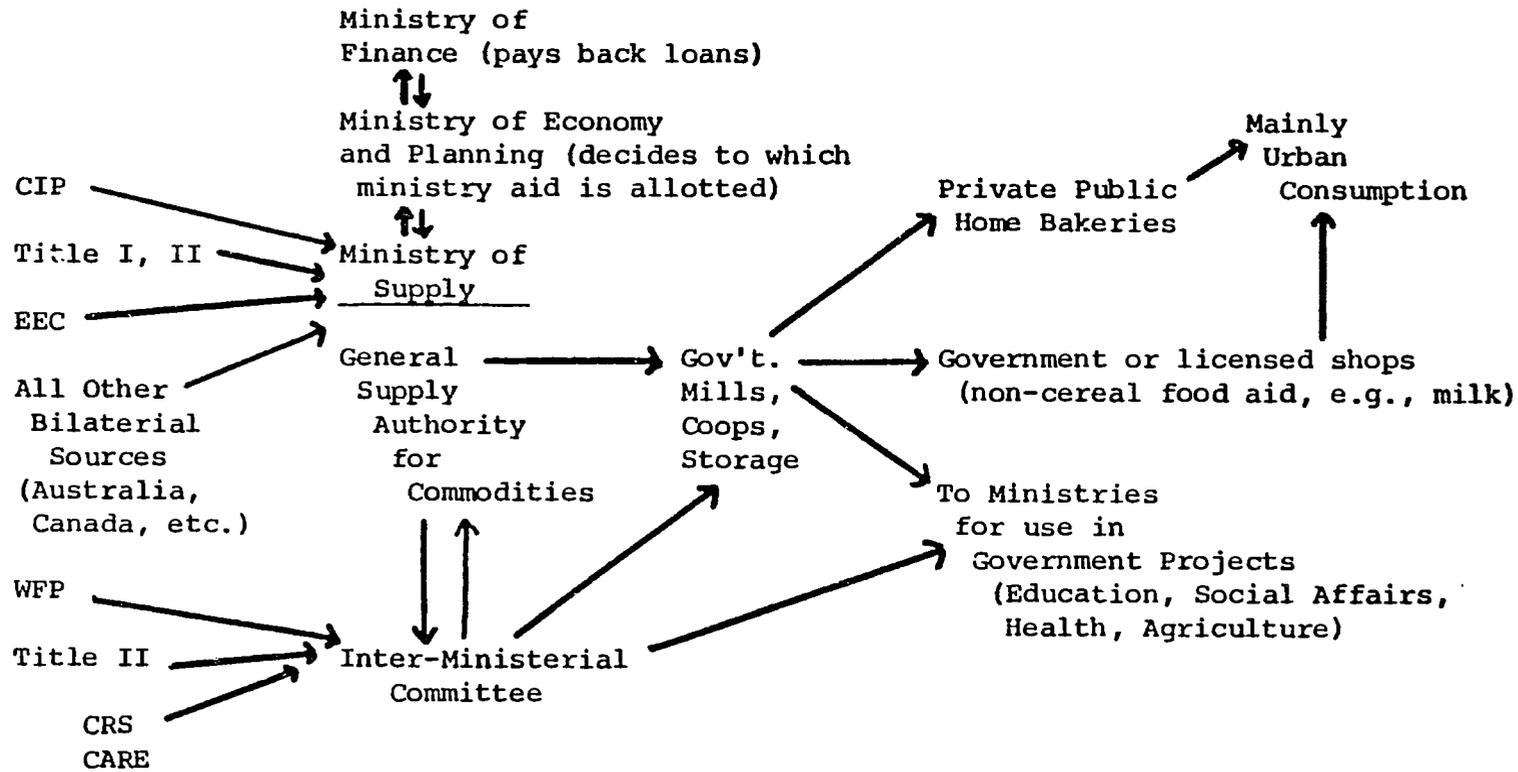
Egyptian Uses and Management of Food Aid

I will discuss food aid uses within Egypt using the conventional distinction between project and program aid. Indeed, the Egyptian management itself largely follows these distinctions. The World Food Program and Catholic Relief Services both have large projects in Egypt, including a joint one with the Ministry of Education for feeding primary school children throughout Egypt outside the major urban (wealthier) areas. The paths by which aid from various donors of food aid are received and used in Egypt are detailed in Figure 5.4. This chart depicts the role played (at least formally) by the various bureaucratic agencies. The bulk of food aid flows directly to the General Supply Authority for Commodities (GASC) and from there to the Egyptian marketing system as organized into various public and private channels.

A. Project Aid. Project food aid supplied by the World Food Program or under the Title II Program of the United States has a special quasi-separate organization. In the 1960's, the Egyptian government established the Inter-ministerial Committee for Foreign Food Aid. The IMC Director General is appointed by the Ministry of Supply, but the organization has

FIGURE 5.4

Organization Chart for the Flow of Food Aid to Egypt (1979)



its own offices, storage facilities in Alexandria and elsewhere, and transport. Its principal function is to facilitate the flow of food to particular projects that have been agreed upon by various Egyptian government ministries and foreign donors. Under a special Egyptian law, the IMC clears food quickly without going through customs and handles the forwarding and storage of commodities assigned to particular government ministries. The IMC can also swap commodities among donor sources or with the GSAC in order to facilitate a smooth flow of particular commodities, reduce transportation costs, or allow targeted recipients to receive more appropriate foodstuffs. For example, high quality wheat flour (with an extraction rate of .72) may be exchanged for local wheat flour milled for balady bread already on hand nearer a project site. For example, the WFP/CRS school feeding program supplies the Egyptian government with wheat flour which is then exchanged for balady bread delivered by the government to the Ministry of Education for use in school feeding programs in the various locales throughout rural Egypt.

In some cases no swap may occur. Then foodstuffs such as tinned meat or dried milk will be moved directly from Alexandria port to the project, such as a land reclamation project supported by the World Food Program. Although the cereals provided to the IMC amount to only a small portion of what Egypt imports, about one hundred twenty thousand tons of cereals in 1978, they do escape Egyptian trade statistics and account for some of the variations that occur among statistics. For instance, I found different figures for imports of wheat kept by the United States Government, the FAO, and different parts of the Egyptian government where the figures of the Ministry of Agriculture and the "official" figures of the Central Agency for Public Mobilization and Statistics do not agree.

No firm estimate would be supplied by anyone in Egypt as to the proportion of food delivered for project aid that moved into the general food system and was replaced in project use by other foods. Egyptian and donor government officials were hesitant to discuss such exchanges for fear they might be accused of diverting or diluting food aimed to help a food for work project or a vulnerable population. Without such swapping, however, transport costs would rise significantly, local producers and processors would have their markets reduced, and recipients might receive less nutritious though more highly refined foods than they were used to eating or would benefit from.

In countries with relatively small special projects such as Kenya and Tanzania, it may be that isolating the handling and transportation of donated food so that the food actually provided by donor shipments goes directly to the targeted recipients is the best system. This avoids problems of bargaining between government and private agencies, while the savings possible from swapping arrangements would be relatively small. However, in countries with difficult transportation systems, and where the imported food is less nutritious and palatable than food that could be provided locally at equal or less cost, exchange arrangements are highly desirable and should be worked out openly. For Egypt, Bangladesh, Sri Lanka, and even Lesotho, such transfers seem to work well.⁵⁸

The agreements under which project oriented food aid is supplied are negotiated between food aid officials of donor governments or the WFP and the particular Egyptian ministry, such as the Ministry of Education or Health. Although the decentralization reform of 1979 may allow governors of particular regions (governates) also to sign contracts with foreign governments for food aid projects, there is already concern in the Ministry

of the Economy that greater control and coordination are needed over the planning, allocation, and agreements of accepting food aid for particular projects. Food aid can be a valuable asset beyond its food value. The Ministry of Education, in particular, provides an excellent example of the bureaucratic political effects that can arise in project food aid within the recipient country.

Egypt's Ministry of Education established a program for feeding school children outside urban areas with the CRS and WFP in the mid-1970's. As originally designed, the school feeding program would cover rural primary schools with the two donor agencies roughly dividing the governates involved. The donor governments provide food and the Egyptian government, basically the Ministry of Education, supplies the costs for internal transport and the staff for managing the feeding program. There are, however, two hidden benefits to the Ministry of Education that are substantial. First, the Ministry of Education receives credits based on the value of the food aid received by the IMC. The donors provide the tonnage required in foodstuffs in high quality wheat flour and dry milk. This is of course at international prices that are translated to local Egyptian prices. The Ministry of Education can then buy at even cheaper Egyptian prices balady bread and locally-made cheeses to serve in the school lunch program. The result is that a "surplus" accrues to the Ministry of Education in the form of spendable credits. In addition, the Ministry of Education in preparing its budgets is assured that certain budget line items for the school feeding program will not be subject to reduction by the Ministry of Finance or Economy. These expenses are, after all, mandated by agreements signed by the Ministry with the government of the United States and the United Nations agencies. If it requires

four or five teachers to manage the preparation and supervision of the school lunch program (perhaps for one hour a day), nevertheless, their full salary and position may be allocated to the portion of the budget designated as the contribution of the Ministry of Education to the school lunch program. This contribution, agreed upon internationally, is protected from budget cuts.

It is not surprising that the Ministry of Education is highly pleased with the lunch program, nor that it has asked first for an expansion of the program and second for a delay in the "phasing-out" of external support that was designed into the original project. Typically, projects have a limited duration, so that it is standard procedure for donor governments to plan to cover food needs only during the early phases of a project or for particular undertakings, such as monument restoration. As originally envisaged, in the last two or three years of the project the Egyptian government would begin to increase its contributions to the school programs so that at the end of the initial five-year period the Egyptian government could take over the entire feeding program. Egyptian government officials, however, both those in the Ministry of Education and those in the IMC, are eager to increase the flow of food aid to their projects. They are not interested in decreasing it or phasing it out, as the Tanzanians were. The head of the IMC and Ministry officials were busy at work in 1979 drafting a variety of new or "follow-on" projects. The Ministry of Education secured an expansion of its school feeding program and was granted an extension of the phasing out of the initial programs. Other officials drafted proposals for a new program that will allow other ministries to earn budget revenues from food aid swaps and to protect part of its budget from being trimmed in inter-ministerial

conflicts for limited budget resources with other ministries. The IMC Director, Mr. Nile, for example, would like to double the school feeding program and triple the MCH (mother-child health) feeding and education projects under the Ministry of Health.⁵⁹

It is neither surprising nor dishonorable that Egyptian government ministries should seek to advantage themselves and their programs through international agreements reached to receive food aid for particular projects. Those negotiating such agreements for donors, whether they be on a bilateral or multilateral (WFP) basis, should, however, be aware of the implications for the ministry of the arrangements worked out. Recall that in Tanzania the Ministry of Health and other ministries grew reluctant to accept food aid. A major reason for this is that their ministries were billed for the costs of transportation and they had the responsibility of delivering the food using resources from existing staff budgets. The Egyptian ministries took the opposite position toward food aid. They were eager for project aid; the same bureaucratic considerations applied, but in Egypt they found ways that receiving food could work to their advantage, as well as that of the food recipients. Transportation costs, where they occurred, were borne by the Ministry of Supply, and not the Ministries of Education or Health. And through the swap of imported food for local food the ministries were able to expand their budgetary resources. In addition, by negotiating directly a ministerial contribution to the project, they could lock in that contribution (which is artificially high) as a way to enhance the stability and perhaps even the absolute resources available to the ministry in its competition with other ministries for limited government resources.

Program Food Aid. Table 5.19 shows the flow of food aid to Egypt:

TABLE 5.19

Donors' Contributions to Cereal Food Aid to Egypt (in Wheat and Wheat Equivalent), 1960-79 (*000 metric tons)

Year	EEC Bi-lateral											WFP	Total
	USA	EEC	France	Germany	Italy	UK	Benelux	Sweden	Canada	Australia	Others		
1960	1005.0												1005.0
1961	1091.0												1091.0
1962	1688.0												1688.0
1963	1557.0												1557.0
1964	1754.0												1754.0
1965	1368.0											2.0	1378.0
1966	1242.0											2.9	1245.0
1967	78.0											3.9	82.0
1968	-							9.0	0.6	-	(769) ^a	13.1	(791.7)
1969	-	127.0	120.0	-	-	-	7.0	-	-	-	-	14.8	141.5
1970	-	97.0	90.0	-	-	-	7.0	-	-	-	-	35.9	132.9
1971	16.0	275.5	135.9	49.5	75.0	-	-	13.0	66.0	10.0	-	59.9	439.9
1972	5.0	131.5	23.8	27.2	53.0	-	7.5	-	44.0	10.0	-	108.6	299.1
1973	6.0	251.4	154.0	30.2	47.9	-	6.3	26.0	29.0	-	17.3 ^b	56.2	385.9
1974	330.5	139.2	89.0	-	-	-	30.2	31.0	-	-	11.1 ^c	72.9	584.7
1975	650.8	142.6	83.3	24.2	-	10.0	15.1	30.0	0.2	10.0	15.6 ^d	83.4	932.0
1976	1244.6 ^e	86.6	30.0	-	31.7	-	0.9	15.8	48.5	-	-	82.1	1477.6
1977	1557.3 ^e	157.4	32.3	-	16.3	-	8.8	4.1	15.2	20.0	-	81.5	1835.5
1978	1448.3 ^e	184.4	44.4	-	16.0	-	9.0	7.7	95.9	22.5	-	80.0	1838.8
1979s	1500.0 ^e	100.0										80.0	(1900.0)

^a USSR, "Payment agreement," terms unknown. ^b Finland. ^c Finland (5.4), Switzerland (5.4). ^d Finland.
^e Fiscal years: Jan.-Sept. 1976, Oct.-Sept. 1977, Oct.-Sept. 1978; excludes food aid, mostly maize under the CIPS program. ^s Estimates.

Sources:

- 1) USAID-Statistics, Title I, P.L. 480 Concessional Sales Program
- 2) EEC Commission, Utilization of food aid, Brussels, 1978.
- 3) General Organization for Supply Commodities, Cairo 1979 (mimeo).
- 4) Ministry of Trade, Cairo 1979 (mimeo).
- 5) International Wheat Council, Record of Operations of Members Under the Wheat Trade Convention of the International Wheat Agreement 1971 as executed by the 1976 Protocol, London, 1979.
- 6) EEC Commission, Community Food Aid 1969-77, Brussels, 1978.
- 7) World Food Program, Regional Office, Cairo, 1979 (mimeo).

Compiled by Joachim Von Braun, except that 1960-67 figures are modified using USDA data.

from 1960 through 1979. The major role played by American food aid is clear from these figures, both because of the absence of sources other than the United States in the early 1960's, the absence of the United States from 1968-73, and the dominance of American aid in the late 1970's. In addition to these aid figures some significant grain (wheat) imports in 1967, 1968, and 1969 came from Rumania and Bulgaria (totalling 388,000, 483,000, and 86,000 tons for 1967-69 respectively) were recorded as imports; under whatever special terms or concessional trading agreements these arrived, perhaps similar to those of the Soviet Union, have not been publicly disclosed.⁶⁰ In addition to the official food aid reported in Table 5.19, three to four hundred thousand tons of corn were sent to Egypt under the Commodity Import Program (CIP) of the United States AID. Although the CIP program was designed primarily as a channel for assisting a country to import manufactured goods, the Ministry of Economy in Egypt has allocated a large proportion of CIP soft loan funds to the Ministry of Supply for importing needed food commodities, including corn and frozen chickens. The aid figures in Table 5.19 also are for cereals (essentially wheat) only, and exclude milk powder, butter, oil, and other non-cereal commodities. Since cereal is the major commodity and wheat the principal cereal in which food aid is received, however, I will discuss program food aid principally in terms of these cereal flows, particularly those from the United States.

The United States stipulates in the "self-help" clauses of its Title I agreements with Egypt that funds raised from the sale of the food be used for development purposes. In recent years, however, only other donors, such as Germany and Australia, have called upon the Egyptian government to make any accounting as to what purposes such "counterpart"

funds were actually allocated.

While the basic arrangements in managing food aid, such as details as to tonnage and the timing of arrivals, are handled by the GASC, the Ministry of Finance is ultimately responsible for repaying food aid provided through "soft" loans. Like those to Tanzania and Kenya, such loans, nearly all of which of course come from the United States, are repayable over forty years. The concessional value of such loans (at ten percent discount rates, which is low) is about seventy percent, you will recall, compared to those to more able countries such as Morocco and South Korea, where the concessional value is closer to thirty-five percent. The United States has generally waived in the 1970's any tight reporting by Egyptian authorities as to use of counterpart funds. It is considered a "mere accounting exercise" and one that should not burden either Egyptian or American officials.⁶¹

This Egyptian practice is quite a contrast to the one in Tanzania where there are several major food aid donors and the United States is the donor most actively pressing for an accounting of counterpart funds. There the Europeans have generally not demanded an accounting, except for bilateral German food aid. In Egypt, where there is no EEC office, neither EEC aid nor bilateral European food aid, particularly from France and Italy, has led to accounting of the uses of counterpart funds. The contracts signed between the donor governments and the Egyptian government, however, are nearly identical to those used for American bilateral aid, and the European countries have made more of an effort to track counterpart fund uses.⁶²

The Role of Voluntary Agencies. The Egyptian program also illustrates the importance of food aid administered by voluntary agencies.

Recall that of the worldwide budget costs of CRS programs, amounting to \$225,000,000 in 1978, close to eighty percent is from American Title II food aid programs, or from expenditure of counterpart funds generated by food aid in earlier years. In Egypt, for example, CRS carries out eight projects related to rural development, MCH nutrition, education, and health. These are budgeted at 2.2 million dollars, of which 833 million (thirty-eight percent) are funded by "Section 204" funds. These are American funds held in Egyptian pounds for expenditure in Egypt created by the repayment of earlier Title I food aid loans, then allowing for non-convertible local repayment, in the 1950's and 1960's. Most of the rest of the funding comes either from the Egyptian government or other external sources. Planned CRS contributions to these eight projects is to be less than five percent of their total cost. Since the CRS operation in Egypt is, by most development criteria, sound, I underscore the heavy importance of food aid as a contributor to CRS, because this represents a further impact on development activity of food aid. Food aid enhances the viability of organizations such as CRS. The point is not to underline their reliance upon food aid for their operations (which is substantial) but that there are significant indirect losses should food aid and its associated development functions be reduced or terminated.⁶³

Supply Security and Self-Reliance.

The Egyptian goal of food self-reliance is widely accepted as a desirable one among Egyptian officials. It is at the same time, however, not taken seriously. There are several reasons for this. The most important reason has to do with the time horizon for government decisions in Egypt. The effective time horizon for policy shaping appears to be

about three months. This is the lead time generally available for making decisions on imports and domestic food policies, notably in the Ministry of Supply. At the opposite extreme, the Ministry of Planning has been asked to organize policy around goals for the year 2000. The result is that at best there is a weak link between food aid and agricultural policy. In the Ministry of Supply, for example, the focus of senior officials is quite singularly centered upon the immediate future and securing supplies, not on the longer-term Egyptian and foreign production and trade policies.⁶⁴

In the Ministry of Agriculture, however, the food security issue is taken quite seriously. Two senior agricultural economists with whom I spoke, Hindi and Goueli, both underlined the growing dependence of Egypt upon food imports and food aid; indeed, Goueli prepared a major paper on this topic for the 1978 food meeting sponsored by IFPRI in Mexico City.⁶⁵

In the near future, the next five to ten years, current trends indicate that Egypt will become increasingly dependent. That means the availability of food supplies around the world, the tonnage available for food aid, and the rise of import needs elsewhere in the world will all become increasingly important for Egypt. As Gouely argued, Egypt is moving toward a "risky situation."⁶⁶ As with all Egyptians with whom I discussed the problem of Egypt's food vulnerability, Gouely adamantly supported an effort for Egypt to become less dependent on imports. More than most he feared the risks of not doing so will be very high. One solution would be to improve the capacity of Egyptian agriculture to produce food. To do this, however, would mean to give higher priority to Ministry of Agriculture projects and its pricing recommendations. Further, greater investment in food production compared to industrialization

and modern services will be needed. The Egyptian government seems irreversibly committed to subsidizing basic foods at enormous budget costs--about twenty-eight percent of all government expenditures go to food subsidies.⁶⁷ At the same time that over four hundred million Egyptian pounds were spent on food subsidies in 1976, the Ministry of Agriculture lacked resources to undertake research, let alone assist in investments. Agriculturalists found it frustrating to lack funds even to carry out basic measurement and analytical tasks which are important in order to monitor and evaluate policy on an on-going basis.⁶⁸

Even advocates of increased food production in Egypt do not expect Egypt to become self-sufficient in food supplies by the year 2000 or, perhaps, ever. The realistic hope from greater agricultural efforts is that increases in food dependency could be minimized.

The second major problem of food supply in Egypt, of less importance than the dependency that food aid reflects, is the absence of a food security rationale among food aid donors. This is a companion to the absence of a food security orientation by Egyptians working in ministries responsible for the management of food and food aid. Such management is largely fragmented in Egypt. The IMC handles a fairly small proportion of total food aid. Its coordination gains are largely managerial in a narrow sense, e.g., more efficient storage, transport, and reduced losses from these activities, thanks in part to the special and modern facilities controlled by the IMC. Neither from donors nor from the Egyptian government is there much pressure for agricultural reform in spite of the growing dependence on food imports and food aid. Receiving food aid regularly is a strong justification for promoting longer-term food supply planning and for attempting to improve food production. These are largely ignored

because the major food aid functions are in ministries with a short time horizon and very specific functions to perform, e.g., the Ministry of Supply, while longer-term policymaking responsibility resides in the Ministry of Economy and Planning, where there is little interest in food aid per se.

Although the largest source of food aid is bilateral donations from the United States, American officials undertake virtually no tracking of the impacts and uses of this aid. Nor has the United States used its position to press Egypt to address the problems raised by its growing food import and food aid dependency. The broader political interests of United States-Egyptian relations, focusing on peace with Israel and collaboration on Middle East policy have displaced discussion of the direct ties of food aid to Egyptian food policy.⁶⁹ Thus there is no donor coordination, even within the United States government, let alone among the variety of donors. Indeed, the Egyptian government, like the Tanzanian government, opposes any coordinating mechanism among donors and would view this as having the potential for "ganging up."

Interestingly enough, the FAO in preparing a report for the ninth meeting of the CFA (April 14-25, 1980, Rome) stated that Egypt as "currently the largest single recipient of food aid" has all its food assistance received and distributed by a government agency, the Inter-Ministerial Committee for Foreign Voluntary Aid (IMC).⁷⁰ In fact, however, only a small proportion of food aid, as noted earlier, is handled by the IMC. Thus Egypt stands in sharp contrast to the situation in Bangladesh, where the WFP acts as a coordinator for food aid statistics, helps time the arrival of the shipments, and makes projections of short and long term needs. There was no international or donor government role in Egypt

comparable to Bangladesh in 1979, nor was there any support for it from the Egyptian government or among donors. The WFP program does keep track of its own shipment and food availabilities but has a difficult time learning about the details or exact amounts of other food aid to Egypt.⁷¹ In short, the one body in the world charged in 1974 with coordinating food aid on a global level, the CFA, was provided in the spring of 1980 with a quite misleading picture suggesting that food aid is fairly well managed and coordinated in Egypt when, in fact, it is not.

The final problem which limits food security in Egypt is the benefits which many "users" of food aid have developed. For administrative agencies the indirect benefits of food aid have become important. Although these indirect benefits, I would argue, lead to largely positive results such as expanding the capacity of CRS programs or strengthening the Ministry of Education's budget and bargaining position within the Egyptian government,⁷² this dependency does create incentives for bureaucrats to avoid addressing the growing food dependency. It is not the particular projects which food aid supports that create problems of bureaucratic dependency so much as ^{it is} the benefits of these projects and programs to the Egyptian officials and agencies carrying them out. This in turn makes them uninterested in raising those broader policy issues which have implications in a two- to five-year time horizon. To do this would require raising difficult, perhaps intractable problems, ones affecting basic policies of the Ministry of Agriculture, the food subsidization, and the allocation of foreign reserve currencies among various investment alternatives. Food aid reinforces the bureaucratic tendency to strive towards doing what you have done, a follow-on syndrome found in the voluntary agencies and, more importantly, in the Egyptian government ministries. On the whole

with respect to larger solutions to food security, food aid stimulates a "use now, worry later" orientation.

Food Dependency in the Future.

The rather elusive goal of food self-sufficiency or even supply security for Egypt is undermined by three major factors. First is a planning horizon of twenty years, which postpones any serious consideration of policies related to these goals. In the effective policy domain of current Egyptian office-holders, twenty-year goals carry no policy implications. Second, there is no comprehensive picture of food aid flows available for policy makers among donors or Egyptian government officials to think about. The fragmented information that exists currently about food aid flows and practices encourages compartmentalized approaches. Further, the bureaucratic interests of various ministries, including those of Agriculture and Land Reclamation, discourage using Egypt's growing food aid and food import position as the basis for arguing in favor of increased efforts to expand agricultural production. Third, Egypt may be a case where limits on agricultural production are so severe that food security can never be based on self-sufficiency. Greater emphasis on agricultural production will probably be, at best, a partial answer to food insecurity. The self-sufficiency slogan, one now widely accepted as a premise for progressive policies in LDC's, is simply inappropriate for Egypt. The stimulus provided by the role of food aid, therefore, in Egypt will have to lead policymakers to search for other solutions to the dependency problem. In particular, greater longer-term and multilateral guarantees of food imports and subsidies (food aid) are needed. These could develop from a food system study in Egypt and could even be embedded in international

agreements. This would not happen unless a more comprehensive understanding of the trends and problems in Egypt were created, and specific plans to meet the Egyptian food security problem were developed. The alternative is to continue to relegate the problem of dependency to some twenty-year point beyond the time horizon of any effective interest among current officials in recipient or donor countries.

Conclusions: Observations on Improving Recipients' Use of Food Aid

The General Context of Food Policy

Several general conclusions about the context into which food aid arrives can be offered. These arise from our review of the Kenyan, Tanzanian, and Egyptian cases. The conclusions, however, seem to apply to many other recipients as well, such as India, Sri Lanka, and Bangladesh. Studies of experiences there indicate numerous similar contextual features exist.⁷³

First, government management of the food system is very high in recipient countries. Food aid, therefore, is but one policy element in government interventions. Food itself is a critical aspect of politics and economics, one of central importance to political leaders. Food policy tends to be dominated by short-term, domestic considerations and not by the direct effects of food aid. Cheap world food prices in the 1950's and 1960's were probably far more important disincentives to LDC food production.⁷⁴

Second, since food systems of recipients are so politically sensitive, disincentives based on market effects are unlikely. The major negative impact of food aid on national production will be through its effect on subsequent government policies, not as a price effect.

Third, LDC's resent "ganging up" or attempts by donors to coordinate food aid in ways that might bring pressure to bear upon recipients. Donor coordination is seen as a limit on their freedom to maneuver among donors. The idea of creating international "entitlement" principles for food aid was rejected by many LDC's when it was proposed by the staff of the World Food Council at the sixth meeting of the Council in Arusha, Tanzania in 1980.

Fourth, food aid to projects can have some significant indirect effects, either by placing extra burdens on a ministry managing a project (as in Tanzania) or by providing additional resources and bargaining strength to a ministry (as in Egypt). Donor government officials do not seem especially aware of this, nor have they organized their other (non-food) assistance in ways to assist development steps.

Fifth, the capacity and motivation for donors to monitor food aid uses, to press for developmental impacts from it, or to plan for longer-term supply needs is extremely limited. Coordination is weak; the WFP-managed coordination in Bangladesh (1974-78) and the East African emergency relief efforts (1979-80) seem to be the exceptions rather than the rule.

Sixth, most officials in recipient countries expect food aid to be available as an international resource for the indefinite future. Furthermore, even though most such officials who deal with food aid are aware that aid fluctuates in relation to donor country prices and supply availability, they seldom have any knowledge of or interest in the dynamics that shape aggregate aid availability or even affect recipient country competition for allocation of food aid. Most such officials with whom I talked saw food aid as capricious largesse. Generally, they wanted more,

wanted it in a timely fashion vis-a-vis their supp. management needs, and wanted minimal requirements on reporting its uses. This was not sheer avarice since nearly all current projections, especially those for the FAO, indicate there is a growing "need" for food aid among the MSA countries.

Seventh, project food aid was particularly favored in recipient countries where government ministries gained some benefits from its administration. Where CRS or WFP handled projects with little government involvement such efforts were either ignored (Kenya) or curtailed (Tanzania), largely because no political or bureaucratic benefits accrued to the government or the economic goals it pursued. The situation in Egypt was quite different.

Eight Problems Requiring Attention

Food aid can act as an international guarantee and a timely resource. To do so it must aim at reducing risks to governments willing to change food policies, helping reduce threats from groups which may be threatened by change and making policy distortions in the domestic food system less, not more of a problem. This assertion is elaborated upon in Chapter Seven.

Such an improvement in the use of food aid by recipient countries is possible. To do this, one or more of eight barriers or problems that exist in recipient countries, certainly in at least one of the cases examined, will have to be overcome.

A. Pride. Food shortages are frequently seen by the political leaders of developing countries as humiliating. In Ethiopia in 1973 the early stages of famine were ignored, even denied, by Haile Selassie's government. Famine was not possible under Selassie's rule.⁷⁴ So Ethiopia actually exported grain in 1973 and refused to ask for special assistance in spite of

studies by international groups urging this. The government, of course, was toppled the next year--pride, as it were, having come before a fall.

In Egypt, Kenya, and Tanzania there were officials with a strong pride in their food self-reliance, at least prospectively. Especially in Kenya, there was rather a disdain for food aid. Even though food is a commodity imported by nearly every country, symbolically for many officials receiving food aid injures their sense of national pride. Pride leads to giving little high-level attention to food aid, either to its presence as in Egypt or its absence, as in Kenya in the 1970's. Donors of food aid should be cognizant of its threat to a recipient country's pride and should organize arrangements for giving food to least injure this pride. Recipients should understand that pride without effective policies to improve their domestic food is folly. The embarrassment should lie in failure to seek food aid when it is needed, not in its acceptance.

B. Corruption. Grain shipments have been known to disappear between Alexandria and government mills in Egypt. In Kenya in the mid-1960's a cabinet minister was found to be selling food meant for relief. The price paid for commercial imports by many LDC's seems occasionally quite high, leading to the conclusion that some officials have received a private "commission" for signing an import contract. Food aid can be stolen or sold inappropriately just about as easily as commercial imports--instances of this in Ghana and Nigeria in the 1970's are well known. Such cases, however, prove a point. The corruption was more visible because the accounting requirements for food aid brought them to light and the diversion seemed more odious because the food represented commodities earmarked at least theoretically for people in serious need. Food aid also reduces corruption in sales arrangements, since LDC officials do not

have a chance to ask for commissions on aid, even Title I purchases from the United States which are reviewed by the United States government.

C. Incompetence. Management incompetence in organizing food aid uses and distribution systems are frequent in LDC's. The greater the burden assumed by governments generally, the greater the likelihood of major organizational failures. Tanzania's National Milling Corporation is a fair example of this. Food aid, therefore, should be integrated with other aid and government efforts to improve their food systems. Food aid rotting in port warehouses is not just useless, it actually increases government costs without offsetting benefits. Food sector studies and general efforts to improve the capacity of countries to manage their food systems, including storage, transport and timing of imports must accompany other efforts to improve the effectiveness of food aid. This means that food aid should be more fully integrated into the system of development assistance and international welfare transfers. Clearly, improvements are possible. India in 1980, in spite of production shortfalls, was able to meet domestic needs from stored local production for the most part. Ten to fifteen years ago Indian government management would not have led to this result. Improved food management in this case not only reduced Indian dependency, but also removed a potential competitor for the scarce supplies of food aid available in 1980.

D. Subsidies. Many LDC's subsidize basic foods. Politically key groups come to tie their support for the government to these subsidies, while financially they can become a large burden upon the government. Egypt is probably just the most outstanding case of this phenomenon. Food aid can be a crutch that allows governments to expand subsidies to less needy groups or to inhibit adjustments. Tanzania and Egypt might well

study the use of more targeted food subsidies that Sri Lanka has adopted. Food aid should be a source of pressure upon recipients to improve the use of food subsidies. Subsidies should advantage most those in greatest need and should be adjusted in very small amounts so as to prevent the level of financial burden upon the government from increasing uncontrollably with inflation.

E. Bureaucratic Interests. Food aid does not simply disappear into a hole when it arrives at a recipient country. Private and government agencies are responsible for its use. This leads to advantages and disadvantages arising from the management they perform. In Egypt, agencies were advantaged through protecting personnel and budget as well as through improvements in their program or mission. This was true both for the Ministry of Education, for instance, and for the CRS. In Tanzania the balance seemed quite the opposite. In any case, the food aid system needs to recognize the bureaucratic stakes that arise inevitably in food aid activity and allow for these to develop in ways compatible with the broad aims such as general welfare, famine relief, and nutritional targeting that food aid should serve in each recipient country.

F. Dependency. If food aid is not dependable, recipients who rely upon it are exposed to harm. The problem in the short run of using and depending upon food aid is not the subordination of recipient to donor, but the security of supply for food aid. Donors, as I discuss later, need to create reserves for food aid and otherwise improve their supply reliability. For recipients this should be a matter of greater concern. Greater guarantees of food aid supply are not as desirable for food security as are higher food production and better food management in LDC's, but for countries vulnerable to periodic or chronic shortages, food

aid can be critical. Their vulnerable is best reduced through improving supply reliability and reducing the role political and other non-food related goals play in allocation decisions.

G. Export Potential. There is no question that historically food aid did inhibit LDC production, particularly for export. The rules of American food aid in the 1960's prohibited food aid recipients from exporting in years after receiving aid. They also denied assistance to agriculture production to recipients. Fortunately, the growing tightness of world food supplies in the 1970's changed these rules of food aid policy. Kenya and Tanzania could both be exporters, at least intermittently, of food. Food aid should be used to help them develop secure and regular markets and to make food surpluses for export a target. This recommendation holds for all LDC's which have adequate resources vis-a-vis their current populations to produce for export, at least all with the prospect of producing at prices competitive with the average world trading price over a two- to three-year average. Food security is enhanced for food exporters and is worth a fair amount in weighing food versus non-food crops for export.

H. Planning Horizons. The final problem or barrier to improved use of food in recipient countries is the short planning horizon of food policy makers. Food aid recipients should be encouraged, perhaps through food sector studies, to begin to develop policies with a five- to ten-year set of objectives. Short-term policies--the scramble to secure food for this year or this quarter--that capture most of the attention of LDC elites would then at least be subject to being affected by middle-term food objectives of the country. Such longer planning would also facilitate longer term food aid agreements. These could relate to improvements in

the country's food system.

Short planning horizons, typically a three- to six-month perspective, poor information on domestic production, and insufficient attention to the changing world situation currently characterize the policymaking orientation within which much food policy in LDC's is made. At least in the three cases studied this was most often the case. Perhaps the simplest and most valuable contribution food aid could make to current developing country policy elite would be to develop a program of improved information and planning for food policy makers. The FAO and other assistance bodies, including the World Bank, have taken steps in this direction in the 1970's.⁷⁵ These need to be continued and expanded.

Chapter V: Footnotes

- 1 In negotiating a P.L. 480 agreement with Pakistan for 1979, United States AID officials attempted to secure Pakistani agreement on steps to improve and make more equitable their agricultural sector. Rather than accede to some of these conditions, the Pakistanis chose to buy most of their grain needs in the commercial market.
- 2 For an elaboration on the undesirability of price swings within developing countries for basic food commodities see John Meller, Three Issues of Development Strategy (Washington: IFPRI, 1978) and Michael Lipton, Why the Poor Stay Poor, op. cit.
- 3 Interview with Shimelius Adugna, Commissioner for Relief and Rehabilitation, November, 1978. The Ethiopian government prepared its own estimates, supplemented by FAO estimates based on a study team evaluating food needs for Ethiopia. The American government in response supplied Ethiopia with over twenty million dollars of aid in 1979.
- 4 According to Richard Bell, then Assistant Secretary of Agriculture in the United States, Bangladesh estimates of its own stocks were less accurate than American estimates, and their requirements were exaggerated. At the meeting in New York in late November, 1974, a review of needs by key officials of donors and recipients led to the conclusion that Bangladesh needs could unfortunately not be met in a timely way, so that stocks in Bangladesh, or those sent there, were not released until after a severe food shortage arose. Interview with Bell, March, 1975; see also Kai Bird and Donald McHenry, "Food Bungle in Bangladesh," Foreign Policy No. 27 (Summer, 1977).

- 5 In a conversation in early November with the Ethiopian Commissioner, Shimeljus Ato Adugna, he asked a number of questions regarding who in Washington influenced food aid and how decisions were taken, questions that suggested substantial gaps in his knowledge. Subsequently a review of whom he had seen in the United States in the Departments of Agriculture and State (AID) confirmed the unusual and groping quality of his search.
- 6 The World Bank study in 1978 used a figure of 3.2 percent, and the Ministry of Finance had a figure of 3.5 percent. According to one official in the Ministry of Planning, however, census statistics of live births suggested a growth rate of 4 percent.
- 7 See John Gerhart, The Diffusion of Hybrid Maize in Western Kenya (Mexico: International Maize and Wheat Improvement Center, 1975).
- 8 Data are from Central Bank of Kenya, Twelfth Annual Report (Nairobi: Central Bank, September, 1978) p. 60, and Report of Wheat Board of Kenya (Nairobi: Wheat Board, March, 1979).
- 9 Based on interviews with Mr. Nnairobi, former senior administrator in the Office of the President in charge of emergency relief programs, Kenya, April 11, 1979, and with a number of other Kenyan officials listed in Appendix D.
- 10 Nadine Epstein, in February, 1979, interviewed officials with the major voluntary agencies who received food aid or funds for food programs. This aid was not always acknowledged by the government and was consigned directly to the voluntary agencies.
- 11 Interview with Mr. Githenji, Ministry of Finance, Nairobi, April 5, 1979.
- 12 Githenji, ibid.

- 13 Interview with J. Kariungi, Economist, Maize and Produce Board, Nairobi, April 18, 1979. The Minimum National Strategic Maize Reserve was set at two million bags (of 90 kilos each).
- 14 See FAO, Special Report: Food Crops and Shortages (Rome: FAO, August 8, 1980), p. 18.
- 15 Farmer's Voice (Nakuru: Kenya Farmers Union, September, 1978) p. 20. KNFU "pledged full and loyal support to Moi" and invited Moi to replace Kenyatta as patron of the organization.
- 16 For details of this period see Raymond F. Hopkins, Political Roles in a New State: Tanzania's First Decade (New Haven: Yale University Press, 1971) Chapter 1, and Henry Bienen, Tanzania (Princeton: Princeton University Press, 1968).
- 17 Julius K. Hyerere, "Education for Self-Reliance," The Nationalist, March 10, 1967, pp. 4-7.
- 18 See John C. de Wilde, "Kenya, Tanzania and Ghana," in Robert H. Bates and Michael F. Lofchie, eds., Agricultural Development in Africa (New York: Praeger, 1980) pp. 127-146 and Table 5.4 on maize imports.
- 19 For a detailed account of the economic and political difficulties surrounding the 1974-76 period, see Michael Lofchie, "Agrarian Crisis and Economic Liberalization in Tanzania," Journal of Modern African Studies, Vol. 16, No. 3 (September, 1978), pp. 451-476.
- 20 See Lofchie, op. cit., p. 455.
- 21 The tables are based on choosing figures if they were the only ones covering a particular period, or if they were the most representative of a particular period. Sometimes several sets of figures illustrate the range of discrepancy. The 1979 World Bank study, for example, found such divergent figures on both production and trade that it produced

tables with five different times series, each from a different source. For figures since 1976, I have generally drawn on handwritten records of the National Milling Corporation and the Market Development Board which were corroborated by figures from the Canadian Embassy, the United States Agency for International Development and the representative of the EEC.

- 22 See Lofchie, op. cit., pp. 462-464.
- 23 See Annual Price Review, 1979 (Dar-es-Salaam: Market Development Bureau, Ministry of Agriculture, September, 1978).
- 24 A Strategic Grain Reserve Programme for Tanzania, Vol. 1 (Dar-es-Salaam: Marketing Development Bureau, Ministry of Agriculture, 1974) p. 8.
- 25 This observation is based on interviews with several Tanzanian officials, including Simon Mbilinyi, Economic Adviser to the President, in May, 1979.
- 26 Interview with Simon Mbilinyi.
- 27 Based on interviews with Canadian and Tanzanian officials, April, 1979 (see Appendix C).
- 28 Indeed, several of the Tanzanian government officials in Dar-es-Salaam admitted that the maize meal they served in their own homes was acquired through purchasing maize of high quality from relatives or local farmers and having their wives or children grind it by hand.
- 29 See FAO, Special Report: Food Crops and Shortages (Rome: FAO, July 11, 1980) p. 19.
- 30 Interview with Ingmar Forsberg, April 27, 1979, Dar-es-Salaam.
- 31 The Canadians donated an extruder to the NMC with a view that five thousand tons of an equivalent of CMS (corn-milk-soy) could be manufactured in Tanzania. Unfortunately, this "baby-food" process, like so many other

NMC activities, has run afoul of problems and fallen short of its expected output.

- 32 Comment by Robert Dugas, Director, Catholic Relief Services, Tanzania, April 18, 1979.
- 33 Interview with Howard Steverson, Director, United States AID Mission, Tanzania, Dar-es-Salaam, April 17, 1979.
- 34 Interview with Mr. Ndbilila, April 25, 1979, Dar-es-Salaam.
- 35 Interview with B. Tinesi, Director of Planning, Ministry of Agriculture, April 18, 1979.
- 36 This misconception on Tinesi's part should not be chalked up to lack of sophistication or availability of data. He, for example, was familiar with the commodity and trade statistics of the FAO, and knew Tony Leeks, the head of that division in Rome.
- 37 Interview with Emil Baren, Canadian High Commission, Dar-es-Salaam, April 22, 1979. Canadian officials in Ottawa, particularly budgetary officials, largely confirmed this interpretation.
- 38 Annual Price Review, op. cit.
- 38a Interview, Headquarters of NMC, Dar-es-Salaam, April 26, 1979.
- 39 Interview with Mr. Mwananache, April 26, 1979.
- 40 Interview with Mr. Robert Stone, British High Commission, April 25, 1979.
- 41 This observation is based on conversations with several officials of the National Milling Corporation, other consultants working in Dar-es-Salaam, and a review of the two major studies undertaken by Cooper and Lybrand in 1977 and by the World Bank in 1978-79 (under the direction of the East African section headed by Uma Lele).
- 42 This project, headed by Stephen Lombard, will be an important resource for such food management if it can be successfully institutionalized.

- 43 See Special Report on Food Crops and Shortages (Rome: FAO, 14 March 1980) p. 16.
- 44 Dietary data are from the Food Balance Sheet, 1976 (Cairo: Ministry of Agriculture, mimeo, 1979).
- 45 New York Times (New York: June 16, 1980) p. A10. Food subsidies thus account for nearly twenty percent of the Egyptian government's budget.
- 46 See Ahmed A. Goueli, National Food Security Program in Egypt, Paper presented at CIMMYT/IFPRI Conference in Mexico City, 1978. Over seventy percent of the average Egyptian's calorie intake comes from cereal grains. The Egyptian national food consumption pattern is shown in Table 5.10. To obtain the supply to sustain this level of feeding requires that Egypt import over fifty percent of its food needs. See op. cit., pp. 7-10.
- 47 Interview with Kamel Hindi, Ministry of Agriculture, Cairo, May 5, 1979.
- 48 Of course, much corn (maize) is not actually sold but is consumed on a subsistence basis by those who grow it.
- 49 Interview with Mr. El Dakkak, Ministry of Supply, GASC offices, May 5, 1979.
- 50 Ibid.
- 51 Ibid.
- 52 Based on conversations with John Waterbury, Princeton University, who kindly translated sections of an Egyptian account of its foreign relationship with the United States.
- 53 The Soviet Union is not considered a traditional food aid donor, but in the case of Egypt, as in a few other instances, to India, Vietnam, and Cambodia, the Soviet Union has provided wheat on a contractual basis in which the return expected is either replacement wheat at some future convenient date or some other export commodity, in Egypt's case cotton, on especially favorable trade terms for the weaker country.
- 54 For a description of the political and diplomatic considerations that affected American food aid policy toward Egypt see Wallerstein, op. cit.

- 55 Von Braum used two-year averages for his calculation. This seems a better measure than year-to-year changes in levels because Egypt has rather large grain storage facilities and can allow supplies to get tight in anticipation of a following year's crop without necessarily turning to imports. It cannot do this for more than one or at best two years, however. This report is based on conversations with Von Braun, September, 1979, and his monograph, Wirkungen von Nahrungsmittelhilfe in Empfängerländern (Göttingen: Institut für Agrarökonomie, February, 1980).
- 56 AID officials in Cairo generally felt this to be the case. Both Jerry Edwards, Director of Agriculture for United States AID, and Fritz Wheten, the Economic Officer, thought that American food aid reduced pressures on the Ministry of the Economy and Planning which is responsible for preparation of budget measures and levels of subsidization. Interviews with Edwards and Wheten, May 3 and May 7, 1979. The classic article is Theodore W. Schultz, "Value of U.S. Farm Surplus to Underdeveloped Countries," Journal of Farm Economics, no. 42 (December, 1960) pp. 1031-42.
- 57 These figures are from the Europa Yearbook and the Egyptian Statistical Handbook (Cairo, 1979), as presented in Table 5.18
- 58 This observation is based on conversations with Mustafa El Nil, Director General, IMC, Cairo, May 8, 1979, and with various WFP officials in Rome and Kenya.
- 59 Interview with Mr. Nile, May, 1979, IMC headquarters, Cairo.
- 60 See the report by Shalby, op. cit., p. 64.
- 61 Interview with Fritz Wheten, op. cit.
- 62 Based on information from Joachim Von Braun, May, 1979, and interviews by Nadine Epstein with donor government officials in Cairo, March, 1979.

- 63 See Catholic Relief Services Egyptian Program Annual Report: Fiscal Year 1978 (Cairo: 1979, pamphlet) pp. 2-3, 7. There are thirty part or full time staff working with CRS in Egypt. This excludes, of course, all the hundreds of Egyptian personnel working on food related or assisted projects.
- 64 See interview with El Dakkak, op. cit.
- 65 Hindi is the Director of Agricultural Economics for the Ministry, and Gouely is a major consultant to the Ministry, maintaining an office there. Interviews were conducted on May 5, 1979 and May 7, 1979 with Gouely. Gouely is Director of the Agricultural Economics unit at the University of Za.
- 66 Gouely underlined this point in his interview with me.
- 67 See Lance Taylor's analysis in World Bank, Arab Republic of Egypt: Economic Management in Transition: Volume IV Financial Resources (Washington: IBRD, May 8, 1978) p. 79.
- 68 Although Gouely and Hindi both stressed this point, their arguments were tainted by the self-serving nature of their point of view. After all, enhanced resources to the Ministry of Agriculture would benefit them as important players within the Ministry. However, officials of USAID (Cairo), including economists Edwards, Norris, and Wheten, had similar views about the comparative disadvantage of the Ministry of Agriculture as an organizer and provider of resources for stimulating agricultural production in Egypt. Interviews May 5-9, Cairo, Egypt.
- 69 The senior AID economist, Fritz Wheten, for instance, made clear that food aid was negotiated at the level of the American ambassador and the President of Egypt. AID officials simply considered food aid "political." It was balance of payments support and did not demand special attention or concern by development specialists or by Egyptian officials. This

- might be a waste of time and valuable human resources. Interview with Wheten, May 7, 1979.
- 70 See "General Review of Food Aid Policies and Programs," WFP/CFA: 9/5 (Rome: March, 1980) p. 14.
- 71 This conclusion is based on an interview with Anis Haider, op. cit., and the report he prepared for WFP headquarters in Rome. Haider's data, solicited directly from officials of other donors in Cairo, was limited by a number of problems. In fact, I have not included his report here because it is at variance (in minor ways) with several other sources, including the Ministry of Supply data which are used here.
- 72 It should also be noted that the Ministry of Agriculture would be benefited if its role in food management increased beyond that of a selected monitor of certain food aid projects of the WFP.
- 73 There are broad similarities identified from the Asian experience by Peter Timmer in looking at the issue of food aid and development. See his paper, "Food Aid and Development Policy, authored with Matthew Guerreiro for the ADC/RTN Conference on Improving the Development Effectiveness of Food Aid (Colombo, Sri Lanka: August, 1980).
- 74 On this point see Cheryl Christensen, "World Hunger: A Structural Approach," International Organization (Summer, 1978), pp. 745-794.
- 75 In Tanzania the early warning system program is one instance; the WFP coordination of food aid and the WFC proposal for food sector studies are other such steps.

CHAPTER VI

INTERNATIONAL FOOD AID POLICY

To speak of international food aid policy may seem inappropriate to some. A collection of national policies does not de facto constitute a singular international policy. Admittedly, the international situation is different from that ^{within} well established national governments. No carefully prescribed and enforceable regulations exist governing health care, farm production, or pollution emissions. If there is an international policy, it is much less the result of conscious calculations than domestic policies, for no authoritative body controls either the formation or the execution of policy.

Yet 'international' policy is an appropriate way to think about food aid. Specific policies do exist which set conditions under which food aid transactions occur. These policies arise from the accumulation of choices and actions of international as well as national bodies. The accretion of ^{many} disparate decisions has a collective character, moreover; and this collective character is what I would call international public policy. Such 'policy' has the same intrinsic characteristics as policies at other levels of human organization; its major difference is that it results from separate calculations, all of which are narrower in scope than the resulting global rules, norms, and actions. Moreover, features of international policy are regularly analyzed and debated by various international bodies, even if no single, cohesive or authoritative policy-making body exists to author such policy. This deficiency in policy-making competence is compensated for by making recommendations that urge

national governments to make policy that fits or conforms to international policy norms.

The Emergence of Policy Norms

International food aid policy--as the collective policies of donors and recipients--has been reviewed, debated and prescribed by a number of organizations. In recent times this debate has occurred in the food relief committees operating in World Wars I and II, and has continued through various food aid committees such as the CSD and CFA. The CFA in particular since 1975 has been given the responsibility of shaping and helping coordinate all food aid flows, both multi-lateral and bilateral. It is useful to review the norms that have emerged from international discussions and, using these, assess current policy.

The World Food Conference

The World Food Conference met in Rome in November, 1974, to address major substantive problems in the world's food system. Its major achievements, however, have been hortative. By discussing problems and passing resolutions, the Conference sought to stimulate and legitimate a variety of initiatives aimed at improving the management of world food resources through increased production, greater price stability, and more equitable distribution. The Conference was attended by representatives of one hundred thirty-three member governments of the United Nations, plus representatives from dozens of other intergovernmental and nongovernmental groups. After ten days of discussions the Conference adopted twenty-two resolutions containing one hundred seventy-four proposals for action, including the establishment of new and reorganized international bodies to

follow up on these recommendations.

The policy prescriptions of the Conference carried considerable weight. They resulted, after all, from a year of preparatory consultation among officials of major governments and relevant international bodies, and they represented adjustments and compromises among various blocks of countries--socialist, developing, and developed industrialized states. The resolutions, therefore, provide criteria for evaluating developments in international food aid policy in the succeeding five years, 1975-1980.

Many of the initiatives proposed by the conference, of course, do not relate directly to the management of food aid. A number of them do, however. These specify clear goals and desiderata for policy by national governments and international organizations. In this chapter we shall review eight mandates of the World Food Conference that directly relate to food aid, and will relate these to three general goals implied for international policy; next the efforts and accomplishments of the ensuing years to reach these mandates will be considered. Finally, future problems and possible solutions for the 1980's will be assessed.

Eight Mandates

Eight specific recommendations for food aid emerged from the Conference, most aimed at donors or international bodies. Several of these recommendations have been refined, elaborated and reasserted by the CFA, the Committee on Food Aid Policies and Programs of the World Food Program.¹

One major concern of the Food Conference was supply instability. In order to prevent the reduction of food aid just when it is most needed during periods of shortage, greater forward planning and multi-year

commitments were recommended. Food aid planned over a several year period would provide greater guarantees of supply continuity and reduce disruptive effects on the economy and development efforts of recipients from supply instability.

A second concern was over the adequacy of total flows. The supply of grain food aid had dropped from averaging about fifteen million tons through the 1960's to five million tons in 1974. The Conference therefore urged the minimum tonnage goal of ten million tons be set. This minimum could act as a floor under food aid flows, as well as a spur to increase, immediately, food transfers to a level deemed more adequate. The need for food, as we noted in Chapter V, is expected to grow.

A third conference mandate was for increased concessionality. This recommendation was aimed primarily at the United States because the largest proportion of its food aid has been provided as Title I loans rather than as grants. It was hoped that as flows shifted to poorer countries, i.e., those least able to pay, aid would be provided on better terms. The call for concessionality, however, applies not only to the American and Japanese practice of using loans rather than grants for food aid, but also to the terms of shipment and this affects all donors, whether their aid is given as grants, swaps, or soft loans. For example, Australia, Canada, and most European donors provide food on a grant basis, but give it at their port (i.e., f.o.b.) so that shipping costs and the cost of internal transport and distribution are born by the recipient. In contrast, American Title II and WFP food arrives fully paid (c.i.f.). Thus all donor countries have an opportunity to increase their concessionality by providing international transport costs and, in special cases, even deferring costs of internal transportation.

Donor country policy coordination was the fourth Food Conference recommendation. While managers of a food aid program in any particular country have generally been aware of the policy and practices of other donors, they seldom have taken these into account in planning or executing their own aid; the result is missed opportunities to maximize the value and effectiveness of the aggregate flow of food aid. Recall that because of donor country budgeting cycles and domestic grain shipping and storage constraints, food to some recipients has arrived all at the same time; food from several donors then would pile up in harbors and warehouses and lead to unnecessary spoilage and loss. Frequently also aid has not arrived at a time

when the recipient is most in need of food imports, often in the period just before (and not following) their harvest. A further loss occurs because shipping costs are seldom minimized in food aid allocations. For example, a western African country such as Ghana has received food aid from America, Europe and Australia even though shipping costs would have been less if donors had agreed upon supplying grain from the most efficient available source and simply assigned credit for the aid according to commitments rather than physical shipments. Donors could swap obligations for physical delivery to reduce shipping costs. Beyond minimizing shipping costs and avoiding erratic annual swings in the volume of imports, better coordination could also be used to improve the effectiveness of constraints aimed at insuring certain nutritional or developmental goals in those countries receiving food aid. In general, this last possibility for donor coordination--namely, to enforce performance standards upon recipients--was not strictly envisaged in the World Food Conference

proposals for reform, nor would it be particularly welcomed by recipient countries.

An increase in the proportion of food provided through multilateral channels was the fifth Conference mandate. Reflecting a demand by developing country recipients, this proposal essentially called for expanding the role of the World Food Program as a manager of food aid transfers. Although the European Community refers to food aid handled by the Development Directorate of the Commission in Brussels as 'multilateral,' most other agencies treat it as bilateral. Certainly the resolution did not request an expansion in this channel. EEC food aid is certainly prone to the same criticisms as other bilateral programs; e.g., it is subject to its member countries' surplus disposal and diplomatic priorities.

This recommendation for more multilateral aid is a vote of confidence in the World Food Program and possibly for an IMF loan program to help pay for food imports.

A sixth recommendation of the World Food Conference urged that food aid be more closely related to expanding food production in recipient countries. Specific ways in which food might be used to spur increased production were not proposed. Most references in discussing this mandate relate to the use of food in 'food-for-work' projects, especially ones that aid rural development, in nutritional or educational feeding programs targeted to rural areas, and to the use of funds generated by the sale of food aid in projects aimed to expand production.

The seventh recommendation was that whenever possible donor countries should obtain their grain for food aid from developing countries. Such 'triangular' transactions would be particularly appropriate for donors which are themselves grain importers, such as Britain and Germany. Such

donors might supply food short countries in Africa or Asia from the stocks available for export in neighboring countries, rather than from the more distant principal exporting developed countries, such as the United States or France. Triangular shipments would help poor food-exporting countries develop markets for their stocks and, particularly during periods when transportation facilities were strained, it would reduce transportation costs and problems. More locally supplied food might also improve the acceptability of grain, by providing white rather than yellow maize to Africans, for example.

The establishment of an International Emergency Food Reserve (IEFR) was the final proposal regarding food aid passed by the Conference. A target of five hundred thousand tons of grain, to be resupplied as needed annually, was set for the IEFR. Its purpose was to insure that sources of food would be readily available to meet acute, unexpected food needs, such as those arising from disaster or civil strife. For some the IEFR seemed an interim measure until a more permanent, more comprehensive and larger emergency reserve could be negotiated; for others it was an important permanent step toward increasing multilateral control of emergency food supplies and creating an emergency response capability less constrained by political or other non-nutritional considerations. The specific mandates reflected underlying concerns, both among donors and recipients over the uses and reliability of food aid. As the general goals of the Conference were to eliminate the spectre of hunger and to improve the food security of all people (through expanded production), food aid was seen as a tool that should contribute to these ends to the fullest, if necessary to the neglect of other purposes it has served. Such other purposes, as discussed in Chapter IV, were understood but largely ignored

by Conference delegates.

These resolutions, and the norms they implied, much like the planks in the platform of a political party, have served not only to legitimate (perhaps obligate) action in the direction promised, but also contain rhetoric that exceeded subsequent performance. At the time of the Conference many of the recommendations were considered modest and reasonably obtainable, at least by representatives at the Conference; indeed they reflected compromises between the status quo and more radical proposals for change that had been discussed in the preparatory meetings. Taken together they represent an important initiative in the international public policy of food aid. Moreover, having been overwhelmingly adopted by the delegates representing one hundred thirty countries, they provide demonstrably acceptable goals and general criteria against which to evaluate and appraise the actions of various governments in the years since the Food Conference promulgated these mandates.

Three Performance Goals

The 1974 Conference mandates are related to three general goals for food aid policy--security, efficiency, and equity. These three provide a summary and generalization of the longer list of proposals passed by the Food Conference. They also provide criteria by which food aid practices may be judged. To the extent aid patterns have changed in ways that come closer to meeting these criteria, it is likely that the Conference mandates have had some effect and are taking hold as serious policy goals. It is also likely that norms established earlier reflecting such as for country norms as gaining influence and dumping surpluses are likely to be receding.

The three goals as applied to food aid are:

1. Food aid should be adequate to improve the security of supply for countries where hunger is a problem; especially it should be sufficient to meet shortfalls and emergencies (security);
2. Food aid should arrive when needed and by the least expensive mode (efficiency);
3. Food aid should be a net resource transfer (i.e., be truly concessional) and should be distributed according to the greatest nutritional and developmental needs among potential recipients (equity).

The first goal leads to the effort to increase the size of flows, to create an international emergency reserve and to increase the reliability or continuity of food as a resource. The second relates to the call for donor coordination and for the increased use of triangular transactions. The third was manifest in the stress the Conference placed on economic development, nutrition targets, and the notion that multilateral channels are more likely to give priority to these causes in supplying food aid. In this chapter I will review steps taken to satisfy these goals since 1974. In the next chapter the goals will serve as the basis for recommended changes in food aid policy.

Actions to Meet WFC Norms

Supply Security

Three types of action have been proposed to meet the goal that food aid should contribute to supply security. The three are: building reserves in poor countries using food aid, creating emergency reserves in donor

countries, and establishing international food insurance and lending facilities. Over the period 1975-80 little concrete action has occurred; plans for strategic reserves by poor countries have not been fully realized and only the United States has moved toward setting up special reserves for food aid.

For several food vulnerable countries the tight supply and high price situation they encountered in 1974 spurred them to establish larger domestic reserves, to discuss national food security needs, and to set aside special 'strategic' reserves as an extra hedge. Tanzania's strategic reserve is an important case in point, although many other countries have undertaken greater efforts at local or regional stockpiling. For example, in the Sahelian region of West Africa and in parts of Asia regional reserves have been proposed and analyzed, and several countries have undertaken programs similar to the one Tanzania had planned for a strategic reserve. Food aid was to contribute to the Tanzanian effort in two ways. First, increased storage capacity to hold some one hundred thousand tons of grain for the reserve was financed by several donors. In addition, some up-country storage and transit shed storage have been expanded, using monies from counterpart funds generated by food aid (in this case from the German government). Second, stocks for the strategic grain reserve were to be supplied through food aid grants, principally maize from the United States (fifty thousand tons). However, because of continuing storage and supply problems the well-coordinated plans of 1978 were not implemented by 1980, as American rice and other country wheat aid was needed for immediate consumption.

During the 1976-78 period other countries also made plans. Those which have had greater stability in their stocks and more success in the

management of organizations controlling stocks, such as Kenya or India, increased strategic 'set asides.' Kenya, for example, increased its so-called 'strategic security reserve,' held by the Maize and Produce Board, to one hundred ^{eighty} thousand tons (a figure below average stock holdings of the Board). In 1980 this reserve proved inadequate.

Other efforts to create strategic reserves through regional cooperation in grain management by less-developed countries emerged with a burst of energy and attention in the 1975-76 period; like the unilateral efforts, however, these were slowed or sidetracked from original plans within two to three years. Not only did food security recede as an immediate problem during the 1976-80 period in most less-developed countries, thanks largely to improved domestic crops, but also the attention of policy-makers in these countries was diverted to other problems, particularly those of financing, storing, and disposing of government-owned surpluses. Storage facilities were as urgently needed as before, but now to handle problems of domestic abundance rather than imports of commercial or concessional food. In this context, detailed plans for special use of stocks for emergencies with special devices for determining release and distribution were given lower priority. The result is that by 1980 the food security derived from stocking by vulnerable countries improved little from the level of 1974, although the desperation experienced then had not re-occurred.²

A second measure to meet the security concern of the World Food Conference was through donor country reserves. The United States bore a special burden in this regard because of its destabilizing role in food aid flows in 1973-74. One proposal to avert a repetition of United States policy in the future was put forward in the Senate in 1977. Senator

Hubert Humphrey and others sponsored legislation to create an International Emergency Grain Reserve. This proposal authorized the creation of a six million ton reserve of wheat to be acquired and held by the Department of Agriculture and to be released through the P.L. 480 program when supply conditions were tight and prices rising. This proposal was passed as an amendment to the omnibus farm bill of 1977 by the Senate, but was dropped from the final version of the bill that came out of the Conference Committee of Senate and House because the House of Representatives had not had a chance to hold hearings on the measure in its relevant committees. In 1978 the measure was again introduced but a successful amendment by Senator Dole in the Senate Agricultural Committee substituting cash for the physical holding of the grain discouraged further consideration of the measure. In any event its priority was already beginning to ebb. In 1977 the Department of Agriculture had given the measure relatively low priority compared to other components in the farm bill. So although the Department supported the idea, it did not push it in Congress. This increased the probability that the measure would be postponed rather than enacted. In April, 1978, the Department submitted a bill, but by then wheat prices had climbed, and as general budgetary concerns also rose, enthusiasm for emergency reserve waned. The National Association of Wheat Producers backed a reserve of three million tons, half that of the original proposal and also successfully pushed to amend the legislation so as to limit the discretion of the Department of Agriculture in releasing grain from the reserve. Emergency reserve stocks would be available for use in the P.L. 480 program only when the Secretary of Agriculture declared that there was no wheat outside the reserve that would be in surplus of the existing needs for carryover, domestic use and commercial

export. Thus, even if prices rose substantially, no grain could be used from the reserve until expected domestic stocks equalled the carryover target. Until then the Department of Agriculture would be limited to supplying food aid based on what existing budgeted dollars would buy; it could not prevent declining food aid tonnage by using the reserve.

Following the American embargo of grain to the Soviet Union in January, 1980, the CCC bought grain to prevent prices from falling. This produced new support for the international reserve. A bill submitted by the Department of Agriculture setting up a four million ton wheat reserve seemed

to pass in 1980 as a result of heightened producer interest in holding the wheat earmarked earlier for the USSR off commercial markets.

No other donors have even considered separate reserves legally tied to their food aid releases. Some donors, such as Japan with rice and the EEC with milk hold reserve thanks to domestic policy for political reasons. These stocks are used for food aid, but as of 1980 no country legally has a policy of acquiring stocks that can only be released for food aid. Other donors have undertaken legislative and bureaucratic steps that responded to security related mandates of the Conference. Canada increased its food aid. It made this decision in time to announce the aid increase as a pledge at the World Food Conference in 1974 of one million tons of grain annually for three years, 1975-77. This was nearly double the level of Canadian aid in 1974. Australia similarly increased its food aid commitment. Its legislature acted to raise its minimum (which is also a maximum) over a several-year period from two hundred twenty-five thousand tons in 1975 to four hundred thousand tons by 1980. In Brussels, the European Community's Development Directorate suggested to the Council procedures designed to improve the ability of

European food aid officials to respond quickly to changing food aid needs. Finally, some new donors such as Saudi Arabia and Austria were recruited and some existing donors were moved to increase their contributions.

Multilateral actions to improve food security have also been undertaken or at least discussed. The most important action relates to the ten million ton floor recommended at the Conference for grain food aid. When discussions on new international wheat and grain agreements broke down in February, 1979, the companion Food Aid Convention had been successfully redrafted; it contained a number of increased pledges. While these increases fell short of the ten million ton target, they did raise the minimum tonnage from 4.5 to about 7.5 million tons. After a year of no progress on establishing an international grain reserve to improve food security, a new Food Aid Convention was signed in March, 1980. This new Food Aid Convention, which began in July, 1980, registered the increased commitments of donors negotiated in the 1976-78 period. The new Convention recognized the ten million ton minimum target and called for new donors to come forward to make up two million tons, the difference between pledges and target. It also continued the appeal, addressed largely to the United States, to increase the concessional component of its food aid by instituting a reporting procedure in which food aid provided through loans would be reported at a value discounted by the effective cost of repayments rather than only in metric or market value terms.³ The 1980 Food Aid Convention was an important new step in that it was not part of an explicit bargain in which food importers such as Japan and the EEC countries agreed to provide food aid in return for concessions by exporters on a grain trading convention. The original 1967 Food Aid Convention had been just such a deal in which the United States used heavily diplomatic pressure

to get others to agree, and one from which the United Kingdom and Denmark soon dropped out (returning only later, when they joined the Common Market).

Another proposal for multilateral improvement of food aid was never accepted. This was the American idea that Food Aid Convention donors commit themselves to a twenty percent "overcall." Should prices rise above the upper points set for the release of grain from international reserves (as described in the draft International Wheat Agreement of 1979) each donor's Food Aid Convention commitment for that year would be increased by twenty percent. This additional food aid tonnage could come directly from releases of stock already controlled by governments as a part of the international grain reserves scheme. The intent of this proposal was to lessen the procyclical element in food aid, especially American food aid. Such an international obligation would have been useful to American officials hoping to ward off domestic pressures to reduce food aid during a period of shortages and high prices. Recall how in 1973-74 United States aid reductions jeopardized the well-being of a number of poor countries heavily dependent upon food aid.

Yet another proposal--one discussed in the 1978-80 period largely informally by officials at the World Bank, the World Food Council and the American Government--involves the establishment of a food insurance program. Several economists, including Shlomo Reutlinger, D. Gale Johnson and Barbara Huddleston, published analyses of various insurance schemes and the benefits they offered.⁴ In general this approach focuses largely on the destabilizing effects that swings in prices and import needs have upon poor countries. An insurance scheme providing either food or "soft" loans for food imports (say loans at a three percent interest rate) would provide poor countries with greater food supply security when their need for help

in importing food rose dramatically. This need might arise because of a shortfall in their export income (usually due to a crop failure or a drop in world prices), a shortfall in their national food production, or a large rise in world food prices. Reutlinger's proposal seems superior to Johnson's in this regard because it seeks to insure against import variations, rather than domestic food production variations. The former provides more comprehensive assistance for food needs, while the latter rests on production statistics which carry considerable errors.

This proposal goes beyond the food security of the grain reserve negotiations in 1976-80. While the draft of the new International Wheat Agreement, and the grain reserve provisions it contains, should these ever be achieved, would be an instrument for stabilizing prices in international grain trade, the principal aim of such an agreement is to satisfy the trading needs of developed countries. To the extent price stability aids the security needs of less developed countries, this would be largely a fortuitous by-product.

The food insurance scheme, in contrast, has been envisaged principally as a means of improving the food security of poorer food deficit countries, and aims directly at helping them stabilize their cereal consumption and balance of payment obligations. Unlike the Food Aid Convention and International Wheat Agreement, not even the institutional framework for an insurance scheme, let alone the details of the funding and the conditions for release of loans and/or food to needy applicants, have achieved an international consensus. Some have imagined an insurance scheme might be operated by a new or existing United Nations agency, others have proposed that the International Monetary Fund be used by creating a "food facility" similar to its current "oil facility," still others would

establish a new and independent international agency such as a World Food Bank. Alternative institutional arrangements provide alternative mechanisms for control. Those who would contribute to an insurance scheme will have considerable interest in the rules for its constitution and the level of competence and discretion afforded its staff. Concern over these issues creates considerable political as well as economic uncertainty about the attractiveness of an insurance scheme. Without a consensus on its institutional framework, serious debate among government policy-makers regarding the conditions of its operation has not occurred. Security based on food aid remains dubious.

Equity and Efficiency

Considerable though far from satisfactory progress has been achieved with respect to the other goals of equity and efficiency as expressed in Conference mandates calling for greater concessionality, a larger percentage of aid to the most needy countries, and enhanced use of multilateral channels and donor coordination.

The United States, through increasing the share of food aid given under Title II and through the inauguration of the Title III program (which promises to make grants of Title I loans in return for recipient government steps to use food aid as a development

resource) has added to the concessionality of food aid. The percentage of American aid given on a grant basis rose from thirty-two to forty-three percent from 1977 to 1978. The Japanese food aid terms have varied--some years providing all their aid on a grant basis, and other years using "soft" loans similar to the United States Title I program. In 1976 and 1978, one hundred percent of Japanese aid was on a grant basis;

in 1977 and 1979 it was forty-one and twenty-four percent respectively. In addition, as more food aid has been targeted to the poorest countries, European donors have increased somewhat the provision of transport costs to recipients.

The share of food aid going through multilateral channels has nearly doubled in the 1970's. Although the United States has not increased its share of food aid allocated to the World Food Program, other donors including Canada and the European Community have. The value of multilateral aid (WFP) as a proportion of all food aid rose from sixteen percent in 1973 to twenty-one percent in 1978.⁵

Donor coordination has improved in a number of regards. First minimal efforts to meet and discuss common problems have occurred within the framework of the CFA since its inauguration in 1975, as the reorganized Intergovernmental Committee (IGA) of the World Food Program. Other and more informal meetings have been held in Brussels, Washington and elsewhere on a bilateral basis. In the Sahelian region food aid efforts were coordinated with the assistance of a special FAO unit. In Bangladesh, the World Food Program senior official, Trevor-Roper, was able to play a substantial role in coordinating donors and improving the mechanics of the food aid operation. Donors meet every six months with Bangladesh officials to draw up shipping schedules that will take Bengali stock forecasts into account. Some of the formal country consortia meetings to review development among donor and recipient officials, such as the one held on Bangladesh in Paris in June, 1978 or on Zaire held in Brussels in November, 1978, have included food aid as a part of their overall effort to coordinate aid from donors. For the most part, however, food aid has been excluded from planning and studies aimed at setting priorities for economic development.

This neglect by development officials, most notably the World Bank, stems in part from an economist's "bias" against such commodity aid.

Triangular food aid transactions have also received attention. A number of instances in which developing countries have been used as suppliers for food aid have occurred since 1974. Indian officials were able to sell some of their grain stocks^{in 1978} through cereal sales to the World Food Program; Kenyans have sold maize to West Germany to be used as food aid for Tanzania and Mozambique; and even American government officials have indicated a willingness to have Egypt use CIP loan credits (that normally must be used to buy imports from the United States) to buy lentils from Turkey (another United States aid recipient suffering in 1979 from a severe lack of foreign exchange). Triangular transactions grew from fifty-four thousand tons in 1975 to one hundred seventy-two thousand tons in 1979.⁶

The International Emergency Food Reserve scheme was established and has been replenished annually since 1976. Although the target of five hundred thousand tons has never been achieved, the IEFER has been used to provide, through either bilateral or multilateral shipments, responses to emergency needs identified by the World Food Program and the FAO. Whether food supplied under the IEFER can be considered additional to any supplies that might have flowed in food aid otherwise is doubtful. Virtually all governments providing food aid have contingency reserves in their budgeting process which are held back in anticipation of needs suddenly arising in another country. Typically, when such emergency needs are identified several donors are willing to respond. In this case the FAO or World Food Program may be called upon to play a role in assessing needs and in assisting donors to coordinate their efforts, as they did in 1979 in Cambodia.

The international management provided by the IEFER contributes to food aid policy more by way of stimulation and improved delivery conditions than as a real increase in the discretion or size of flows of food aid. Thus the IEFER may be seen as improving equity and perhaps efficiency, but not yet global security. The greatest support for the IEFER has come from countries which have placed a high priority on nutritional shortfalls, such as the Scandinavian countries. Officials in these countries stress emergencies as the most legitimate and overriding objective of food aid. The IEFER is also supported by those institutions which exercise greater authority or derive greater credit in providing emergency relief, such as the FAO, under whose aegis emergency WFP and IEFER shipments flow.

The most universally accepted and least implementable mandate of the Conference was to increase the use of food aid that served development purposes. This concern was particularly intense for food deficit countries whose access to food is the least equitable. A major difficulty in using food for development in addition to the usual institutional barriers, arises from the problem of appraising the developmental impacts of a particular use. Economists have outlined a variety of ways in which food aid can serve developmental purposes.⁷ Assessing the primary and secondary effects of particular food aid flows, however, is an heroic, controversial and largely unattended to activity. In the spring of 1979, for instance, both Edward Schuh, Deputy Under Secretary for International Affairs at USDA, and Hans Singer, retired United Nations economist and consultant to the World Food Program, claimed there was a substantial need for additional substantive studies on the effects of food aid in particular cases.⁸ While it is clear that food sent to a particular country can be used in ways that are labeled developmental, the net indirect effects of the aid

are hard to determine. At one time the most discussed negative consequence of food aid was the "disincentive" effect on domestic production; domestic crop prices would be lowered by the addition of food aid to domestic supplies. But, as was discussed in Chapters III and V, food aid may not be and often is not an additional import to the economy; and even if it is, it may have no effect on prices in countries where prices are set by government fiat and done so with indifference to food aid flows. Improved domestic food management can be supported by food aid also. Funds generated from the sale of food aid, for example, could be used to build storage facilities or improve marketing; if so this should help stabilize domestic supply. Or they could be used to allow domestic production prices to rise in a system such as Egypt's where food prices are subsidized.⁹ Certainly these effects of food aid would promise to have developmental impacts on the structure of the economy in addition to the positive benefits to nutrition and to the human energy resources of those who consume it. Regardless of the material consequences, it is clear that in the late 1970's rhetoric in reports by the World Food Council, the World Food Program, and by food aid agencies of donor governments have increasingly emphasized the developmental uses of food aid.¹⁰

The various national and international policy actions in the years since the World Food Conference indicate that the least progress in achieving the Conference goals has been in the area of providing stability and security to food aid flows. The ten million ton minimum has barely been reached. Supply guarantees built into the budget or legal framework of donor countries have improved very little; Canada's million ton a year obligation has lapsed and Canadian food aid has fallen to levels approximating those reached during the shortage of 1973-74. American food aid,

which by 1977 had more than doubled its tonnage from its nadir in fiscal 1974, declined in 1978 and 1979. The positive accomplishments are indeed modest. The United States has legally promised a minimum tonnage (1.6 million tons) for its Title II grant program, used principally for humanitarian and educational feeding programs. This provides some guarantee to the World Food Program and the private international voluntary agencies that count on this food. There are longer-term commitments by other donors to such efforts such as "Project Flood" in India, undertaken by the EEC, and the Arusha Wheat schemes in Tanzania undertaken by Canada. These too provide some stability. But these food assurances would be of minimal value in a shortage period when overall needs might rise while tonnages available as food aid shrank. There is a strong possibility that the pressures and calculations that led to a squeeze on the poorer food deficit countries in 1973 and 1974 can be repeated as food import costs rise sharply and lead to a shift of resources away from planned developmental investment.¹¹

Prospects of the United States Response to Food Aid Supply Insecurity

Since the United States is the major contributor to instability in food aid flows, it is appropriate to focus on American policy as the major solution to this problem. Potential policy steps by the American government may be considered under two categories: first, steps to minimize American "procyclical" aid donations, and second, American steps that encourage greater supply stability and tonnage commitments from other donors. In this section I shall examine the first case. Policies affecting United States domestic supplies and aid flows may also influence international agreements which

would bear upon both the United States and other donors. Such contextual and negotiation consequences are, however, very speculative. I examine, therefore, only the direct effects on international policy arrangements of American food aid policy.

As discussed above, a number of steps have been contemplated and even proposed within policy-making structures in the United States. While each varies in cost, value and likely consequences, all are responses by those who deplored American behavior in cutting food aid supplies in 1973-74 and all are aimed to make it more difficult for American policy makers to behave in similar fashion in the future. Six specific recommendations for United States action were identified in this study: 1) a requirement that P.L. 480 needs to be given greater consideration in domestic supply management decisions; 2) a wheat or grain reserve tied to P.L. 480; 3) a cash reserve authority for P.L. 480 funding; 4) minimum tonnage requirements; 5) waivers on excess commodity conditions; 6) a food insurance scheme.¹²

It is difficult to assess the attractiveness of these alternatives. They are not mutually exclusive, but the advantages of one might be diminished if another were achieved. Finally, it is difficult to separate strategies to get some change based on likely support from calculations of what changes will be the most effective. Ideally, one might assign separate weights to each alternative, one for the expected effectiveness of each policy in achieving the objective of food aid supply security, and a second for the prospects for that policy being achieved, given the likely balance of support and opposition, both in its adoption by Congress and in its subsequent administration.

Practically, such an approach would be futile, however. To assess

the latter factor, the prospects for realizing a policy alternative, the perspectives of key officials or special interest representatives are an ideal source of information. Such policy elite however base their judgments on the attractiveness of policies at least partially on the first consideration, namely the likely effectiveness of the policy. Thus a policy which is seen to have only marginal effects may receive little support even though it is not heavily opposed, because those most concerned about improving supply policy of food aid are least attracted to marginal changes. Although incremental adjustments are the most common form of policy innovation in the United States, adjustments which seem too marginal may not be considered worth the effort.¹³ It was, not surprisingly, impossible to disentangle the strategic calculations of policy officials who responded in this study from their intrinsic evaluation of the attractiveness of an alternative.

The summary judgements of policy elite, however, are reported. During discussions with the forty-one officials, as described in Appendix B, their views on the relative desirability of these options were sought. Since most of these amplified their judgements in one fashion or another, it is possible to go beyond reporting numerical preferences and to assess the strengths and weaknesses of each of the six proposals as understood in the spring of 1979.

An International Emergency Wheat Reserve was the most widely supported proposal. General reactions of the policy elite are shown in Table 6.1. Of the other five proposals presented to those interviewed, one proposal, the idea of increasing the consideration given food aid requirements in setting domestic production targets, largely by determining the levels for set asides of cropland, brought forth such a diverse set of

TABLE 6.1

REACTIONS TO FIVE PROPOSALS FOR FOOD AID SUPPLY RELIABILITY

	<u>Wheat Reserve</u>	<u>Cash Reserve</u>	<u>Int'l. Commit. (FAC)</u>	<u>Extension cf 401</u>	<u>Insurance</u>
	(39)	(30)	(34)	(29)	(35)
Positive	67	10	53	59	24
Mixed	18	23	37	4	49
Negative	15	67	9	37	27

responses that it would be misleading to present them in simple positive/negative terms. Table 6.1, therefore, reports reactions to five proposals only. Each reaction was judged in general terms as being positive or supportive, negative or opposing or mixed. Before discussing the reactions shown in Table 6.1 I should explain why such confusion arose over the proposal to make food aid as equal a factor in domestic production policy as commercial exports.¹⁴

Supply Policy for Food Aid

Reactions to the idea that food aid might be a factor in supply policy ranged widely. Some claimed that food aid needs were already fully taken into account when the USDA determined production goals and recommended policies to achieve these, including target prices and loan levels and requirements for set asides for those who participated in the farm support programs. At the opposite extreme, some claimed that to include food aid in such calculations would be irresponsible and wrong. For instance, the first view was offered by a senior political appointee in the USDA, while the latter opinion was that of a lobbyist for a general farm organization. There was a small tendency for insiders to believe food aid needs were already taken into account, while those outside the executive branch, either in Congress or lobbying organizations, assumed this was not the case. More significantly, less than a third of the policy-level officials indicated a belief that food aid requirements were included in the calculation of production needs. Generally, the USDA determines major policy based on existing stock levels and predicted consumption uses in determining whether to use set asides for the coming year. Among those who felt food aid needs were either not counted in this calculation (or who

felt they were inadequately accounted for) were senior officials in the Department of Agriculture and AID as well as Congressional staffers. Thus, such a major annual calculation is not a widely understood or "public" activity. Among those who imagined it might be possible to increase the consideration given food aid in shaping domestic supply management policies there was about a fifty-fifty split between those who opposed and those who supported such a step. Virtually all who held mixed or negative reactions to food aid opposed it. Even some with positive views towards food aid, such as John Datt of the American Farm Bureau, argued against mixing "food aid and domestic food policy."¹⁵ Among those who supported the idea was John Donnely, a staff aide of Senator McGovern specializing in Agriculture. However, even he had some confusion as to "how it would work." Others who supported the idea of specifying that food aid be included in choosing set aside and production targets went even further, suggesting that development oriented food aid should have priority over commercial sales, presumably in a time of tight supplies. For example, Robert Fredericks of the National Grange was certain that food aid was already lumped under general export needs, but thought it would be a useful "public relations gesture" to include this point by statute. If it were included it would show that food aid from farmers is acknowledged-- farmers could say, "We're willing to feed the word, though we want a profit on it."¹⁶

On balance, this proposal deserves a low rating. Since many already thought food aid was adequately accounted for in setting domestic production goals, since the suggestion was confusing to many respondents, and since reactions were extremely diverse, the idea would seem to be a bad one. Executive officials would resent having to formalize what many

considered was already being done, though in an implicit fashion as a part of total export calculations. A good example of current practice is rice. Rice is a commodity for which calculations are most sensitive to P.L. 480 plans. For this commodity there were contradictory production claims. One USDA official claimed that food aid levels for rice were quite explicitly used in the production calculations, while Steven Gabbert, Executive Vice President of the Rice Miller's Association, argued that set aside and production targets did not include a food aid component; in his view food aid needs "were determined by the budget" rather than by tonnage needs, at least "for rice."¹⁷

Three other arguments exist against amending legislation to formalize a responsibility in the Department of Agriculture to give priority attention to food aid in making domestic supply policies, in addition to the confusion and lack of support evidenced in responses of the policy elite. First, it could well increase pressure for surplus disposal uses of food aid. Commodity groups, once a food aid component was made explicit in domestic policy, might target on this and demand that higher tonnages be included during periods of depressed prices. Conceivably should such a pattern be established, Congress might even attempt to set tonnage levels by commodity for use in such calculations, a process in which producer and surplus disposal motivations would have an advantage in the Congressional agriculture committees. Second, it might put food aid on more of a spot. It would make food aid more explicitly a cost of domestic farm programs. This in turn might increase opposition by fiscal conservatives or, as an explicitly integral part of domestic supply adjustment, it might attract the attention of food aid skeptics, providing them more opportunity for annual assaults in opposition to any surplus disposal

element in food aid. Finally, it would add complications to an already difficult process. Setting target and loan levels for each commodity and establishing set aside requirements annually absorb a great deal of time of the Department of Agriculture and of White House managers, including the CEA, OMB and domestic policy staff. If food aid experts were added to the process, it would become more excruciating and force formal and public decisions on issues which may be handled more advantageously in a quiet manner. As one skeptic suggested, "do you really want to give Agriculture the opportunity to make a decision?"¹⁸

One other possibility for relating domestic supply policy and food aid was seldom raised by policy elite, but should be noted. A change in calculating the carryover requirement was instituted by Howart Hjort in 1977. This has led the United States to increase its carryover targets and to make production decisions which respond to changing (growing) conditions of international consumption. In this respect production figures are arrived at in ways which take into account the rapid expansion of wheat consumption in poor countries, as noted in Chapter V, regardless of whether such needs are supplied through commercial or food aid exports.

Cash Reserve

The proposal to receive the second least support was a possible cash reserve. This idea, made concrete as a successful amendment to the International Emergency Wheat Reserve Proposal by Senator Dole when it was under consideration in the Senate Agriculture Committee in 1978, specified that a special contingency appropriation be available to the Secretary of Agriculture to use in purchasing food for the food aid program in a period in which rising prices and short supplies

force down the amount of food aid available under existing legislation and regulations. The Dole version proposed a five hundred million dollar contingency to be used for buying wheat as a substitute for any release from storage of wheat for the P.L. 480 program as initially envisaged in the Emergency Wheat Reserve bill. Dole's amendment, which garnered enough votes at a rather poorly attended session of the Agriculture Committee, effectively derailed the wheat reserve bill consideration by Congress in 1978, since the "dollar substitute" was opposed by the Carter administration. It was decided not to bring the bill to a vote on the floor as long as the Dole amendment was still pending. While many respondents reacted to the suggestion of the cash reserve in terms of the concrete Dole proposal, it should be noted that others including William Pierce, Vice President of Cargill, have spoken of the advantages of a cash rather than a wheat reserve. Cash, Pierce argued, if actually appropriated, could still be invested in interest-earning bonds, while grain would cost money for its physical storage.¹⁹ Furthermore, it might be argued that producers and traders would respond to the increased certainty of continuing demand assured by the cash reserve by holding larger stocks.

Certainly these arguments as to the general effect of the cash reserve bear similarity to aspects of an insurance scheme in which the IMF or another facility would provide funds to cover import needs. The major difference between the insurance schemes discussed later and a cash reserve fund held by the United States is that a cash reserve would only respond to needs for foreign exchange for buying food imports. This would encourage rising prices during general scarcity as the conditions of release of funds would be carefully drawn with the domestic producers' interests in mind.

Arguments against the cash reserve as a backup for P.L. 480 were numerous. Some respondents pointed out that during the 1973-74 downturn the Secretary of Agriculture had authority to spend billions on food aid but was constrained by domestic inflationary pressures and executive branch decisions from giving priority to these. Since similar inflationary pressures and efforts to reduce food inflation would operate in similar ways to pull down levels of P.L. 480 during another period of shortages, a cash reserve discretion for the Secretary of Agriculture would add nothing that did not exist in the earlier period which was ineffectual. Since the borrowing authority of the CCC has been sharply reduced however since 1975, it would be useful to have some borrowing authority for P.L. 480 made available.²⁰ A second reason to reject the cash reserve was put forward by those who favored a wheat reserve. Larger supplies of wheat would be available under the wheat reserve scheme for the same initial purchase price. This assumes price inflation will exceed interest on the cash. If the government had to wait until domestic stocks were no longer in excess of expected utilization and carryover needs, not including food aid needs, the shortage this entails would have certainly driven prices dramatically upward. At that point the cash authority would be able to purchase far fewer tons of wheat for use as food aid than similar amounts of funds used earlier for purchases during a period of lower prices and greater supplies. Finally some skeptics pointed out that the cash reserve scheme would have the government intervene in the market for food aid purposes at the very time farmers and traders would be reaping enormous profits, thus extending the transfer of wealth to them, and in a way that would be adverse to consumer interests. Most of those who rejected the cash reserve did so in comparison with a wheat reserve which they favored; some who

favored a wheat reserve looked at the cash reserve alone, on its own merits, and some had mixed opinions regarding it. As Carol Lancaster, a former P.L. 480 budget examiner in OMB and a member of the State Department Policy Planning staff in 1979, commented, recalling the budgetary pressures which were responsible for the downturn in 1973-74, "the cash reserve would be a fig leaf at best."²¹

International Insurance

Although Table 6.1 indicates somewhat balanced levels of opposition and support for the scheme for international food insurance, the vast majority of responses to this idea were rather bland. Michael Boener, Head of the Food Policy Office in the Department of State in the spring of 1979, explained that he was "agnostic" about insurance; it simply "is not talked about in policy circles; abstract academic models is all I have seen." This response is typical of reactions among the policy community. Perhaps if some specific proposal had been tabled in Congress or if international reactions to the proposal had been sharper, reactions to it might have been more incisive. As it was, it attracted little strong opposition. Its realization seemed remote and it received fairly bland endorsements by most, but many had mixed rather than clearly favorable reactions. No government or lobby official, as of 1979, was sufficiently interested in the idea to champion it, which suggests the proposal is an idea whose time is yet to come.

Lynn Daft, of the Domestic Policy staff in the White House, was among those reacting favorably to the scheme; he assumed it "can work, that there could be a budget problem, but that any entitlement program is run that way."²² The insurance proposal required that a number of questions be

resolved before respondents could make a judgement on its relative merits. Assuming it would be a multilateral scheme involving food from donors other than the United States as well, one key question raised was "who will make decisions; will it be the WFP?" Another question was, "How would this be different from the current demand analyses we use for determining levels to recipients?" Several other respondents felt such a scheme, if started on a small scale, might be attractive.

Some policy elite were skeptical of insurance, especially if it were created at the expense of other existing programs and levels of aid commitments. Anthony Foidi of Catholic Relief Services wondered, "How can such a scheme make a difference? Would it insure amounts in tonnages or dollars?" As Earl Butz said in his speech to the World Food Conference, Foidi commented, "We can't spend more than a certain amount."²³ The coordinator of the Food for Peace Program in AID, Kathleen Bitterman, was also skeptical. Her initial reaction to the insurance idea was to defend current practices. She argued that in the current situation, in 1979, the United States was flexible. It did not just go ahead with food shipments because a prospective amount had been indicated in a Congressional presentation; rather, adjustments among recipients were made as the year progressed according to need; the United States was not automatically tied to earlier budget estimates, according to Ms. Bitterman. Her implicit point was that the current program could be defended as having an element of responsiveness to recipient country shortfalls, analogous to the working of an insurance scheme because it did not work on an automatic basis but adjusted to changing recipient needs.²⁴

Dale Hathaway, Under Secretary of Agriculture for International Affairs and Commodity Programs, indicated his rather different view towards

an insurance scheme by referring to the proposals outlined by the International Food Policy Research Institute's report on food security and insurance.²⁵ "If I recall, the insurance scheme was backed up by an optimal stock policy, a fairly large one. If you have stocks, then you may not need the insurance. If you look at the difficulties we have in funding an international reserve stock plan you can see an international insurance scheme will be a difficult matter indeed."²⁶

Some respondents, those lobbying for commodity groups or concerned with producer interests in particular, were critical of the insurance scheme. These elite felt the obligation to provide tonnage rather than dollar loans would not work or would undercut the contribution of food aid to domestic farm programs. Others simply resented the loss of American control that an international scheme adjusted. Ron Baize, then a staff consultant for the House Agricultural Committee, reacted this way: "I'm generally against anything without our hands on the policy decisions. We choose to give; it's not an obligation. I'm not ready to let five or six banana dictators tell us what to do."²⁷ Another objection to the insurance scheme arose from the strategic calculation of whether Congress would have to approve such a measure. Finally, one person noted that if the insurance scheme covered shortfalls for whatever reason, then "we might be insuring other governments against their own bad policies."

In light of the half-hearted endorsements, difficult questions about structure and financing, and marked antipathy by some, it is not surprising that the insurance scheme proposal has not moved from the realm of academic proposals to the realm of specific legal arrangements worked out in Congress or the executive branch. Moreover, as several respondents indicated, the insurance scheme seemed to have generated little interest or demand

among developing countries. LDC's were pressing principally for expanded supplies, visible stocks and priority access to them, not an insurance scheme which would imply some greater degree of obligation on their part, or a more automatic procedure to determine the level of concessional food a recipient needed. The latter would mean that neither the donor nor the potential recipient would be in a position to bargain over the size of the resource transfer. For all these reasons an international insurance scheme must be given low marks as a politically attractive vehicle for reducing potential instabilities in the supply of food aid. This was borne out in 1980 at the World Food Council meeting when the idea and promoting food security. \wedge of an "entitlement" program was opposed by many G-77 countries as well as some donor states.

Expansion of Section 401

Bread for the World, a New York based hunger lobby, along with other church-based groups that \wedge undertake Washington lobbying, proposed a number of minor amendments to the P.L. 480 legislation in the spring of 1979. These aimed at drawing the use of food aid ever closer to its being primarily a developmental tool. One modification proposed was to insert the word "developmental" in the language of Section 401 of the legislation. This section stipulates that any commodity shipped under the P.L. 480 program must be declared by the Secretary of Agriculture to be in surplus of domestic and international commercial needs. Under the current wording, in a period of short supply the Secretary could waive this "surplus" requirement only for food shipments that were "humanitarian." This waiver permits the government to continue Title II programs, even when tight supplies restricted Title I and Title II shipments.

Unless prices rose drastically, or the "developmental" uses of Title I and Title III were claimed to encompass a large proportion of the total

food aid flows from the United States, which they currently do not, it seems unlikely that a situation would arise in which the multi-year Title III commitments might be cut back. It seems unlikely that the food aid budget could be exhausted on humanitarian, presumably priority, grounds. The insertion of the word developmental, however, might allow continuation of Title III projects even when projects given higher priority for political or other reasons would have trouble being justified because of a tight food situation. In any event, this amendment seemed desirable to a majority of the respondents, particularly those directly pressing for it, such as Brennon Jones and Larry Minear.²⁸ Because the idea of expanding the discretion to waive the supply surplus requirement was a clear, singularly focused proposal, most respondents could indicate clearly their position, even if it was espoused without great passion or sense that the result would be of great significance. Ed Schuh, Deputy to Undersecretary of Agriculture Hathaway, for example, remarked simply that such a legislative amendment would be "helpful."²⁹ This modest proposal had been in a version of the four-year extension of P.L. 480 in 1977, but it was dropped in the Congressional Conference Committee, apparently without any great consideration.

A large minority of respondents, particularly among farm and commodity groups, indicated opposition to such an amendment. Congressional and executive branch officials were generally unconcerned about the suggestion. John Baize, whose general orientation is quite sympathetic to farmers, thought changes in Section 401 would be "okay." For him as for others the key point is whether the administration could get the dollars to buy food in a period of tight supply. He would oppose such an amendment if its implication was legally to commit the government, regardless of dollar

appropriations to meet tonnage targets that were developmental.³⁰ Karl Schwensen, of the National Association of Wheat Growers, indicated his organization opposed suspending the P.L. 480 surplus requirement in a period of short supply, even to cover developmental purposes. "If we have short supplies, the need is a human need; economic development needs would require too high a level of reserves."³¹ The voluntary organizations were not supportive of this amendment either; as Anthony Foidi of Catholic Relief Services argued, "humanitarian aid is developmental." The debate about this amendment is particularly useful in highlighting how competing purposes for American food aid lead to different views toward particular legislation. Although the proposal is for a most modest change, since it might provide a slight advantage to some programs or purposes served by food aid in a tight supply situation, there is a prospect that this might potentially reduce the extent it served other purposes, even humanitarian and nutritional ones. Since one purpose is particularly important to each agency that deals with food aid, spokespersons for each perspective outside "developmental" ones took rather negative positions on this proposal.

On balance, then, the proposal to add "developmental" to the Section 401 waiver of surplus requirement was supported well enough to imagine its successful adoption by Congress. However, it was not viewed as significantly important to executive branch officials; they are not likely to expend lobbying resources on its behalf. The 1979 effort by Bread for the World, not surprisingly, failed when the whole package of amendments to strengthen development uses went to conference to reconcile Senate and House versions. If it were eventually achieved, most policy elite would be at best mildly pleased, and at worst mildly disgruntled. It was recommended again in 1980 by the Presidential Hunger Commission. Ruth Greenstein, former budget

examiner for the P.L. 480 program in the Office of Management and Budget, represents the mild support this proposal generally received by indicating that her reason for supporting it was that it could help the Secretary of Agriculture politically, "so he did have to fudge on current language."³²

International Commitment

In 1979 the Food Aid Convention committed the United States to supply a minimum of 1.89 million metric tons of grain in food aid annually. This commitment, originally made in 1967, had always been met

Even in fiscal 1974, when only 3.3 million tons of aid (grain equivalent) were shipped, the Food Aid Convention commitment was not a factor in American policymaking. As noted earlier, however, for practically all other donors their annual level of food aid is fairly close to the commitments they have made; the Convention acts as a floor. One hope of American policy makers, in trying to reach the ten million ton target set by the World Food Conference for minimum food aid flows, was to increase the American commitment to a much higher level. The American pledge made in 1978 at the grain reserve negotiations was for 4.47 million tons. This became an international commitment of the United States on July 1, 1980, when the new Food Aid Convention came into existence. The 4.47 million ton figure was derived fairly simply. First the initial American pledge as a proportion of the total current Food Aid Convention pledges was calculated (44.7 percent); then the new figure for the United States share was set on the basis of meeting a ten million ton target. No other country, with the exception of Australia, has made a proportional increase similar to that of the United States. American negotiators took the lead in discussing the possibility of adopting

the new Food Aid Convention independently of the Wheat Agreements. This position found little support abroad, at least initially, except for international organization (FAO, WFP) spokesmen. Even an American proposal that the increased pledges announced during the negotiations of the new Food Aid Convention be used by donor countries in 1979, even though the Convention itself was not finally adopted as planned as a part of the broader agreements to establish an international wheat reserve and grain trade rules, was not accepted by other donors. As a result, the American pledge in 1979 stood as a weak straw upon which to base minimal stability in American food aid. Most (fifty-three percent) of those interviewed who had any clear sentiments on the international commitment supported it, often decisively. For some the pledge was an accomplished achievement. The pledge itself did not put any legal floor under food aid, as the Title II minimum tonnage legislation did. Since few felt the minimum would be hard to meet, the size of the commitment was not a negative. Indeed, two respondents wondered if it were large enough to provide reliability to food aid flows. Another question raised was whether the commitment would prove binding in a time of shortage. Some respondents were aware that during the 1973-74 tight supply situation some other donors had neglected to fulfill all their minimum tonnage requirements, though the shortfalls from the pledges were modest indeed. Most were unaware that according to the bookkeeping of the International Wheat Council some donors did not complete their fulfillment of 1973 or 1974 commitments of food aid tonnage until 1976 or even 1977. Most often this was due to delays which, not surprisingly, occurred most frequently between authorization and actual delivery during the period of shortages.

The support for the new Food Aid Convention commitment stemmed from

a variety of perspectives. Richard Goodman of Continental Grain, for example, favored the United States commitment to the Food Aid Convention but noted that it was less than what was forward planned in the P.L. 480 program.³³ Carol Lancaster, on the other hand, at the State Department, noted the 4.47 million ton commitment was rather high, especially compared to other donors, that the United States was now only providing about six million tons of grain, and that in a future shortage we might easily be down to four million tons. "We might have to back off; even an international commitment is no guarantee." Indeed, as Mike Boerner, also of State, commented, because the Food Aid Convention commitment is not absolutely binding, it requires "rational domestic backup."³⁴ Thus the FAC pledge was seen as only one step toward greater supply security.

Congressional commitment to the Food Aid Convention and the 4.47 million tons pledged during the negotiations by the United States was considerably less than among those in the executive branch, especially those who had been involved in approving the figure. Before the February, 1979 collapse of the negotiations, Nelson Denlinger of the Senate Agriculture Committee staff indicated rather blase approval by calling the minimum tonnage commitment in the FAC "no big deal really."³⁵ And after the collapse of the negotiations, John Donnely of Senator McGovern's staff dismissed the international commitment: "We are not going to do it; it is dead."³⁶

Dale Hathaway, because of his central position in the Department of Agriculture, indicated greater commitment to international agreement, but as part of a long run strategy. He felt the new tonnage commitment would be embodied in an international agreement "sooner or later." Even if grain negotiations failed, Hathaway was committed to continue to negotiate.

Hathaway's feelings were echoed by others such as his deputy, Dan Morrow, who was most directly involved in the FAC negotiations. Morrow resigned before the March, 1980 agreement was reached, and much of the work for the final agreement was carried on by Ed Parsons of the State Department.

The eventual success of reaching a new Food Aid Convention, even one in which only the United States, Canada and Australia have made large increases in their aid commitments, is understandable from a domestic political standpoint. The most impressive element in favor of pushing for the international commitment by the United States and other governments to minimum levels of grain food aid tonnage lies in the virtual lack of opposition to such an effort. Only three respondents, ones opposed to food aid on any basis, indicated a negative view towards an expanded FAC agreement. Most of those with mixed feelings were hesitant because of doubts about the adequacy of the international commitment in itself or had lost hope in the probable success of the wheat reserve negotiations (which were unsuccessful from 1975 through 1980). Several respondents on Congressional staffs or in hunger-oriented lobbies indicated support for an even higher pledge than the 4.47 million tons tabled by the American delegation. Almost everyone thought this international obligation, if not binding, would at least serve to invigorate domestic and international efforts to pressure the American government into maintaining at least that minimum level of food aid during a shortage period. Others were particularly attracted by the mutuality and burden-sharing aspect of the Food Aid Convention-- grain and food aid provided by others was perceived as taking grain off commercial markets that might otherwise compete with United States grain providing for an export market. Few respondents were aware of the relatively minor increases in pledges by other donors in the 1979 draft FAC

proposal or the failure of others to support the American twenty percent overcall concept. Based on the responses of Washington policy elite, it seems unlikely that those deeply concerned with the commercial and trade aspects of international grain movements would favor the separate Food Aid Convention, but they offered little opposition to it once the January, 1980 grain embargo increased incentives to move food through other channels. The most serious opposition to an independent Food Aid Convention came from grain importers in Europe who understood their contribution to food aid to represent, at least in part, a concession to the United and perhaps Canada, benefiting Europe principally only as a mutual way to reduce the cost of global stock holding. When Europe began to have wheat for export in 1979/80, opposition to a separate Food Aid Convention also faded. The participation of grain importing countries such as the United Kingdom and Germany in the Food Aid Convention is ^{more of a real} contribution. They do help pay the cost of aid as a mechanism for reducing stock holdings in excess of commercial demand. When the EFC wheat stocks began to grow, food aid became more helpful to the Community, and not to just the few largest exporters.

The new Food Aid Convention is also more flexible. While wheat is a principal grain in the Convention, explicit and regular exceptions are made for the substitution of rice, in the case of Japan and Italy (at a ratio and tonnage roughly equivalent to the dollar differential), and occasionally to accept maize when used for human consumption. A separate international agreement on rice food aid has never been seriously discussed, in part because the international rice market is such a small fraction of total rice production and the two major exporters, the United States and Thailand, have worked out problems of competition without either forming a cartel management relationship or forcing importers to bear any of the

cost of stock management (though Thailand does tax rice exports).

The prospects that the new Food Aid Convention will attract significantly higher tonnage commitments by older donor countries, or will attract new donors, appear grim. Except for the United States, most countries still view the Food Aid Convention as a burden-sharing arrangement among industrialized and wheat-trading countries. As Table 2.2 indicated, some countries such as Sweden even lowered their commitments. In spite of widespread agreement on the principles that should underlie the international public policy in this area, the key decisions on stock holding, that is, appropriate levels of stocks and who should hold how much, and on the prices for acquiring and releasing stocks have been viewed largely in "zero-sum" or direct conflict terms; higher prices and larger stocks favor exporters, the reverse favor importers. The Third World countries were unhappy with even the unstable compromises that Europe and North American countries were reaching in 1978-79. Most sides seemed to prefer an international wheat market controlled by existing domestic policies to one controlled by specific international price corridors that could be set by those with opposing interests. Although current world stock levels are low enough to allow fairly rapid price swings, as in the post-1972 era, memories of the threats posed by the 1972-74 shortage have receded from the memory of most government bureaucrats and national populations. The domestic political support for a grain agreement based on international undertakings ran out by 1979. There is little promise for a rejuvenation of support prior to the stimulation of the new "crisis" in international food affairs.

International Emergency Wheat Reserve

A special wheat reserve for food aid has been discussed each year in Congress since 1977 and has received wide support (recall Table 6.1). With the exception of the Farm Bureau and the Great Plains Wheat Association it had little organized opposition at 1978 Committee Hearings. It was introduced in 1978, and after, as an administration bill. In spite of this, as mentioned earlier, the proposal had not been enacted by 1980. Moreover, until the grain embargo of January, 1980, the prospects of such a unilateral undertaking by the United States dimmed each year after 1977. Although some thought that the collapse of the international reserve discussions would reduce hesitancy to support a solely American reserve, sharply rising grain prices in the spring and summer of 1979 reduced producer interest in the reserve and made its discussion by Congress less timely. This had been one element creating hesitancy among a number of those in the policy community regarding the unilateral wheat reserve. If it were adopted by Congress during 1978, some felt it would weaken United States bargaining strength at the wheat negotiations. ^{it was argued} Such a step should follow an international agreement as a necessary addition to United States reserves to meet the international agreement once it was reached. Although the administration had in fact specific plans for separating the special reserve from American obligations in an international reserve system (but not necessarily the Food Aid Convention), for some farm and commodity group representatives and for some congressional staff the relationship of an emergency reserve and the international negotiations seemed competitive rather than complementary. A number of elite questioned the tactical wisdom of legislating a reserve prior to arranging for a burden sharing of the costs of reserve holding among major participants in the international

trading system. While the collapse of the wheat talks could have given new impetus to the United States unilateral initiative, other factors, including the comparative sanguine condition of international food supplies and trade (ignoring chronic malnutrition, of course) sapped strength from such a move.

In addition to these contextual features which, until 1980, dampened the support for an emergency reserve, a number of unresolved specifics have also served to diminish the ardor of its major proponents. First, although as initially proposed the reserve was to be six million tons of wheat (a figure passed by the Senate in 1977 and supported by the House International Relations Committee in 1978), commodity groups such as the National Association of Wheat Growers were only willing to support the reserve with a smaller tonnage, such as the three million ton figure adopted in the House Agriculture Committee in 1978. This, coupled with general pressure during 1979 and early 1980 in the Executive Branch and in Congress to keep government expenditures down, led to the compromise figure supported by the Department of Agriculture in 1979 and 1980 of four million tons. At wheat prices in the beginning of 1979 a four million ton reserve would cost about five hundred million dollars to purchase. With the rise of domestic wheat from one hundred twenty-five to one hundred fifty dollars a ton by the summer of 1979 the price tag for an emergency reserve continued to grow and, ipso facto, its attractiveness continued to plummet. One reason this proposal seemed attractive in the early years after the World Food Conference is that it looked to be a way to provide short-term benefits to American farmers, who by the summer of 1977 were facing substantially lower grain prices than they had since before 1972. It also provided over the longer run a hedge against another

sharp curtailment of American food aid due to inflation. Technically many economists view the physical holding of grain as inefficient, except as a risk reduction mechanism which on the average should yield a favorable return on investment (i.e., storage costs and interest costs would reduce income from purchases and sales to no more than the average return from alternative investments). The overt purpose of the stock was to isolate physical supplies from the commercial market so they could backstop future international emergencies in which food aid would be needed. At such a time it would be commercially expensive and politically difficult to provide regular, let alone increased, aid except from an existing stock dedicated solely to release under the P.L. 480 program. Thus many technically trained economists among the policy elite, both in Congress and the Executive Branch, believed the wheat reserve proposal was a prudent and politically sensitive step. With the waning of support from producers in 1979, however, their support for the proposal tended to decrease, since the wheat reserve was never viewed technically or intrinsically as an attractive proposal. This has changed with new impetus from the Food Aid Convention and from the government-owned stocks purchased to offset the price effects of the 1980 grain embargo to the Soviets.

The only group in the policy elite to have significant doubts about the virtue of the emergency wheat reserve, at least compared to the general consensus supporting the measure, were among those who held line rather than staff positions (see Table 6.2). Thus, the executives, those more directly responsible for taking and implementing policy decisions, were the ones with the least enthusiasm for the proposal; or, perhaps better stated, the most skepticism about its virtues and its prospects. In spite of the view that a physical reserve was better than dollars, and

TABLE 6.2

POLICY COMMUNITY VIEWS ON INTERNATIONAL EMERGENCY WHEAT RESERVES

	<u>Staff</u>	<u>Line</u>	<u>Executive</u>	<u>Congress</u>	<u>Private Farm-Ag</u>	<u>Private Non-Farm</u>
	(24)	(15)	(13)	(12)	(6)	(8)
Positive	75	53	69	67	67	62
Mixed/ Negative	25	47	30	33	33	37

that guarantees for market isolation and timing of release could be worked out to the satisfaction of farm interests, the wheat reserve was stymied as a proposal in 1979.

It remains, however, the most attractive proposal for several reasons. First, it provides substantial backup reassurance to the American food aid program, and reassurance in the form of grain tonnages which, thanks to the coincidence of interests among producers and development-oriented food aid backers, would be isolated and dedicated to release in food aid channels, available only at times of substantially tight markets. Food aid managers in the Department of Agriculture, and perhaps AID, prefer release conditions which would allow them to make American food aid more counter-cyclical, enabling them actually to increase food aid flows in years of tight supply and increasing need among recipients. Still it is likely that compromise language would ^{only} make a reserve available to stabilize in levels of food aid or minimize shortfalls, and not to increase it.³⁷

Ed Schuh, then Deputy to the Under Secretary, remarked that the prospects of getting the reserve through quickly would be bright if we "had a repeat of late 1977 wheat prices."³⁸ This volatility of political support was echoed by Gene Moos, a veteran staff member of the House Agriculture Committee. He pointed out that there is little significant pressure that comes from concern for food aid; whether the wheat reserve passes, he predicted, will be dictated "more by political pressures from food inflation and farmers' needs," and not by a new coalition of interests on Capitol Hill or in the Executive Branch.³⁹

Planning for Future Needs

While some still hope for or prefer a phasing-out of food aid in

coming years,⁴⁰ most American policy elite and most international organizations expect and even implicitly demand that food aid continue indefinitely. The major concern looking to the future then, is that desired levels for food aid be reached and maintained, particularly when food shortages grow. Further, as seen in Chapters IV and V, support for improved nutrition and economic development⁴¹ is increasing.

Supporters of food aid have made great efforts to make compatible these uses of food aid with the uses sought by domestic farm interests in the United States, Canada and a few other countries. While no prescriptions for simultaneously addressing world food problems and the food security, self-reliance and increased production needs of each less developed country is possible, a variety of end uses for food aid, particularly in major importing countries, is possible.⁴²

At a meeting of the FAO Committee on world food security in Rome in April, 1979, new efforts to address the food security problems of less developed countries were called for. Among these was a renewed plea that the ten million ton target for food aid be reached before the end of the 1970's and that new, increased targets of up to sixteen million tons for the mid-1980's be adopted. In May, 1979, at the meeting of the CFA, a commitment to undertake a new analysis of future food aid needs was reached. Member countries of the CFA will be expected to endorse higher tonnage targets for the 1980's. The World Food Council and even the United Nations General Assembly continue to make pleas for increased food aid. These steps coupled with international support of guidelines for food aid which call for greater concessionality, multi-year commitments, commitments in tonnage rather than in monetary terms, and, whenever possible, forward planning by donors and recipients of food aid, all rest

upon an assumption of continuing and expanding food aid flows. A major weakness of this expectation is that while international welfare goals (nutrition and development) have become dominant in shaping food aid, the U.S. domestic base of support remains strongly related to national economic and foreign policy purposes.

This policy presumption, widely accepted in international meetings, is based on the growing import needs of LDC's. Coupled with this is their growing strength in international agencies and the effort to meet at least some of the demands made by developing countries upon the wealthier OECD and socialist states. Table 6.3 suggests that food aid could by 1990 grow from nearly ten to approximately fifty million tons if it is to cover the import needs of particularly vulnerable states (excluding Nigeria and Indonesia on the assumption that their twenty-three million tons of projected imports could be paid from oil revenues). But is a five-fold increase in food aid needed? In a strict sense, the answer to this question is that no food aid is needed. In the last period of shortage dozens of poor countries imported large amounts of grain on a commercial basis. This pattern of commercial imports by poor, food deficit countries has continued even in the less strained years of 1976-78. Consider the cases discussed earlier. When Tanzania determined in 1979 to import rice commercially rather than force consumers to adjust their taste to other less desired but domestically ample supplies of cassava or maize, and when Egyptians are willing to import two to three million tons of wheat on a commercial basis rather than risk a tight supply situation or even consider a modest rise in their highly subsidized price structure, it is clear that the capacity for absorbing food, especially on a concessional basis, is large and growing in many less developed countries. The growth in commercial

TABLE 6.3

PROSPECTIVE NEED FOR FOOD AID BY 1990 IN SELECTED COUNTRIES

<u>Low Income Countries</u>	<u>Cereal Production</u>	<u>Food Aid 1977/78</u>	<u>1990 Projected deficit (lower estimate)</u>	<u>1990 Nutritional Need</u>	<u>Additional Food Aid to meet Demand**</u>
Bangladesh	13.28	1.38	6.35	12.49	4.97
Burma	9.29	.01	1.87	1.81	1.86
India	111.93	.30	17.56	39.38	17.26
*Indonesia	23.55	.98	5.98	4.24	(5.00)
Nepal	2.97	.01	.49	1.06	.48
Philippines	7.07	.42	1.44	3.63	1.02
Sri Lanka	.79	.31	1.49	1.97	1.18
Afghanistan	4.57	.18	1.30	3.10	1.12
Egypt	6.98	1.79	4.85	5.49	3.86
Sudan	2.92	.13	.20	1.82	.07
Yemen PDR	.56	.03	.63	1.34	.60
*Nigeria	18.47	-	17.11	14.62	(17.11)
Sahel	5.54	.01	3.23	5.71	3.22
Ethiopia	5.13	.13	2.08	3.35	1.95
Kenya	2.33	.01	.83	1.64	.82
Tanzania	3.27	.09	.97	2.27	.88
Uganda	2.26	-	.24	.81	.24
Zaire	4.21	.02	1.40	.60	<u>1.38</u>
					40.92
Total in Selected Countries only		5.8			(63.03)

*Countries are oil exporters which are likely to improve reserve positions and whose figures are given therefore in parenthesis.

**Additional above 1990 assuming all increase in imports is to be by food aid and based on low growth, i.e., lower market demand assumptions.

Source: IFPRI, 1977 data, and FAO, 1979 data on food aid.

imports in these countries parallels rather closely the pessimistic forecasts of IFPRI with respect to grain import needs of less developed countries by 1990. The projected grain import needs of major less developed countries in Table 6.3 covers only two-thirds of the likely needs. These levels when contrasted with the food aid flows of these regions in 1978 provide a crude indication of growth in absorptive capacity for food aid that may be forecast. Even if we assume that efforts to improve production in these countries will be as successful in the 1980's as they ever were, the increased productivity would cover only a portion of the growing demand.

The total figure yielded for import needs, around one hundred million tons, is unrealistically high as a projection for the size of food aid flows in 1990. It is put forward, therefore, to underline the question: who can provide such imports; and, if not by aid, how?

Here again, the answer seems quite simply that except for a few countries such as Brazil, which might expand its international responsibilities and be in a position to supply food aid, the burden of food aid will remain largely on the United States, Europe and Canada, at least for grains, and the EEC for dairy products and perhaps for fats and oils. Perhaps socialist states such as the USSR will also participate as before on an ad hoc basis. Still, food aid will not be enough. Efforts to expand production using non-food aid resources are clearly in order. Such resources continue to be called for regularly in reports and testimony by specialists studying this problem.⁴³ But what contextual situation and what specific appeals and combinations of policy steps can be foreseen which would move the policy of the United States, the policies of other donors, and the policies of the recipient governments in the directions called for? Short of a new crisis in international food trade and a sharp

rise in political problems arising from famine and high prices, the prospect for significant changes of policy do not appear great. The improved supply guarantees, especially for the United States, just about guarantee that a 1980's shortfall similar to that of 1972-74 would, given the greater needs of the 1980's, be no worse than in 1973-75 for recipient countries.

CHAPTER VI: FOOTNOTES

- 1 A recent step by the CFA was the adoption of "Guidelines and Criteria for Food Aid" and the authorization of studies on projected food aid needs in the 1980's at the seventh session in May, 1979.
- 2 A survey of the status of grain storage in less developed countries revealed large improvements in storage and information about storage. See John Pedersen, Status of Grain Storage in Developing Countries (Manhattan, Kansas: Kansas State University, Special Report No. 3, 1975).
- 3 Repayments for a typical P.L. 480 Title I loan, for ten million dollars (at two percent interest for ten years, plus an initial five percent repayment and then repayments over thirty years at three percent interest), would make the concessional value only two-thirds the face value. A discount rate as used by the OECD, currently at ten percent, is to be applied to repayments. This reduced amount or concessional component can be used as the value of the assistance in comparison to the full grant value provided by other donors.
- 4 See, for example, Shlomo Reutlinger, Food Insecurity: Magnitude and Remedies (Washington: World Bank, Working Paper No. 267, July, 1977); D. Gale Johnson, "Increased Stability of Grain Supplies in Developing Countries: Optimal Carryovers and Insurance," World Development, Vol. 4 (1976), pp. 977-987; and Panos Konandreas, et al., Food Security: An Insurance Approach (Washington: International Food Policy Research Institute Research Report No. 4, September, 1978).
- 5 General Review, op. cit., 1980, p. 6.
- 6 Op. cit., p. 10.
- 7 See Joseph Stepanek, "Food for Development: A Food Aid Policy," (Washington, D.C. AID Circular A 494).

- 8 See Ed Schuh, "The Effects of Food Aid: The Record," (paper presented at the Conference on Implementation of United States Food Aid--Title III, Princeton, New Jersey, January 16-17, 1979) and S. J. Maxwell and H. W. Singer, "Food Aid to Developing Countries: A Survey," World Development Vol. 7, pp. 225-247.
- 9 In Egypt, because the government is committed to a substantial subsidization of wheat prices, it has been argued (see Chapter V) that without food aid the Treasury would feel compelled to lower the price paid for domestic wheat in order to reduce the burden on the Egyptian government of the subsidies. Because food aid covers part of the subsidization costs, it is possible to set higher prices for domestic production without increasing the burden on the government.
- 10 For example see the report by the Executive Director of the World Food Program (Rome: CFA 7/4, May, 1979); Canada: Strategy for International Development Cooperation, 1975-1980 (Ottawa: Canadian International Development Agency, 1975) and various statements associated with the United States Food for Development, Title III act.
- 11 This judgement was a central point in the argument of the Report of the Presidential Commission on World Hunger, Overcoming World Hunger: The Challenge Ahead (Washington: GPO, 1980).
- 12 Ibid, pp. 141-43. The World Hunger Commission recommended the second and fifth of these ideas in calling for reform of the P.L. 480 program. It also had some other suggestions for ways to improve food management in recipient countries through P.L. 480 food and associated technical assistance.
- 13 Classic statements on incrementation in policy adjustment may be found in Robert Dahl and Charles Linblum, Politics, Economics and Welfare

(New Haven: Yale University Press, 1954).

- 14 I am convinced this would be a possible improvement, although it was overlooked by the World Hunger Commission; see op. cit., recommendation on food aid Number 6, p. 142.
- 15 Interview February 23, 1979, Washington, D.C.
- 16 Interview at National Grange Headquarters, Washington, D.C., January 23, 1979.
- 17 Interview, February 23, 1979, Arlington, Virginia.
- 18 Interview with House International Relations staff member, January, 1979.
- 19 Statement by William Pearce at Conference on Global Food Interdependence, Airlie House, Virginia, April, 1977.
- 20 This in fact was one of the recommendations of the President's World Hunger Commission, op. cit., p. 142.
- 21 Interview January 22, 1979, Washington, D.C.
- 22 Interview, Executive Office Building, March 1, 1979, Washington, D.C.
- 23 Interview, March 1, 1979, New York.
- 24 Interview, January 21, 1979, Rossalyn, Virginia.
- 25 See Konandteas, Huddleston and Ramangkura, Food Security, op. cit.
Note that Hathaway was the first director of IFPRI before joining the Carter administration in 1977.
- 26 Interview, Washington, D.C., January 22, 1979.
- 27 Interview with Baize, January 23, 1979.
- 28 Jones worked with Bread for the World and Larry Minear was a hunger consultant for World Lutheran Relief and the National Council of Churches.
- 29 Interview, Washington, D.C., January 24, 1979.
- 30 Interview, January 24, 1979, Washington, D.C.
- 31 Interview, January 23, 1979, Washington, D.C.

- 32 Interview, January 24, 1979, Washington, D.C.
- 33 Interview, February 22, 1979, Washington, D.C.
- 34 Interview, January 22, 1979, Washington, D.C., with Carol Lancaster, and
Interview, February 21, 1979, Washington, D.C., with Michael Boerner.
- 35 Interview, January 24, 1979, Washington, D.C.
- 36 Interview, March 1, 1979, Washington, D.C.
- 37 For example, if a reserve had been acquired in 1977, it might be re-
leased under conditions in which rising prices had broken through the
target price for income support for farmers, as it did in 1979. Instead,
levels budgeted for P.L. 480 required a cutback in planned tonnages.
However, the language of the legislation worked out in compromises in
Congress would have prevented this release, since substantial stocks
still existed during 1979, largely in the farmer held reserve in the
United States. The United States wheat supply did not fall below ex-
pected export needs, carryover requirements and domestic uses.
- 38 Interview, January 24, 1979, Washington, D.C.
- 39 Interview, January 24, 1979, Washington, D.C.
- 40 See for example Emma Rothchild, "Is it Time to End Food For Peace?"
March 13, 1977, New York Times Magazine, pp. 15, 43-48; Joseph Collins
and Francis Moore Lappe, op. cit.; and Helena Stolson, Council on For-
eign Relations, interview, New York City, March 13, 1979.
- 41 This has been the conclusion reached by the CFA in Rome and by the
Presidential Commission on World Hunger.
- 42 For a summary of the technical prospects for achieving this which is
quite optimistic see Sterling Wortman and Ralph W. Cummings, Jr.,
To Feed This World: The Challenge and the Strategy (Baltimore: Johns
Hopkins University Press, 1978). This analysis however assigns the

major responsibility for achieving the rural development necessary to address both the production and the distribution problems of world food upon less developed country governments, assigning little responsibility to international transfers or north-south bargaining. No doubt many dependency-oriented analysts could find their prescriptions naive in light of the external structures and internal alliances which mitigate against many of the policy steps which they expect to be taken by less developed country governments.

- 43 See for example John W. Mellor, Three Issues of Development Strategy-- Food, Population, Trade (Washington: International Food Policy Research Institute, 1978).

CHAPTER VII

RECOMMENDATIONS FOR THE MANAGEMENT OF INTERNATIONAL FOOD AID

How can food aid best be used? Above all, it must address problems arising from food scarcities--problems likely to afflict, at least indirectly, that portion of the world's countries that lack foreign exchange, have diets at or below minimal nutrition standards, and experience instability in their domestic production. Most of them now receive food aid.

In contrast to such countries, the United States and other donor countries are secure from absolute food shortages. Indeed, the United States will remain the foremost supplier of food resources to the rest of the world for some time. In 1979/80, even after withholding fourteen million tons of grain as part of the embargo of the Soviet Union announced by President Carter on January 4, 1980, the United States should provide about twenty-five percent of the world's rice exports, just under fifty percent of the world's wheat exports, over two-thirds of coarse grains, and nearly eighty percent of soybeans moving in international trade.¹

This chapter recommends food aid policies both for donors and recipients to meet the needs of poor, food-scarce countries that most surely will continue to exist or arise in the 1980's. Because of its role, they relate most heavily to the United States. Before presenting recommendations for policy, I will briefly review the goals that should be pursued in shaping food policies and the trends and conditioning factors that have characterized the giving of food aid since World War II, and then describe briefly the projections and areas of discretion facing policy makers in the concessional food system.

I. The Context for Shaping Future Food Aid Policy

This review of the context for recommendations can be brief. Although policy recommendations must have a foundation, nevertheless, an exhaustive treatment of goals, trends, conditioning factors, projections, and policy alternatives need not be undertaken here. Most of the earlier chapters have been devoted to this task, though they were not explicitly organized into these formal categories. The prescriptions I put forward later, therefore, rest heavily on the earlier portions of this study.

Goals for Food Aid Policy

Three major food goals--security, efficiency, and equity--are appropriate for shaping food aid policy, and as Chapter Six made clear, already underlie international resolutions on food aid. These apply both to donors and recipients. Clearly other goals shape the actions of policy makers. In donor countries, as discussed in Chapters Two and Four, domestic goals such as stabilizing farm income or preventing inflation, foreign political objectives such as supporting favored governments, and broad economic aims such as market development also play important, often decisive roles. Among recipients, short-term balance-of-payment concerns or specific program advantages may be dominant motivations for seeking or accepting aid, outclassing specific food related objectives. Nevertheless, the overriding goal for justifying welfare transfers in the form of food should be improved security, equity and efficiency in the global food system. Unfortunately, these goals are not determinative of policy at present. The trend in donors, recipients, and international agencies, as reviewed in Chapters Four, Five and Six, is toward increased priority for such food concerns, security through emergency and humanitarian aid, and development, which can promote greater efficiency and greater equity. At least it can do so

internationally when the least developed and most impoverished are targeted.

The extent to which these goals can be realized is limited. Goals arising in areas outside food affairs, for practical or principled reasons, may, at least temporarily, become overriding. The heavy political commitment of the United States to supply food aid to Egypt after 1974, for instance, subordinated food goals to political ones. On other occasions we have seen how protecting interests of special groups, such as producers, or furthering the purposes of existing international collaboration, as is the aim of Europe's Common Agricultural Policy, can lead to unwieldy surpluses and create conditions which may defeat one or more of these food-related goals.³

A second limitation on realizing the three main goals for food aid policy arises from competition among them. To achieve food security for many poor countries, and at the same time to encourage efficient use of world resources, may, under circumstances in which imports are unreliable, be incompatible.

There is a third limitation imposed by nature on these goals. Food goals are fundamentally constrained by the physical and technological envelope within which human society and the various national and institutional actors are contained. In the next decade or so, existing technological capabilities and the rate at which human and physical inputs to agricultural management and production can be improved are perhaps the greatest limitations on the prospects for poor food recipients of achieving the three food goals.⁴

1. Security. Secure access to food is manifest through adequate nutrition. The emphasis here is upon achieving improved levels of nutrients

essential to human life; food aid as merely another commodity to help a recipient's balance of payments is not relevant. Food security can be achieved in a variety of ways. Supply reliability is enhanced when a social group, whether it be peasant cultivators or a nation-state, has assured access or control over all the major components necessary for adequate food production. Often this is not possible when either to become food self-reliant is limited by lack of arable land or intractable political and social barriers, or is achievable only through grossly inefficient use of resources. Recall that in Egypt reclaimed land put into wheat production would be extremely expensive; even when such land is used for export crops which could pay for more wheat imports than the land would grow, the high cost of land reclamation limits the expansion of agriculture in Egypt. A second-best alternative is to have assured access to imported production resources, such as fertilizers, and/or to food commodities themselves. For poor food-deficit countries this means relying on arrangements with food exporters or aid suppliers. Countries such as the United States, with its enormous production capability, its vast untapped backup capability, and its economic resources, enjoy extraordinary security in the absolute sense. The food security goal for most needy countries can be less ambitious than emulating American levels of security. This still will require substantial changes in the production practices of such countries and in the reliability of their food imports.

2. Efficiency. The goal of efficiency is the fundamental rationale for international trade. Generally, surplus countries, such as the United States, can deliver food to a number of other countries around the world using fewer resources than would be required for these countries to grow it themselves. Even if this is true, a country might grow its

own food if it could, unless for a comparable group of resources--land, labor and capital--it could produce other goods for which it could reliably trade for more food than it could grow \wedge In such a case, assuming a food-short country has at least some commodities qualifying for comparative advantage with exporting countries, a global efficiency goal is served. A larger global output and distribution pattern is achieved with the same or fewer resources. The same argument applies within countries. Expanding markets through lowering barriers to the use of land and credit or to the movement of food crops by land or rail encourages efficiency gains and increased production.

In addition to the economic arguments for efficiency, greater trade is a desirable goal for the global food system from the point of view of the broader political benefits of interdependence. As countries in the future may confront increasingly serious problems arising from resource scarcities, particularly short-term, acute, and local scarcities, the more complex the institutional paths for finding adjustments across nations and among substitutable commodities, the more stable will be the system.

3. Equity. This term embraces a variety of concerns about the rights of people, the requirements of due process, and the desire for "fair" distribution. As the data in Chapter Four suggested, Americans recognize an obligation for redistribution, for example, when another society has insufficient food to prevent starvation. This obligation has been institutionalized in the emergency food transfers that are well established as a norm of international conduct. Indeed, the establishment of the International Emergency Food Reserve (IEFR) after the World Food Conference further institutionalized this norm and spread the responsibility

for its attainment.⁵ The extent to which principles of equity have been developed and institutionalized in shaping American foreign food policy has been discussed by a variety of observers, including discontented critics and professional philosophers. Aside from the widely shared commitment to provide emergency relief for those facing starvation, however, ^{further} equities that American foreign food policy should serve remain the subject of considerable debate.⁶

Trends: Outcomes since World War II

The United States has become an increasingly important supplier of food, especially grain and oil seeds, since World War II. In 1934-38 it supplied less than one-fifth of the world's grain exports. In 1980 it is the supplier of over half the grain and oil seeds moving in international trade, commanding a near hegemonic position in the world's trading system. Through its provision of these foodstuffs, the United States has served all three policy goals.

Trends have been mildly optimistic. Food scarcity seems less a global problem than it is for petroleum and other non-renewable resources. While per capita production of a number of commodities may have reached a peak in the 1970's, global food production per capita still seems on a long trend upwards.⁷ Food security was served by the large-scale supplying of food after World War II to war-torn Europe. During the late 1940's about half of American agricultural exports were as foreign assistance; their goal was to improve the food security of a wide array of countries, mostly ones the United States sought to strengthen against communist influence and to attract to a network of defense treaties. The United States was able to supply these needs through aid exports thanks to the abundance

of food in the United States, and to the ability of the American economy to support large foreign assistance as a cold war policy. By the late 1940's United States domestic production had grown rapidly, stimulated by various technological breakthroughs in seeds, fertilizer, and farming practice, and by policies of government price guarantees adopted during the Depression of the 1930's that reduced the risks borne by American farmers. These Recession-born domestic policies by the 1950's resulted in large government-held stocks. America became the major grain storehouse of the world. Based on this resource the United States was able to be the dominant manager of both concessional and commercial food flows during the 1950's and 1960's. The basis for American strength rested on these surplus stocks and the discretion they gave United States policy makers.

In the 1970's, although exports have increased, policy discretion, and hence control over international markets and prices, has declined. With this decline, food security has eroded. American stockpiles, particularly those held or controlled by the United States government, virtually disappeared in 1973; only recently have government stocks begun to accumulate, thanks in part to the grain embargo of 1980. Food aid policy coordination had begun under the various agreements to set up the WFP and FAC in the 1960's, but these were not geared to prevent the instability and insecurity of the 1970's. The effort to achieve an international grain reserve, as called for by the World Food Conference of 1974, was sought during four years of lengthy negotiations at London and Geneva under the auspices of the International Wheat Council and UNCTAD. These negotiations broke down in February, 1979. Although realization of cost-sharing among states for the provision of security to the

food trading system of the world has been an elusive goal, international rhetoric, as we saw in Chapter Six, remains committed to achieving security in food trade for its various trading partners, both commercial and concessional. Other countries have yet to restore this level of security [^] during the period of American dominance.

With the expansion of overseas markets for grain exports, food aid to poor countries has not only served the goal of increased global production efficiency, but also assisted trade opportunities in other channels, through improving the foreign exchange position of importers of donor country products.⁸

The large increase in the value of food exports in the 1970's, along with the increased reliance of a number of developing countries on food imports, including several major oil exporters such as Mexico, Nigeria, and Saudi Arabia, are all important indications of the extent to which efficiency has been undercutting security by increasing trade dependence.

Equity is the goal least well served by American food policy. Not only does equity as a goal fall prey to overriding diplomatic objectives, as in the cutoff of food aid to Chile in 1971-73, but it is also hostage to domestic economic factors such as inflation, which forced a dramatic downturn in aid, especially American provision of food aid, to food-short countries and peoples in 1973 and 1974.⁹

The downward trend with respect to equity is evidenced by two American food policy practices in the 1970's. First, when poor countries were faced with their most severe food problems, the United States exported a larger proportion of food to them, but on commercial rather than concessional terms. The only factor countering these trends has been the removal of restrictions on the use of American food and cash aid to assist agricultural and food production development in poor countries.

Although the flow of OECD aid has decreased as a proportion of most donor countries' gross national product--it decreased from .52 in 1960 to .33 in 1978--it has increased the proportion going into investments in agriculture and food production.¹⁰ Further, the International Agricultural Development Fund (IFAD) and the various development banks have given greater emphasis to food production as a development priority. Finally, the United States has dropped rules prohibiting the use of food aid in ways that could help developing countries expand domestic production or develop export markets for food crops that might compete with the United States' exports.¹¹

In summary, four major trends are identifiable with respect to the food system since World War II. First, the United States emerged as a hegemonic force, at least in collaboration with Canada, in international food trade, both commercial and concessional. Second, pursuit of food security as a policy goal enjoyed a major success in the 1950's and 1960's and has declined since then as a result of reduced reserves, price instability, and the shrunken availability of food aid, a result largely of domestic policies that no longer ensure American government efforts will exist as a reserve which can be used for international food objectives. Third, international if not intranational equity goals were served in the 1950's and 1960's, through significant transfers from industrialized to poor countries, certainly in comparison to any time in past history, but have been eroded in the 1970's.¹² Only movement toward the efficiencies in production has enjoyed a general monotonic increase in the post-war period. The exception to the growth in efficiency is the move toward self-sufficient production in Europe, thanks to the high protective barriers of the Common Agricultural Policy (CAP). Trade has become more

important, in spite of greater self-reliance in some countries, such as India and Pakistan, as a result of the green revolution; most of the world has become increasingly dependent on food imports to meet growing domestic demands. A few major suppliers--Argentina, Australia, Canada, and the United States--have experienced growing exports to socialist and Third World countries.

Projections for the 1980's

Three crude alternatives may be projected for the 1980's: sufficiency and stable trade, supply variability and unstable trade, and chronic shortages. Of these three alternatives--sufficiency, instability, and shortages--the first and third alternatives seem unlikely to characterize the world food situation of the 1980's.

It would take a combination of favorable weather, successful expansion of green revolution technology to areas previously not attractive to its introduction, the decline or reversal of various patterns of degradation of arable land such as salinization and desertification,¹³ increased agricultural investment, and the avoidance of negative effects from high energy prices,¹⁴ to effect food sufficiency. Although during the last twenty-five years food production in both the developed and less-developed countries has exceeded growth in population, growths in yield per acre in many areas have reached a plateau and continued high growth rates, particularly in developed countries where exportable surpluses might be found, will require an unlikely coincidence of favorable factors.²⁵ Neither technology nor massive social reform (revolution) offers much hope for raising LDC production levels above the trend of the last few decades; perhaps even keeping up with past trends is unlikely. Moreover,

for those parts of the world where food scarcities might prove a problem, per capita production grew only 0.6 percent from 1970 to 1978, and in Africa it fell 1.2 percent.¹⁶

An alternative, Malthusian scarcity, with war and famine arising from food shortages, is also unlikely. Every responsible analyst has rejected projections of absolute and continuing world food shortages in the next decade. Food scarcity as a chronic problem will exist, as a result, only for the current proportion of the world's population, about one-fourth, who are malnourished.

The scarcity problem of the 1980's, therefore, will involve two aspects: a moderate probability of intermittent shortages with food price fluctuations resembling those of the 1970's in which grain prices tripled between 1972 and 1974 and then fell by sixty percent by 1977.¹⁷ Policy prescriptions, therefore, for the use of food aid in the 1980's, should relate to the problems of food insecurity caused by supply instability and by chronic insufficiency--problems that arise from intermittent food scarcities and that create hardships principally for the poorer populations of many poor countries and for the development of those countries.¹⁸

Food Aid as a Policy Tool

To address problems arising from global food scarcities there are two basic resources: food and investment in food production. Their availability depends upon domestic economic policies and performance; for example, domestic farm production policy is probably more important in addressing problems of food scarcities than adjustment of specific food aid or trade deals, since such transfers will ultimately depend upon domestic production. Domestic policies, however, will only be examined

in this chapter in relation to specific foreign policy proposals.

Although investment resources, including technology transfer and research as well as provision of capital inputs to agricultural projects in less-developed countries, may be the most important for long-run effects on the global food system, this role is beyond the scope of this study. The analysis will focus on food because, unlike investment, it is a resource limited as to its uses (non-divertable to a large extent), already institutionalized, and one whose effects can be much more immediate and direct.

Recall that food aid represents a significant share, about thirteen percent, of all official overseas development assistance, that it is a fairly institutionalized and somewhat reliable resource. It has never suffered in the United States Congressional cuts experienced by other foreign assistance programs, although it has experienced executive branch cutbacks. Finally, food aid can offer significant benefits in excess of costs to both donors and recipients, as was discussed in Chapter Three. This last point requires amplification.

Some of the reasons food aid is attractive include the relative discretion with which it may be reallocated year-to-year from one recipient or region to another in response to need, and the fact that it is less easily diverted from intended purposes by recipients and is less prone to suffer the structural distortions that other resource transfer flows encounter. It is, for example, relatively less supportive of an urban bias, compared, say, to IBRD projects that have been accused of abetting urban-rural inequity, and it can reduce the prospects that food shortages become both political and economic disrupters of the economy and society of recipient countries.

The conclusion of this study will examine policy prescriptions for the uses of food aid to advance the goals of security, efficiency and equity in the global food system. As a status quo power, and the largest supplier of food aid, the United States in particular has a clear and obvious interest in creating more stable and reliable regimes in general, and in insuring that the food regime offers sufficient security for those who enter into dependent or interdependent trade. To a lesser extent food aid should also further the goal of equity; this may in some sense address the range of redistributive issues raised by the broad political demands of less-developed countries under the framework of the new international economic order and pressure from the group of 77. "Successful" food aid policies can strengthen common global interests and reduce the competitiveness of the symbolic and real political contests for shaping the terms of exchange between the North and South in the 1980's.¹⁹

II. Policies for the 1980's

The United States has had the longest experience in managing food aid of any donor agency, either national or international. Many practices regarding food aid, such as the emphasis on using food aid to improve the food supply management of recipient countries, the development of counterpart fund accounting techniques and principles, and the provision of selective concessional terms to recipients according to the degree of their relative poverty, have been developed by American policy makers and have been copied elsewhere. Not infrequently these management tools have had better results elsewhere. The use by Germany of counterpart funds in Tanzania to build grain storage sheds is a case in point. The adjustment role food aid can play is limited. It no longer represents a

flow into world markets sufficiently large to affect the market as a whole--recall that it has declined from seventeen percent of world grain trade in 1963-68 to 5.5 percent in 1975-78 (See Table 4.1). Nevertheless, for many food vulnerable countries facing instabilities in their food needs, imports can be vital, and food aid can alleviate these.²⁰

Food aid policy prescriptions of three types are offered: 1) policies for reshaping the management system; 2) policies for improving supply and allocation; and 3) policies for encouraging recipients to contribute to food system goals.

Reshaping the Management System

Food aid is managed you may recall by a complex apparatus. Within states several agencies have a voice in policy-making. In the United States this includes principally the Departments of Agriculture, State, and AID. In addition, Congress, Treasury and OMB play a role. Similar interests exist and are represented in other donor governments. In addition, the complex group of bilateral and multilateral consultation--some formalized as part of the WFP, IWC and the FAO, also shape policy norms, as was discussed in Chapter Six. Because these agencies represent competing and powerful interests, it would be naive and counterproductive to attempt to shift food aid policy making from its current complex intra- and intergovernmental context. For example, no international goal would be served by moving the budget responsibility for the American P.L. 480 program from the Department of Agriculture to the Department of State. United States food aid retains considerable support among farmers and producer interest groups thanks to its ability to absorb food production that threatens to depress prices. These groups would oppose

moving P.L. 480 from Agriculture, and doing so would jeopardize their support.²¹ Two management modifications that are needed are greater forward planning and improved intelligence.

1. Forward Planning. At present, food aid decisions are largely reactive; they are taken with a fairly short time horizon in mind. Many bilateral decisions, including recently begun American Food for Development agreements, have multi-year commitments. Almost all WFP commitments are multi-year except for emergency aid.²² Although many flows are not multi-year, there are many programs which operate with strong assurances of multi-year programming, both American Title I and II flows of and those of other countries. Canadian wheat to Tanzania, European dairy food aid to India under Project Flood, and American Title I aid to Egypt are all authorized or reviewed each year by the various legislative and executive policy shaping bodies in the donor countries. However, each has a solid multi-year commitment built into it, the first two because specific projects to increase wheat and dairy production in the recipients are involved, the last case (the United States) because firm commitments to Egypt have been made by United States diplomats in support of President Sadat's movement to make Egypt dependent on American economic and security resources.

Of course economic and political tides can easily end such programs if they are not backed up by legal commitments, such as international agreements, and by food reserves. Ongoing projects managed by voluntary agencies are subject to cutback as in 1973 when both CARE and Catholic Relief Services (CRS) experienced a rude awakening with respect to their established plans. A number of their projects, particularly in Latin America, were simply cut off from expected food aid supplies. This cutoff

led to the lobbying effort to put the existing 1.6 million minimum tonnage floor under the American Title II program that funds their programs, and also the WFP projects. In spite of such legal assurances, shorter-term considerations are likely to govern food aid flows, even ones pledged to multi-year commitments. The individuals who plan and undertake longer-term food aid commitments rarely hold office for the duration of the commitment. If donor interests that initially supported such a commitment change, so may the commitment. EC food commitments are especially subject to such review. Each of them must be approved by the Council of Ministers, and this review regularly results in the injection of political concerns into planned flows.²³ Under these conditions, it is unrealistic to expect policy officials to have a long time horizon in assessing what commitments to undertake on the basis of their career responsibilities or the interests that impinge upon them as they reach a decision.

The most effective way to build long-term considerations into both multi-year and annual year food aid decisions is to institute forward and longer career tenure planning with respect to global food affairs. This means creating incentives for government policy-makers to utilize existing global world models and projections. It is important both to improve these incentives and to bring them to bear upon food aid policy making. Policy papers supporting a particular food aid policy decision invariably include data on five-year trends in the past, but seldom include five- or ten-year projections of future needs (demand) in the country in question.

Food aid decisions must be tied to relative needs among recipient countries. One food policy innovation in the Carter administration has been to determine the carryover needs of the United States with respect

to basic grains in relation to how much grain was used worldwide in the previous year. The United States' annual supply targets, as a result, are now fixed as a function of the growing world consumption of the key grains of wheat and corn. This step should be emulated elsewhere.

There exists little or no staff responsibility for food aid policy analysis, either as a separate office or attached to a line position. Although in the United States in the last five years several government commissioned and in-house studies of food aid policy have been undertaken, all were ad hoc and none was sufficiently detailed to evaluate the effectiveness with which food aid policy goals were being served by previous patterns of supplies of food aid and their allocation. Allocations, therefore, result from inductive planning and bargaining.

In contrast, in Australia, for example, allocations are provisionally derived in the Ministry of External Affairs by a formal quantitative model. Based on the tonnage act by Parliament, this model uses such factors for probable recipients as population size, nutritional intake levels, quality-of-life measures and variations in production trends to determine relative allocations. A food aid policy analysis in the United States would not prevent political or economic (trade advancement) interests from impinging on food aid decisions, but it would provide a context in which humanitarian and long-term global scarcity considerations could be institutionalized. Similar policy units in several donors could develop working collaborative relationships that would facilitate longer term planning. Although much of the current rhetoric of donors promises to provide food aid in order to achieve such goals as food security and equitable development in recipient countries,

almost no "analysis" to support allocations rests on these goals

and what analysis is done is conducted by individuals in short-term or temporary positions. Except for reactions to pressure from lobbying groups, say to move more rice, the analyses focus upon past rather than current or prospective food aid flows. The Policy Unit of the WFP is a good beginning, but it will need assistance from a network of policy analysts lodged in major donor governments.

2. Improved Information Flows. Frequently when bilateral food aid policy decisions are being reached, relatively little information is available on the food aid commitments of other countries to a potential recipient for the year in question or on the supply situation in neighboring countries. While such information is sometimes available in the donor's offices overseas or perhaps at a United Nations agency such as the FAO, a significant gap exists between the detailed information on shipments, storage and timing of needs, and that routinely worked up by the office in charge of analyzing allocations. The Department of Agriculture in the United States, for instance, basically provides trend supply analysis of recipient countries. Even larger gaps exist between the information available among governments on the record of the specific times at which ships leave and arrive. Since intra-country supply variations are important in seasonal malnutrition and price swings, an effort to avoid having food aid exacerbate price swings and seasonal malnutrition in recipients requires some tracking of total arrival times of food inflows including food aid from other donors. At present, no single agency collects and disseminates such information to facilitate decisions on bilateral food aid, especially in non-emergency situations. As the most important donor, the United States should undertake either to acquire such information directly or to have it gathered through the Committee

on Surplus Disposal (CSD). As an organ of the Food and Agriculture Organization located in Washington D.C., this committee could do more than serve as a clearing house for checking whether food aid flows disturb exporting countries' commercial interests. It could well play a useful role in expanding and improving the information flow available to international food aid policy makers. The Food Aid Bulletin of the FAO, issued quarterly, has this purpose and was designed in the wake of the World Food Program. For better or worse, most of its data seem to come from the CSD in the first place, and it solves few of the data collection problems already discussed. In addition, the CSD could be a source for providing better assurance that pledges to provide food aid were being met and could supply better information to donor countries and to international bodies such as the FAO, IFAD and the World Food Program. Currently, food aid data are gathered in unsystematic fashion by each of a dozen donor countries, and by various international groups such as the Development Advisory Committee (DAC) of the OECD, the Food Aid Committee of the International Wheat Council, The FAO's Commodity Division on behalf of the World Food Program, and its recently-established Policy Unit. Each follows independent paths in assembling data solicited from one or more government agencies in donor and recipient countries. The result is a large compilation of often conflicting information, information not commonly standardized in terms of whether food aid is counted at time of shipment or arrival, is valued by its price as given by a donor, the price of equivalent commercial imports received by the recipient, or the cash value of its grant component. Nor are flows accounted according to a single time scheme--some are recorded on a fiscal year (which differs among donors), some on a marketing year (various), and some on a calendar

year basis. The result is not simply confusion and contradiction as to who received what from whom when, but also analyses in the food aid area are inhibited by these inconsistencies and incompletenesses of data.

Improved Supply Policies

Food aid, as argued earlier, has often been supplied in ways inconsistent with meeting food scarcity needs. It should be supplied in the 1980's in a more secure and equitable manner, and one that attenuates the cost of dependency for food aid recipients. This goal can be achieved through amendments to several practices already proposed or partially existing. These include expanded forward commitments, a special food aid reserve, and special guarantees so that food aid may function as a counter-cyclical transfer to buffer instabilities in the commercial trading system.

1. Forward Commitments. As noted earlier, people who lack food security are those without the money or resources to compete for them in markets. Since no absolute insufficiency of supply is expected in the next decade, the problem is to increase transfers from people in countries with a food surfeit to those where inadequate diets are prevalent. Although one technique for doing this would be to increase the purchasing power of the poor in the world, it is unrealistic, at least any time soon, to expect it. Even in the most affluent and institutionally self-conscious societies, techniques to develop adequate purchasing power for all people within the society have not been achieved. Hunger, for example, has been effectively addressed in the United States only through direct intervention or transfer programs such as food stamps. Similarly, direct redistribution has been most effective in countries such as Sri Lanka and China.

At the international level one could hardly hope the picture would be different. Thus transfer programs that directly provide resources for those without them are vital; in order to achieve any basic element of equity based on the rights of any people to food when world supplies are abundant, these food transfers will have to be increased, as was argued in Chapter Six.

Proposals for forward commitments do not address the question of desired level per se, but rather enhance the reliability of established levels, particularly from the instabilities of grain prices and American domestic politics. As mentioned earlier, perhaps thirty percent of American food aid transfers flow in such multi-year commitments. In Canada over half the aid is in such channels, while it is closer to one hundred percent for most others except the Soviets, whose aid is extremely erratic. Even these multi-year commitments have weak barriers to abrogation unilaterally. It would be desirable to expand the proportion of aid given under these longer-term commitments, and at the same time to develop a supply policy within these commitments which allowed for year-to-year adjustments in the actual tonnage supplied depending on the relative success or failure of the recipient countries' production.

Other countries, particularly intermittent food aid suppliers such as the Soviet Union, could also be encouraged to undertake a role in providing food security to more vulnerable countries. Until now the Soviet Union has provided food aid to few countries, principally Egypt, India, and Vietnam/Cambodia. In the earlier cases it has done so on a "swap" basis, largely as an ad hoc response to acute need and to political commitment to those countries.

2. Triangular Arrangements. In a number of the poor regions of the

world, one or more countries may have the capacity to export foodstuffs suitable to the tastes and eating habits of nearby food-short countries. At present the general practice, especially for American, Canadian, and Australian bilateral aid is to provide food for those countries with recognized shortages (or to provide it to countries for other non-humanitarian or developmental reasons). Donors have generally not engaged in providing food aid from poor food exporting countries. By encouraging both greater intra-country swapping of food supplies and inter-country use of food aid resources, it would be possible for the United States to help African countries with deficits say in white maize to import their preferred cereal crop from a neighboring country, thus reducing transportation costs, and for the United States to supply wheat in compensation for that food supplied. For instance, in 1979 Kenya provided maize to Zambia. At the same time Kenya imported wheat on a commercial basis. A desirable arrangement would be to allow the United States to allocate wheat as food aid for Zambia, where a serious and acute food shortage existed, and then to deliver the wheat to Kenya which might have already provided an appropriate amount of maize to Zambia. Kenya would thus reduce its import bill needs, develop its export capacity, and Zambia would receive food aid more quickly and aid with a greater likelihood of its being quickly available and more suitable to meet shortfalls in existing patterns of food consumption.

Such triangular arrangements would satisfy the goal of increasing interdependence, would, thanks to the food aid, promote equity among countries, would improve the food security of Zambia directly, through supplying maize, and in Kenya, do it indirectly, through using their 1978/79 maize surplus and decreasing ^{their} wheat deficit.²⁴

3. Special Reserves. In February, 1980, the Carter administration resubmitted its plan for a unilateral international emergency grain reserve. In 1977 a plan put forward by Hubert Humphrey in the Senate that called for a six million ton United States reserve was passed by that body but dropped in a House-Senate conference. This was due in part to the failure of the Carter administration to press to have the bill given early consideration by the House. It also met only lukewarm support from producers (see Chapter Four). In 1978 and again in 1979, as grain prices rose, similar measures failed to make their way through the legislative process. Following the United States embargo of grain to the Soviet Union in January, 1980, the Department of Agriculture, relying upon the fiscal discretion it enjoys, purchased fourteen of the seventeen million tons of grain embargoed. The Commodity Credit Corporation (CCC) simply exercised its authority to buy grain, thereby soaking up this grain previously destined to the Soviet Union. It thereby bailed out the major grain trading firms. This government-held grain creates new incentives to pass a special reserve for P.L. 480.

4. Special Guarantees. In addition to reserves--essentially national stocks--which would back up or guarantee food aid flows through the 1980's, there should also be international agreements that would reinforce the United States' and other countries' food aid policy commitments. The donors' goal should be to reverse the pattern of pro-cyclical aid flows of the 1970's and attempt to build into international agreements arrangements for increasing rather than decreasing food aid flows during periods of global scarcity.

One such proposal was put forward by the United States in 1977 at the discussions on a new International Grains Agreement and the Food Aid

Convention. The United States proposal, you may recall, suggested an undertaking beyond the new minimum tonnage pledges for cereal food aid of increasing these pledged minimums by twenty percent in years of scarcity. The United States, by promising to increase its basic commitment from 1.97 million tons to 4.47 million tons, would have borne the greatest burden of this overcall. By the time of the collapse of the negotiations for a grain reserve in February, 1979, most countries had announced new provisional pledges for the Food Aid Convention and a new agreement had been agreed upon. The United States proposal for an "overcall," however, was dropped. The idea, nevertheless, is a good one.

The record of the Food Aid Convention, moreover, is relatively successful. Except for some three- or four-year delays in fully meeting pledges by a few countries such as Italy, the agreements undertaken initially in 1967 have been met in each ensuing year, and in the case of the United States, Canada, and Australia, aid flows in addition to the minimum commitments have occurred. Donor countries should continue their efforts to increase pledges to the new Food Aid Convention and to expand burden-sharing by food importers, such as Spain, which joined recently, as well as by exporters. Together these countries can better meet the import needs of less-developed countries. As Chapter Five indicated, food aid plays a significant part in the food security or import adjustment needs of a number of less-developed countries. Although twenty-five or fifty thousand tons of grain constitute but a small fraction of grain trade in any given year, it is enough to meet the needs of many smaller food vulnerable countries. Pledges of this magnitude could be added to the new 1980 Convention.

Expected Contributions from Food Aid Recipients

American food aid, as we saw in Chapter Two, has moved from a program whose overriding justification was domestic supply adjustment, a program to allow "legitimate" dumping, to one based on developmental and humanitarian grounds. Although supply adjustment remains a significant component in the way grain aid is made available by the two largest donors, the United States and Canada, and in dairy products the EEC, the needs of recipient countries also play a predictable role. With the rise of development concerns, and following various amendments to the reasonable P.L. 480 legislation since 1966, it is λ to use food aid principally as a resource for influencing and supporting development efforts among recipients. An international imprimatur for this priority was also laid down at the World Food Conference in 1974, which further urged that food aid be used in ways to improve the food security and the food production capabilities and storage systems of recipient countries. Even more recently, in 1979, the food aid principles adopted by the CFA also gave emphasis to using food aid to encourage policies of improved food production and management in recipient countries.

The analysis of the role of supply adjustment in food aid flows from the United States in Chapter Four demonstrated that "dumping" has not disappeared as a significant factor in food aid flows. In general, political ties are still more important than recipient country needs in shaping flows, especially to some countries λ such as Egypt λ and Vietnam (from the Soviet Union). in 1980 (from the U.S.)

ϕ Nevertheless, it is useful to enumerate the kinds of policies less-developed countries should play in advancing the goals of security, efficiency, and equity. This is because it is unreasonable to expect American food flows, whether concessional or commercial, to be

able to meet the longer-term growth in demand in the less-developed countries. Both may increase, especially commercial sales, but the need projected by the International Food Policy Research Institute for 1990 of over one hundred eighty million tons in non-communist LDC's is well beyond current projected export capability of the United States when demands among other countries are taken into account.²⁵ Thus greater food security must rest in part on greater production and adjustment capability among LDC's, and achieving this will be especially important to exporters (both developed and developing) as a way to maintain stable overseas markets and to avoid price inflation induced by overseas shortages. Furthermore, less money needed by LDC's for food imports can mean more available for high technology imports or for investment in local production that can reduce demand for other global scarce goods.

In order to advantage those policy makers in countries such as Egypt and Tanzania who are most concerned about agricultural development policies, norms should be promoted for the use of food aid that will bind both donors and recipients. This will occur most usefully in international bodies such as the semi-annual CFA meetings and the annual World Food Council session. For such development oriented recipient country officials, rules for the use of counterpart funds and priorities for funding of projects can provide a legitimate basis for policy promotion within their countries. They might claim that the policies they support are required in order to get the aid. Such norms will also shape efforts by recipients to secure food aid from donors. This is most possible when common objectives are held by both donor and recipient country officials.

1. Conscious Planning of the Food Sector. At the World Food Council meeting in Ottawa, in 1979, representatives to this thirty-six nation body, mostly ministers of agriculture, agreed to undertake food sector

studies for selected developing countries where food security was a substantial concern. The Council's endorsement of such studies has stimulated preparation to examine a country's entire food system, a review that will go beyond studies of either nutrition on the one hand, or agricultural production on the other.

It should be a rebuttable presumption that a continuing recipient of food aid will undertake or collaborate in such a study of its food system. The goal should be to devise a general food plan for each country and set targets for attaining food self-sufficiency, either through expanded local production or through sustainable commercial imports. Nutritional and production goals can be related to concerns for international efficiency in one sense, namely, that international prices or comparative advantage may be considerations in determining equitable return to farmers in poor countries. Otherwise concerns for food security ^{generally} outweigh strict considerations of trade expansion; international efficiency. ^{It} Recall that in many recipients, such as Egypt in the 1970's and Tanzania from 1969 to 1975, prices for producers were set significantly below international prices. This factor accounts in part for the relatively low production of key grain commodities in those countries. While Egyptian production has been quite stable, Tanzania suffered a severe production downturn in 1974. In both countries it may be recalled that lower producer prices were related to ^{or have existed} efforts to maintain low food costs for consumers. Similar situations exist ⁱⁿ in a large number of developing countries, many of which are food aid recipients, such as Bangladesh, Sri Lanka, and the Philippines. On the other hand if the price paid to producers for food is set at international levels in less-developed countries it may exacerbate problems of inflation

in these countries through tying prices to inflation in industrialized countries. This is particularly true for countries that attempt to fix their exchange rate against one of the major floating currencies, most often the United States dollar.

The question of how to handle low producer prices aside, the idea of a food study would be to mobilize intellectual resources in recipient countries to the task of analyzing their food situation and to force policy makers to confront analyses and the evidence as to how their own system works. Few Egyptians realize that the effect of their high subsidy on wheat to consumers has the effect of depressing production and permitting a distinct urban food bias. That maize, for example, which is a major source of nutrition for rural dwellers, is more expensive than wheat in Egypt, is one such result of urban "biased" policies, in this case a phenomenon found in practically no other country in the world.

2. Performance Standards. The experience of donors in encouraging food self-reliance in food aid recipient countries is sufficiently dismal to suggest that it may be better not to give food aid directly and simply in response to development pledges per se. In the past such direct promises in food aid agreements have often led to boiler plate rhetoric in which recipients either promised to do what they would have done in any event or to simple evasion of promises. A preferred alternative would be to establish performance standards for recipients, especially recipients of bilateral aid. If recipients knew that results of particular projects would be less important in determining their future access to concessional food than the extent to which they made progress on particular national indicators of food policy, improved food production might result. Among the indicators leading to greater food aid assurances

should be making land accessible to rural peasants, providing credit in appropriately small amounts, and developing stable markets over larger geographical areas and longer periods of time (through better storage and conscious reserves). Recipients with good performance could count on food aid more certainly should weather or other conditions lead to an undesired shortfall. This approach attempts to use food aid more as a carrot than as a stick in setting conditions concerning its future delivery.

3. Expansion of Food Production. The final norm that receiving food aid should impose on a country is the expectation that it will undertake to expand its domestic production. Political and social constraints frequently act as bottlenecks to expanding domestic production in countries receiving food aid. These constraints include land tenure patterns that restrict land use, rural investment policies that are underfinanced in comparison with other sectors, and an urban bias that results in higher wages and greater subsidies for those working in an urban area. In such situations food security should be elevated to a priority goal and sought through domestic production to the extent possible. By acting as a backup or security system for greater risk-taking by investors and local peasant producers, food aid could provide a degree of stability in domestic supplies and a hedge against seasonal fluctuations. It could guarantee to an insecure country that gave sufficient priority to expanding food production that no perverse effects would occur either as a result of internal factors such as unfavorable weather or external factors, especially market fluctuations. When security is the dominant goal, as it must be in many food deficit and nutrition poor countries, then the goals of efficiency and internal equity must be

subordinated. However, as international food aid can, in the flexibly-managed format prescribed here, provide a degree of externally given guarantees for access to sufficient food resources for a population, risk adverse and urban biased countries may be more inclined to undertake reform steps. Such steps should be recommended by their food sector analyses. Reliable food aid as a backup could put them in a position to search for longer-term development benefits from more efficient and abundant agricultural production.

These last policy recommendations, i.e., toward inducing new patterns of behavior among food aid recipients, brings us full circle from proposing that the United States use its food as a direct resource for achieving food policy goals. Originally food aid was characterized by a need to reduce American domestic supplies accumulated as a result of policies that sought to reduce the risk borne by American farmers prior to the 1930's. The new uses of more internationalized food aid would be to share the reduction of risks that global food scarcities can impose upon more vulnerable countries by using food aid to adjust the domestic market needs of such countries, at least those willing to undertake more sustained efforts at agricultural development and domestic food sector supply management. While it originated as a byproduct of policies aimed only at reducing risks to domestic farmers, food aid policy would then become part of a global strategy to increase production and avoid scarcities through expanding institutions to reduce risks to farmers around the world.

4. Improved Food Export Capacity. In countries such as Tanzania and Kenya a large undeveloped capacity for becoming food exporters exists. A valid way for a country to meet its food security objectives is to

develop sufficient excess capacity to become an exporter. One factor inhibiting such smaller countries from becoming exporters is the difficulty in becoming a reliable supplier, especially of sufficiently large amounts of grain that large importers and the large grain trading firms which manage food trade would look to them. If food aid could be used to guarantee supply reliability for countries seeking to develop their food export capacity, this could significantly facilitate their general development prospects. In addition, it would enhance the food security of the country, and possibly promote greater equity within it, as food production encouraged income redistribution to rural producers. Until recently United States legislation prohibited American aid from making positive contributions to countries seeking to develop export capability that might compete with American grain exports. This constraint however has largely been lifted in the late 1970's. Suppose donors could be even more helpful, allowing bilateral or multi-lateral food aid to help less-developed countries with strong food production potential, such as the Sudan, Kenya, and Tanzania in Africa, and Pakistan in Asia, to be used in ways that directly promoted their export potential? It might be possible for these countries to become regular, if small-scale, food suppliers to world markets, providing the EEC countries or Japan with grain. Some flows might be accorded preferential treatment under the special relationship of ACP countries to EEC, as initially worked out in agreements reached at Arusha and at Lome I and II. Europe could be an important market for grain and animal feed exports from developing countries in future years, as also could those non-industrialized countries which are likely to become increasingly in need of food imports. Among these, OPEC countries such as Saudi Arabia, stand out. A number of countries pose

serious problems as potential food-scarce societies by the end of the 1980's, as was pointed out in Chapter Six. The analyses of IFPRI as they indicate possible future need for food aid showed that if growth rates of agricultural production continue at the present rate, and if "effective demand" also responds to projected growth in population and wealth, then imports to be supplied by concessional aid would be enormous. Without even improving the nutritional status above 1970's levels, and excluding oil wealthy countries with adequate foreign exchange, import (food aid) needs are four times above current levels.

Conclusion

In spite of the many negative aspects of food aid which were reviewed in the earlier chapters, two overriding factors support its continuation. First, food imports will be needed to alleviate the costly consequences of predictable scarcities and hunger in many poor developing countries, and second, it is a resource transfer policy which has become institutionalized in national and international politics. In spite of the decline in its size and predictability in the 1970's, it still offers a valuable international welfare policy because of the combination of narrow economic, predictable institutional, and broader humanitarian interests which support it, both in poorer recipient countries and in wealthier donor countries.

Food aid policy is undergoing change. Hegemonic influence in the world's grain trading systems is declining. Even with a four million ton emergency reserve, the United States' role in shaping concessional transfers can not be expected to return to the pattern of the 1960's. In its place a framework of greater interdependence, policy coordination,

has received structural support. Bureaucrats in donors and recipients alike have found their responsibilities can be better discharged through improved coordination among donors and recipients. A network of institutionalized consultations has not emerged for general reasons, however. Foremost is the turnover among senior personnel in food aid policy posts which carries large losses in the institutional memory of a nascent global network for managing food aid. In addition, the structure of staff assistance, information flows and recurrent problems of management within each participating country constitute another barrier to further expansion of policy coordination.

The CFA may be a model arena to promote greater coordination, and it has a mandate from national government commitments at the World Food Conference to do so. Unfortunately, the CFA lacks the broad perspective and the technical and political competence to enhance the management activity, although in areas of emergency aid, as in Vietnam, its staff has proved quite able. In terms of senior officials, however, the CFA tends not to bring together officials with real discretion in national government, say at the level of United States Assistant Secretaries. Policy coordination at the international level would be assisted by special meetings to work out longer term strategies, perhaps organized on an ad hoc basis outside formal CFA structures.

The broad goal of food aid must be to create more abundant food throughout the world. The major advances in life-style in developed countries in the post World War II era were based on cheap food and cheap energy. An era of cheap energy may not be possible, at least not without major technological breakthroughs, but a new era of cheap food based on using food to stabilize and support production for domestic consumption

and greater export capacity in some developing countries is the most attractive and realizable goal for the predictable future. Abundant food in the world is a global interest. It can and should dominate more parochial and short-term interests that have shaped the use of food aid in the past.

CHAPTER VII: FOOTNOTES

- 1 The Food Outlook (Rome: Food and Agriculture Organization, 26 February, 1980) 7-11, 22-24.
- 2 For a discussion of the role of these factors in policy prescription see Harold Lasswell, A Pre-View of Policy Sciences (New York: Elsevier, 1971). A fifth category, "conditioning factors" is not explicitly reviewed.
- 3 See Raymond F. Hopkins and Donald J. Puchala, Global Food Interdependence: Challenges to American Policy (New York, Columbia University Press, 1980), Chapter II, for an elaboration of the importance of these important non-food goals that arise from producer groups and from the European CAP.
- 4 For a discussion of these factors see Georg Borgstrom, The Food and People Dilemma (North Scituate, Mass.: Duxbury Press, 1973) and Lester Brown with Erik Eckholm, By Bread Alone (New York: Praeger, 1974); and Hopkins and Puchala, op. cit. Ch. 1.
- 5 See Raymond F. Hopkins and Donald J. Puchala, eds., The Global Political Economy of Food (Madison: University of Wisconsin Press, 1979), Ch. 10, and Lynn Stephens and Steven Green, eds., Disaster Assistance (New York: New York University Press, 1979).
- 6 See Peter Brown and Henry Shue, eds., Food Policy (New York: Free Press, 1977), and Francis M. Lappe and Joseph Collins, Food First (Boston: Houghton Mifflin, 1977).
- 7 See the National Journal, January 19, 1980, p. 95.
- 8 While not every donation of food aid can be justified by international efficiency criteria (at trend production costs), most, I believe, can be. On this point see Christopher Stevens, Food Aid, op. cit., and Srivastava, Food Aid, op. cit.

- 9 For a discussion of this period and the implications of food shortages see Roger Morris, Disaster in the Desert (New York: Carnegie Foundation, 1974); Jack Shepherd, The Politics of Starvation (New York: Carnegie Foundation, 1975); and Donald McHenry and Kai Bird, "Food Bungle in Bangladesh," Foreign Policy #27 (Summer, 1977), pp. 72-88.
- 10 See Martin McLaughlin, The United States and World Development, Agenda 1979 (New York: Praeger, 1979) p. 248.
- ii This is not to suggest that the domination of American food policy by commercial interests has ended. In 1976-77, for example, actions which aided palm oil production and trade by countries such as Malaysia and Nigeria were torpedoed by cooking oil producers seeking to maintain America's markets for vegetable oils.
- 12 Gale Johnson, for example, points out how reduced famine and food insecurity were achieved in this period through improvements in transportation, and how trade expansion was a major contribution. See Johnson, World Food Problems and Prospects (Washington: AEI, 1975), pp. 17-20.
- 13 On this point see Erik Eckholm, Losing Ground (New York: Norton, 1976).
- 14 High energy prices could limit the growth of food production through raising the price of fertilizers and mechanical technology, and through bidding away food resources such as maize for use in synthetic fuels.
- 15 For a discussion of the probabilities of such a combination see Hopkins and Puchala, Global Food Interdependence, op. cit., Chapter 6.
- 16 These figures are from a study by the International Fund for Agricultural Development reported in United Nations, Development Forum, January-February, 1980, p. 6.
- 17 See Hopkins and Puchala, Global Political Economy of Food, op. cit., Chapter 1.

- 18 The relationship between undernutrition and lack of development is complex. It involves arguments about the effects of undernutrition on rural productivity, the availability of food only on a seasonal basis, thus preventing year-round economic activity, and the price swings within developing countries disadvantaging producers. On some of these points see Keith Griffin, *Political Economy of Agrarian Change* (Cambridge: Harvard University Press, 1974).
- 19 The political and symbolic importance of NIEO demands has been underlined by, among others, Stephen Krasner in his essay, "North-South Economic Relations," in Kenneth Gye et al., Eagle Entangled (New York: Longmans, 1979).
- 20 Crudely speaking, there was a two percent grain shortfall in 1972 and this represented about a five percent shortfall from trend, i.e., about fifty-five million tons at the time. This small global downturn--in 1980 equivalent to about seventy-five million tons--along with changed exporter and importer policies precipitated the massive price increases and insecurities of 1973-74. Although American food aid amounted to only about six million tons in 1979-80, it can easily cover the shortfalls in a number of important countries, including major areas of food insecurity in Latin America and Africa.

Scarcities, some argue, can be avoided only by developing small farmer high production policies in LDC's, and food aid administered by AID would be better able to achieve this goal. Others doubt food aid can do anything but retard the goal of security through creating production disincentives in recipient countries. Still, many see food aid as a critical asset in meeting the short-term and variable needs of LDC's. In this case putting the budget in the State Department might be appropriate. All ideas of

program change assume domestic interests can be reweighted by reorganization; this is extremely doubtful.

For an elaboration of this argument see Hopkins and Puchala, op. cit., Global Food Interdependence, Chapter 3.

- 22 In fact even Title III recipients are supplied under one-year Title I agreements but these are planned by a longer-term arrangement in which each new year's commitment is "pledged" on condition that the recipient is complying with the agreed undertakings in the original Title III agreement.
- 23 As noted earlier, the head of the EEC Food Aid Office, McKenzie in 1979, felt considerable pressure when the allocations for a year were not approved until June and that left only six months to complete the year's food aid.
- 24 In the 1970/80 season Kenya's rains were late and the maize crop suffered. As its domestic maize reserve was drawn down Kenya began to accept grain food aid. However, this could not have been forecast in 1978/79 and exporting was still rational for Kenya. Food aid should give them the security to act in this "rational" way.
- 25 See Hopkins and Puchala, Global Political Economy, op. cit., Chapter 1 for these data and analyses.

APPENDIX A

THE IMPORTANCE OF FOOD IN HUMAN AFFAIRS

The important roles played by food in human affairs, both practically and symbolically, are often overlooked in a close examination of particular aspects of the international food and food aid systems. Before reporting on specific details of this study in later Appendices, therefore, I will review two themes familiar to those knowledgeable about the global food system—the various ways food is important and the various ways food dependency arises.

The Physical Role of Food

The existence of chronic malnutrition is hardly new. Throughout history the least fortunate in every society have experienced difficulties in securing adequate food. Furthermore the effects of undernutrition have long been recognized: weakness, discomfort, and susceptibility to disease. Adequate food, along with clean water, is the most effective means of improving health in poor countries, and of preventing disease. This view, at least, is held by officials of the World Health Organization. Beyond the physiological importance of food and its impact on health, food is important to the general quality of life that people enjoy. Alan Berg has pointed out that even the most basic sources of human satisfaction: friendship, the beauty of nature, the joys of exercise and play—satisfactions available to even the poorest in the world—are barred to people too distracted and weakened by hunger to enjoy activities.¹

A final point about the importance of food to human physiology arises

from the positive benefits of having more than enough to eat. When food supplies have become ample and readily available, dramatic changes have occurred in the very physical characteristics of a people. The boom in post-World War II Japan, for instance, was evidenced not only in a rapid growth rate in the economy, but also in the rapid growth in the average size of the Japanese people. Ample food supplies during the childhood growing periods of an individual can account for differences in height and weight of ten to thirty percent. The physical features of the age cohort born in the 1950's in Japan when compared to those of Japanese born in the 1920's and 1930's illustrates the striking difference that nutrition can make.

Two points emerge from a consideration of the physical importance of food. First, food can have a pervasive, fundamental and powerful effect on the psychological outlook and the physical size and well-being of people. Second, large numbers of people throughout the world are deprived of the benefits that adequate food can provide. Insufficient and unreliable food supplies then operate as a major constraint on the availability of human resources for productive activity and the flourishing of basic human values.

The Symbolic and Cultural Role of Food

Food, unlike most other commodities, plays an especially important cultural role. Recall the important symbolic role food plays in religious rituals, or as an element in exhibiting hospitality. Communal solidarity and continuity with seminal elements of belief are regularly symbolized in religions through sacred rites that include the eating of specially prescribed or prepared foods such as unleavened bread, wine, or food

offerings to gods. Outside of religious ceremonies, the offering of food is a universal practice simply to acknowledge welcomeness. Consider further the widespread rules that have evolved in various cultures and religious traditions regarding dietary practices. Long after the prohibition against eating pork or killing cattle have lost their rational basis in medical or economic considerations, they continue as distinguishing traits of various peoples.

The role of food in promoting social solidarity and expressing religious values and theology drifts into political activity as well. A principal arena for transactions between political leadership and followers is through sponsorship of or attendance at an occasion for eating. From fund-raising dinners to feast-day speeches, community leaders use such occasions to reassure followers of their leaders' continuing pursuit of their interests and to exact tributes and contributions from followers to aid their work or political campaign. In international affairs the role of food has more egalitarian connotations. The formal state dinner with its pomp and toasts, and the working luncheon, are institutionalized elements of international diplomacy. By breaking bread together leaders symbolize to each other and to the peoples they represent a posture of at least minimal mutual trust and willingness to collaborate.

The centrality of food then extends beyond its absolute physiological necessity for human life; it has acquired broad symbolic value which emerges in a variety of social occasions, both infusing meaning into religious, cultural, and political activities and, in turn, taking on connotations in the symbolic life of people far greater than those accorded to other commodities, even commodities that play a central role in the economic life of a particular group such as coal for coal miners, and so forth.

The Economic Role of Food

Food production and consumption are activities that are a part of the economic system of every society. The proportion of the labor force involved in various food functions including production, storage, marketing, processing and preparation is an important datum indicating the capacity of a society to produce above the subsistence level and to enjoy higher standards of living. Another important descriptor of the economic role of food is the proportion of income that various groups, particularly the poorer segments of a society, have to spend for food purchases. A need to study the food system as an identifiable sector of an economy has been argued by the World Food Council, which has proposed that a series of food sector studies in developing countries be undertaken. By focusing directly on food, the economics of the entire food system and the various bottlenecks in the expanding productivity of this sector would be highlighted, the Council has argued.²

A basic case for the importance of food in economic growth and development rests on the role that food surpluses have played in releasing labor and generating savings with which to compensate that labor—labor which will be allocated to the production of non-food goods and services. The classic strategy of economic development has been to use surpluses generated in the countryside to support industrialization in the urban areas. During such periods, of course, food is seldom in surplus supply from the point of view of most consumers. Moreover, this more traditional model may have to be modified in contemporary developing countries.³

A less often noted aspect of food abundance is its integral tie to what is meant by high standards of living. The capacity to waste

considerable amounts of food without serious nutritional or economic deficiencies is a characteristic of what we mean by affluent societies. Surpluses mean redundancy, that is, the capacity to lose various portions or pieces of the food system without repercussions that damage other economic activities. Thus surplus food not only is a generator of economic development, but is also a characteristic of industrial and developed countries that provides stability and a quality of life often unappreciated by those critical of the frequent waste food that occurs in such societies.

Politics and Food

The management of food prices, markets, and even production have long been a major concern of governments. Because of the central importance of food to society and the relative unreliability of supply and of income for producers, government regulation of agricultural and food production has been considerable in all countries. Indeed, the politics of controlling markets and establishing special trading relations for food commodities have been the subject of considerable attention by political economists and historians seeking to explain the basis for competing interests in various historical periods and the expansion of colonial systems.⁴

When food is in short supply, or in settings when food production or consumption accounts for a large proportion of a group's income, control over prices and marketing access is a powerful political instrument. How it is used fundamentally affects the distribution of privilege and the prospects for political stability in a society. Where political power limits access to markets except through fixed channels, whether of state

buying authorities or favored middlemen, the income of small producers usually suffers.⁵ Stability too is dependent on reliable food supplies. In the wake of food shortages governments in Bangladesh, Ethiopia, and Niger were overturned in the mid-1970's, and merely the threat of price rises fomented violent demonstrations in Egypt in 1977 and Ghana in 1979.

Food as a Source of Dependency

The Vulnerability of People

Food scarcity is not new. Throughout history individuals and groups have experienced hunger. In its acute form hunger becomes famine, that dread condition which has plagued mankind from pre-Biblical times right up to the twentieth century. Over a million deaths were recorded in China and Russia in the 1920's from famine conditions, where food insufficiency was so great as to disrupt totally social life and to be a direct cause of death. Most deaths in a famine are only indirectly the result of food shortages; they result primarily from maladies associated with widespread hunger such as smallpox, cholera and typhus. The last great famine occurred in Bengal in 1943. In spite of recurring threats of starvation in East Asia and the Sahelian region of Africa, occurring in the early 1970's, the incidence of and range of people affected by acute hunger has declined, and life expectancy has increased; this is particularly notable in view of the rapid growth in total world population. D. Gale Johnson has stressed this point as evidence of the increased food security of the world over the last one hundred years.⁶

Increasingly, famine seems to have resulted not simply from crop failures but from government policy and mismanagement, coupled with lack of adequate transport.⁷ Certainly with earlier warning and better transport

most of the recent famine-related deaths in Bangladesh and Ethiopia could have been avoided.

No appeal is more basic or more compelling than that of hungry people seeking food. Any successful beggar or experience foreign aid official can testify to the powerful sympathetic reaction such an appeal engenders. Starvation is an awesome and demoralizing condition for any person or society to face. Nevertheless, the prospects for human suffering resulting from food shortages in the world in the 1980's seem less likely because of starvation and famine than because of chronic malnutrition and its attendant social and economic consequences.

Before reviewing the situation of those threatened by chronic food shortages, it must be noted that the consequences of famine are not being deprecated. The essential point is that institutionalized mechanisms for transporting food over long distances, and the policies for providing food on an emergency, gift basis have developed in the last few decades to the point where currently existing emergency mechanisms have been used with considerable success in averting the worst effects of famine. In the 1974 food shortages in Bangladesh and in similar shortages in Africa, while some deaths can be attributed to food shortages (one estimate suggests that thirty thousand Bengalis died), it must be remembered that massive starvation was prevented through the large inflow of food, largely food aid, from other parts of the world.⁸

Chronic hunger affects an estimated 1.3 billion people, perhaps two-thirds of the population of the developing world.⁹ Most of these people are in Africa and Asia, where sixty to eighty percent of the population falls short of minimal daily caloric requirements. To a large extent, even when surpluses exist in many countries and regions these people can

neither grow enough themselves nor purchase enough to meet their daily food needs. While some more stringent tests of malnutrition have yielded substantially lower estimates of the number of people who are chronically underfed--the Food and Agriculture Organization estimate is about half a billion--the magnitude of the problem of hunger becomes awesome when one considers the toll this takes on people's quality of life, economic productivity, and social and political stability. When individuals are unable to grow their own food they must depend upon their income and an institutionalized structure for bringing food into markets where they can secure it. Most of those suffering chronic malnutrition cannot count on adequate earnings to secure food, nor upon reliable markets in which food will be available. Transportation systems, storage facilities and government policies that encourage production and minimize barriers to food movement are most frequently absent in the very countries where the greatest malnutrition exists. In such a situation it is little wonder that peasants are frequently described as being risk adverse, hesitant to adopt new agriculture strategies or to mortgage their land to secure agricultural inputs needed to improve dramatically their productivity. As one analyst of peasant behavior suggested, the situation of the peasant is much like that of a man standing in the ocean with water up to his neck. In such a situation the last thing a person wants is waves. Microeconomic theory helped explain peasant reluctance to pursue strategies to optimize income and preference for strategies that might stabilize their situation. Generally, low-yielding varieties of crops offer greater resistance to weather extremes, so many peasants will rationally prefer these as more likely to meet their minimum subsistence needs year in and year out. This also accounts for why land-hungry and food-hungry peasants allow others to

extract high returns from their labors without great protests as long as these others undertake the short-term risks (against which they may be insured) and minimize these for peasants, for in the latter's experience one year of shortfall can lead to great calamity.¹⁰

People at the margin are thus disadvantaged in two ways. First, the quality of their lives and their capacity to produce are undermined by the physiologically debilitating consequences of under-nutrition. Second, their capacity to escape from this desperate situation is itself severely constricted by the rational choices that people in such situations are driven toward; namely, avoiding risks even if they promise higher average profits, and accepting almost any conditions to secure employment or access to land which promise to provide their minimal subsistence. Thus the situation of chronic food shortages encourages the continuation of exploitative social, economic and political structures, and discourages innovation.

The Vulnerability of Countries

Nations are also vulnerable to food shortages. The nature of this vulnerability and its effects, however, are different from those of individuals. Food shortages in social aggregates, whether nation-states or not, increase internal conflict and vulnerability from external forces. The more a country relies upon food imports to meet its needs, the greater its susceptibility to influence by others. In Table A.1 this potential impact of food shortages is greater the larger the proportion of grain imported and the larger the proportion of exports needed to pay for such imports. In this respect both Egypt and Bangladesh are fairly vulnerable, even though Japan and the United Kingdom import a larger proportion of

TABLE A.1

Potential Dependency of Importing Countries

<u>Country</u>	<u>Cereal Imports as % of Export Earnings (in value terms) (1970-74 average)</u>	<u>Cereal Imports as a % of Cereal Consumption (by weight) (1973-75 average)</u>
Japan	5.2	53.5
West Germany	1.5	27.4
United Kingdom	3.1	34.8
Spain	7.0	24.3
India	21.0	4.5
Egypt	25.1	27.6
Brazil	5.8	9.9
South Korea	16.8	26.8
Bangladesh	60.5	16.3

Source: Henry R. Nau, "The Diplomacy of World Food," International Organization (Summer, 1978), p. 783.

their cereal needs.

A primary factor affecting the vulnerability of countries is the reliability of their food production. Large countries with diverse regions, countries with relatively stable weather patterns, and countries which can adapt their agricultural practices to weather variations (e.g., planting early or late, replanting if torrential rain or late-season freezes destroy initial planting) are all advantaged in being able to count on fairly reliable food production. Often government policy discretion is fairly high in shaping this production. The United States and Canada are perhaps the most favored countries in the world in this respect. Conversely, other countries suffer from the opposite of one or more of these conditions. The Soviet Union, for example, has over ninety percent of its grain crop land in northern latitudes. As a result there is a narrow band of time each year during which crops must be planted and harvested. Unfavorable weather during this time, or a contraction of this period owing to a late spring or early fall weather leads to dramatic shortfalls. In other countries the failure of a particular weather pattern can have devastating effects, as for example the failure of the monsoons for the Indian subcontinent. Variation in production becomes increasingly important the smaller the reserves or carry-over stocks of a country and the more the consumption patterns of the country provide little or no room for adjustment of consumption without increasing malnutrition. In the United States, for instance, people can shift livestock from feed grain to grazing. This will free up large quantities of grain that otherwise would be fed to animals. People can also shift from eating meat and animal by-products to direct consumption of grain, and they can usually step up consumption of other types of products--fruits, vegetables,

legumes--to compensate for scarce and therefore high-priced grain or meat products. In the poor countries of Africa and Asia, however, no such adjustment is possible. Here the bulk of the population is already at a subsistence level. At best, such people can shift from a predominantly grain diet to eating root crops such as cassava and searching out uncultivated food supplies such as wild nuts and berries.

A second factor affecting a country's vulnerability to shortages is its capacity to import when domestic supplies prove inadequate. Japan imports over half its total cereal consumption, but because of its strong position as an industrial exporter it has ample foreign exchange with which to pay for food imports. This is obviously not the case with most countries. In particular, poor developing countries already seeking substantial amounts of foreign assistance to help pay for imports of capital goods and technology to aid in development projects are most vulnerable. In this situation, food imports compete directly for scarce foreign exchange and, to the extent commercial food imports become necessary to meet the basic subsistence needs of the country, their cost has a direct, deleterious effect on economic development.

A third factor that increases a country's vulnerability to shortages is its internal capacity to distribute food supplies. For a number of countries, particularly those in Africa, internal transportation systems are so inadequate that some regions may have more than adequate food supplies, particularly of local fruit and vegetable crops or local subsistence crops such as millet, sorghum and cassava. Normally, none of these is marketed or exchanged over areas greater than a few miles. As a result, shortages in other regions cannot be relieved by transferring supplies. The efforts of governmental bodies such as marketing boards or

relief agencies are usually inadequate, since such groups lack the infrastructure to procure and move commodities from surplus to deficit areas. Moreover, people in deficit areas may have developed little familiarity with foodstuffs from other regions and find such food, even if available, undesirable. While desperate people will eat anything to relieve hunger, food that is less than acceptable often provides fewer benefits than equivalent-costing more familiar foodstuffs. Hence a country may not infrequently turn to food imports even in a time when food surpluses exist in some regions simply because it lacks the institutional mechanisms and national marketing systems to redistribute its own food supplies.

A final factor affecting a country's vulnerability to shortages is the conditions of availability. Once the need to import is established (because of general or local shortfalls) the ability of a country to secure food on attractive terms becomes important. Here long-term marketing guarantees such as those offered by the Australians to some of their customers or those which the United States negotiated with the Soviet Union may be important vehicles to decrease vulnerability from tight world food markets, especially for commercial imports. In addition, early information allowing a country to anticipate purchase needs so as to enter the market at more favorable periods is also a capability that can reduce vulnerability. Finally, the availability of food aid and the political/economic attractiveness of a country to donor countries and agencies can mediate against the harmful effects of shortage.

In summary, countries that experience variations in production to the extent that shortfalls cannot be smoothed out through domestic carry-over, and countries having a population whose consumption habits regularly

exceed absolute production capacity or that lack good internal mechanisms for re-allocating domestic food supplies must turn to international markets, either for commercial or concessional food imports. Some countries with high occasional or chronic dependency were listed in Table A.1. In this situation, especially, countries with weak foreign exchange positions must turn to food aid at least as a short-term remedy. Food aid can reduce the use of scarce foreign exchange, mitigate otherwise negative impacts of hunger and dislocation of labor on economic development, and prevent a decrease in the quality of life that attends a rise in malnutrition.

APPENDIX A: FOOTNOTES

- 1 See Alan Berg, The Nutrition Factor (Washington: Brookings Institution, 1973).
- 2 See the Report of the 5th World Food Council Meeting, Ottawa, September, 1979.
- 3 See John Meller, The New Economics of Growth: A Strategy for India and the Developing World (Ithaca, New York: Cornell University Press, 1977).
- 4 See for example Charles Tilly, editor, The Formation of National States in Western Europe (Princeton University Press, 1975), Immanuel Wallerstein, The Modern World System: Capitalist Agriculture and The Origins of the European World Economy in the Sixteenth Century (New York: Academic Press, 1974), and Richard D. Wolff, The Economics of Colonialism (New Haven: Yale University Press, 1974).
- 5 On this point see Michael Lipton, Why Poor People Stay Poor (Cambridge: Harvard University Press, 1975).
- 6 See D. Gale Johnson, World Food Problems and Prospects (Washington: American Enterprises Institute, 1975) pp. 16-19.
- 7 See Jack Shepherd, Politics of Starvation (New York: Carnegie Endowment, 1975).
- 8 This is not to suggest also that the management of famine is now reliably addressed by such organizations as the United Nations Disaster Relief Organization, or the International League of the Red Cross, or that no improvement is desirable in the early detection, quick delivery and more effective administration of food relief. A number of steps proposed by various experts would improve the situation. See for example Jean Mayer, "Coping with Famine," *Foreign Affairs* (April, 1974),

and Acts of Nature, Acts of Man: The Global Response to Natural Disasters, (United Nations Association: New York, 1977).

- 9 See Shlomo Reutlinger and Marcelo Selowsky, Malnutrition and Poverty, op. cit.
- 10 For an insightful discussion of peasant predicaments see James C. Scott, The Moral Economy of the Peasant (New Haven: Yale University Press, 1976) pp. 13-55.

Appendix B

Interviews

Between October, 1978 and March, 1979, forty-one people were formally interviewed, most in January and February. Of these, thirteen work for Congress, twelve are in the Executive branch, eight are in private farm or agricultural related organizations, and eight are in private non-farm related agencies, such as hunger lobbying organizations and voluntary agencies. In addition, informal interviews over similar or complementary topics were conducted. Below is a chart indicating the breakdown of the interviews followed by a list of those formally interviewed and whose responses have been analyzed in this study.

	<u>Formal</u>	<u>Informal</u>
Agriculture Department	4	3
State Department	2	2
A.I.D.	2	3
O.M.B. (and other White House)	4	1
Multinational Grain Trading Corps.	1	1
Other Donor Governments	0	5
Foreith Recipients	0	4
International Organizations	0	3
Farm Groups	4	1
Congress	13	1
Commodity Groups	3	0
Farm Product Exporters	0	0
Church and Hunger Groups	6	1
Other	<u>2</u>	<u>1</u>
	41	26

List of American "policy elite" interviewed

John Baize, Consultant, House Agriculture Subcommittee on Livestock and Grains

Kathleen Bitterman, Coordinator, Office of Food for Peace, Agency for International Development

Michael Boerner, Director, Office of Food Policy, Department of State

Ms. Bornstein, Staff Associate, National Farmers' Organization, Washington Office

Dawn Calabria, Legislative Assistant, Representative Solarz's office

Lynn Daft, Domestic Policy Staff, White House

John Datt, Director, Washington Office, The American Farm Bureau

Tim Deal, Staff Member, National Security Council

Nelson Denlinger, Staff Consultant, Senate Committee on Agriculture, Nutrition and Forestry

Frederick Devine, Deputy Executive Director, CARE

John Donnelly, Legislative Assistant, Senator McGovern's office

Anthony Foidi, Director, Office of Program and Supply, Catholic Relief Services

Nancy Foster, Legislative Assistant, Senator Stone's office

Robert Fredericks, Legislative Director, National Grange, Washington Office

Stephen Gabbert, Executive Vice-President, Rice Millers' Association

Richard Goodman, Director, Continental Grain Company, Washington Office

Ruth Greenstein, International Affairs Division, Office of Management and Budget

Lewis Gulick, Staff Executive, House International Relations Committee

Dale Hathaway, Undersecretary for the International Affairs and Commodity Programs, Department of Agriculture

Merle Hedland, Vice-President, Great Plains Wheat Market Development Association

Barbara Huddleston, Senior Staff, International Food Policy Research Institute

Douglas Jackson, Legislative Assistant, Senator Bellmon's office

Brennon Jones, Issues Analyst, Bread for the World

Carol Lancaster, Policy and Planning Staff, Department of State

Robert Lewis, Chief Economist, National Farmers' Union, Washington office

Leo Mayer, Office of the Special Trade Representative, White House
Richard McCall, Staff Consultant, Senate Committee on Foreign Relations
Midge Meinertz, Director of Development, Church World Service
Larry Minear, World Hunger Consultant, Lutheran Council, Church World Service
Eugene Moos, Staff Analyst, House Agriculture Committee
Daniel Morrow, Special Assistant to the Assistant Secretary, International Affairs and Commodity Programs, Department of Agriculture
Vicki Otten, Legislative Assistant, Representative Simon's office
George Pope, Assistant Sales Manager, Office of the General Sales Manager, Department of Agriculture
Rudy Rousseau, Staff Consultant, Senate Committee on Foreign Relations
William Seale, Legislative Assistant, Senator Huddleston's office
Carl Schwensen, Executive Assistant, National Association of Wheat Growers, Washington Office
Alex Shakow, Assistant Administrator, Program and Policy Coordination, Agency for International Development
Mark Shomer, Issues Analyst, Bread for the World
Edward Shuh, Deputy Assistant Secretary, International Affairs and Commodity Programs, Department of Agriculture
Helena Stalson, Staff, Council on Foreign Relations
Morgan Williams, Legislative Assistant, Senator Dole's office

Appendix C: Recipient Country Interviews

Much of my understanding of food aid in the countries of Egypt, Tanzania and Kenya is based on interviews there both with government officials involved in agriculture, foreign assistance, or commodity imports, and with officials of donor country development agencies. In general, in interviews we tried to elicit information on the importance of food aid to the country, the strategy and procedures for managing domestic food production and distribution, and the attitudes of officials of the recipient country towards food aid. Below is a list of those interviewed in each of the three countries. Some interviews were quite lengthy and occurred over the course of several meetings; others were brief and touched on only a few topics. I conducted most of the interviews, but some of the interviewing in Egypt and Kenya was done by Nadine Epstein.

Interviews in Egypt

Mustapha Nile, Director-General, Interministerial Committee (IMC) on Food Aid, chaired by and related to the Ministry of Supply.

Ahmed El Dakak, Undersecretary for Imports, General Authority for Supply of Commodities (GASC), Ministry of Supply.

Tewfik Ghorat, Director of Nutrition, Ministry of Education.

Kamel Hindi, Director of Agricultural Economics, Ministry of Agriculture.

Anis Haider, Acting Senior Officer, World Food Program.

Ahmed Gouely, Director of Agricultural Economics, University of Zagazig.

Dr. B. Waba, Director of Foreign Enterprises, Ministry of Economy.

Jerry Edwards, Agricultural Officer, AID.

Jim Ross and Jerry Fister, Agricultural Attaches, U.S. Department of Agriculture.

Wes Tribble and Rich Aiken, Commodity Import Program, AID.

Ann Fitzcharles and Ernest Peterson, Food for Peace Program, AID.

Fritz Wheten and James Norris, Economic Officers, AID.

Steve Allen, Nutritionist, Catholic Relief Services.

Chris Greenchilds, Economic Advisor, Canadian Embassy.

David Richards and Michael Smith, Counselors, Australian Embassy.

Mr. Schiff, West German Embassy.

Dr. Joachin Von Braun, Institute of Planning, on overseas research mission from University of Gottingen, West Germany.

Interviews in Kenya

S. Nyachae, Chairman, Wheat Board, and Mr. Schamala, Deputy Manager, Wheat Board.

William Martin, General Manager, Maize and Produce Board, and J. Kariungi, Economist.

John Gerhart, Agricultural Economist, Ford Foundation.

Alan Jones, Regional Officer, World Food Program.

Andrew Tench, Natural Resources Officer, Ministry of Finance.

A. Githenji, Head, Department of External Assistance, Ministry of Finance.

Michael Davies, Deputy Representative, FAO.

John Thomas, Harvard Advisory Group, Ministry of Agriculture.

Timothy Curtin, Economic Officer, European Economic Community.

Dale Vining, Agricultural Attache, Foreign Agricultural Service.

Tim Aldington, Commodities section, Ministry of Agriculture.

J. Okello, Marketing Project, Ministry of Agriculture.

David Court, Rockefeller Foundation.

Jack Matthews, Director, Catholic Relief Services.

Gunnor E. Ring, Kenya Freedom from Hunger Council.

Bruce House and Mr. McGinley, ODM, British Embassy.

Alan Gustaffson, Economic Planning Officer, SIDA, Swedish Embassy.

Dr. Rudolf Bellinghause, German Embassy.

Mr. Ljungima, Regional Agricultural Officer, IBRD.

Mr. SiBoe and Ms. Margaret Thuo, Family Life Training, Ministry of Social Services.

Jack Slattery, Food for Peace Officer, AID.

Robert Muscat, Deputy Director, AID.

Peter Strong, Regional Food for Peace Officer, AID.

Interviews in Tanzania

B. Tinesi, Director of Planning, Ministry of Agriculture.

J. Morrison, Economic/Commercial Officer, U.S. Embassy.

Emil Gor, Acting Director, IBRD office.

Howard Steverson, Director, AID.

Robert Dugas, Director, Catholic Relief Services.

Mr. Manamba, Development Budget Division, Ministry of Finance.

Steven Lombard, Director, FAO Early Warning Project.

Simon Mbilingi, Chief Economic Advisor, Office of the President.

Mr. Nec, Economic Officer, EEC.

Peter Shirk, Agricultural Officer, AID.

Emil Barren, Senior Officer, CIDA, Canadian High Commission.

Ingmar Forsberg, Representative, World Food Program.

Charles Alexander, Marketing Advisor, National Milling Corporation.

Mr. Nyakunga, Chief, Transport and Marketing, National Milling Corporation.

Mr. Mwananchae, Chief Procurement Officer, National Milling Corporation.

Robert Stone and Mr. Lenshu, ODM, British High Commission.

Jonathon Ndidilila, Food Security Officer, Ministry of Agriculture.

Mr. Mdei, Budget Division, Ministry of Finance.

Mr. Banda, Market Development Bureau, Ministry of Agriculture.

Appendix D

Interview Schedule Used With American Food Aid Policy Elite

(The questions below were used in the interviews with those officials listed in Appendix B.)

I am interested in learning how you and other officials view problems of food aid and related elements of farm policy. If I may, I would like to ask you about your views on current food aid practices and about anything in your work that relates to these. First, I would like to ask a bit about yourself and your work.

1. How would you describe the work of your (bureau, organization, staff)?
2. How would you describe your own job? What are the most important things you have to do? (Probe for definition of responsibility.)
3. In the last year, what specific things have you done that may affect food aid actions?
4. In analyzing what to do or recommend, what information do you need? How do you get it? (Probe for what information comes through: a) informal networks; b) what it is necessary to know about overseas conditions; and c) what comes from overseas or foreign contacts.
5. Would you say there are cases where you personally make decisions or recommend policy that could affect aid flows and American policy? If yes, can you give me an example?
6. Perhaps we can turn now to your views on food aid more generally. What good and bad things are there about it? (Probe for overall assessment; probe for best and worst cases.)

7. There seems to be quite a diverse group of interests that care about food aid--producers, church groups, Congress, and foreign affairs officials. We have made up a list of groups that seem to influence whether and how food aid occurs. How would you rank the influence of these groups, that is, how much they care and have positions which affect how food aid works?
- 1) Agriculture Department
 - 2) AID
 - 3) State Department
 - 4) Treasury/OMB
 - 5) Multinational Grain Trading Corporations
 - 6) Other Donor Governments
 - 7) Needs or requests of Recipient Governments
 - 8) International Organizations, such as the FAO, World Food Council, and World Food Program
 - 9) Domestic Farm Groups, such as the Farm Bureau, National Farm Union, and the National Farmers' Organization
 - 10) Congress
 - 11) Commodity Groups, such as the Wheat Growers' Associations
 - 12) Farm Product Exporters, e.g., fertilizers and tools
 - 13) Church and Hunger Groups
8. Suppose we were in a period of relative grain shortage--would that make a difference as to who has influence? How?
9. By law food aid is to serve a number of purposes. What do you think about that? Which ones seem currently to be served--which ones are least vulnerable if there were pressure to cut back food aid?

Emergency famine relief

Improving nutrition through feeding projects

Adjusting domestic supplies (to help maintain minimum farm
gate prices)

Promoting export markets

Supporting economic development

Furthering foreign policy or diplomatic objectives

10. Suppose we have another tight supply situation as existed a few years ago--what effect would this have on food aid? Why?
11. There is now some effort to make long term food aid commitments, for instance as authorized under Title III, the food for development provision. What do you think of this idea?
12. As we mentioned in our letter, several proposals have been discussed that might improve the certainty that food would be available to meet longer-term development and nutritional purposes. How would you evaluate each of these?

(The following document was then handed each person interviewed.)

P.L. 480 Supply Management Options

Since the downturn of American food aid flows in 1973-74, when grain tonnage fell to one-half that of the previous year and one-fifth that of eight years earlier, various steps have been proposed to improve the supply security of food aid. The major justification for efforts to guarantee food aid consistency is to avoid the negative effects experienced by poor food-deficit countries when food aid flows are cut back at a time of substantial need. Among the steps that have been proposed several are mentioned for your consideration.

1. a) An Emergency Wheat Reserve. Bills were introduced in the Senate in 1977 and in both the House and Senate in 1978 to establish a wheat reserve that could only be released through the food aid program. Release would occur as emergency food assistance when the "availability" requirements of P.L. 480 could not be met. At present P.L. 480 cannot supply food when there are only enough quantities to satisfy domestic requirements, adequate carryover, and overseas sales. A reserve of six million tons (220 million bushels) has been proposed. (In 1979, a four-million ton reserve was introduced in Congress, two million tons less than the 1978 proposed legislation.) The reserve, as proposed, would not count toward satisfying annual production targets or set asides. It would initially raise prices but would as a result reduce the cost of government support programs. What would be your position on such a special reserve in general? What about particular aspects of it, such as size, market isolation and rules for release?

1. b) An emergency cash reserve authority for purchasing wheat during a period, defined as above, has also been proposed. When there were no stocks in excess of domestic and commercial export needs, dollars could be used to buy needed food aid above the regular budget. A proposal of up to five hundred million dollars for this purpose was passed in the Senate Agricultural Committee in 1978. Would this be better, worse, or irrelevant compared to the stock reserve or other ideas?

2. The United States can commit itself through international treaty, such as a new Wheat Agreement, to supply minimum annual food aid of a certain amount. Currently, a pledge of 4.47 million tons annually is proposed. This figure or a somewhat higher one would legally mandate a higher floor under American food aid. Would you support a new Food Aid Convention and such a figure? If so, would this be a sufficient guarantee if a supply shortage arose?

3. Section 401(a) of Public Law 480 limits use of commodities in short supply except for "humanitarian" purposes. Would you support extending this waiver to include "developmental" purposes as well, for instance, to support Title III uses? What would be your view regarding abolishing the limitation altogether?

4. When setting production targets, the Secretary of Agriculture does not take into special account food aid needs. Would some new requirements ordering that this be done more explicitly be useful? How might this work?

5. Various schemes to establish international food insurance plans have been proposed or analyzed. The major difference for such schemes is that food aid commitments would be in tonnages rather than dollars and that the flows would be more variable and less predictable for any given year. Overall costs would not be greater than current food aid costs, but the obligation for grant and concessional exports would be less controlled by decisions in the United States government and U.S. supply conditions and more by production variability in developing countries. Would such a scheme work? Would you be favorable to it?

6. What changes can you see happening in supply policy? Are there any feasible political courses that could lead us to greater guarantees for multi-year food aid commitments?

Appendix E: Food Issues Q-sort

During April, 1979, forty-eight adult Americans were asked to complete a Q-sort of twenty-five items. These items were selected largely from statements occurring in the texts of Congressional Hearings, Government studies, or publications of various groups interested in food and food aid, such as Bread for the World and the National Farmers Union. Slight changes in wording were made to improve clarity. To provide balance and range among the items a few statements were constructed based upon points of view encountered during interviews.

Statements and instructions for the Q-sort were sent to Donald Puchala, Columbia University, Don Hadwiger, Iowa State University, and John D. Esseks, Northern Illinois University. Each was asked to locate about fifteen people in his part of the country with some knowledge of food issues and with as much diversity of viewpoint as possible. People with farm backgrounds were especially to be sought. In addition, respondents were located among members of the Hunger Committee of the Swarthmore Presbyterian Church, employees of Mathematica, Inc., Princeton, New Jersey, and representatives of farm organizations or farm interests in Washington, D.C. Forty-eight respondents responded to this task. The general geographic location of respondents was: New York, fifteen; Iowa, fourteen; Washington, D.C., six; Pennsylvania, six; New Jersey, five; Illinois, two. On the basis of the names of respondents, sixty-one percent were male, forty-nine percent female. Other demographic features of the group are reported in Chapter Four.

The instructions for each respondent forced him to categorize items into a fixed distribution. This had the effect of "normalizing" responses.

The overall pattern is reported in Chapter Four (Figure 4.1).

The cluster routine used to group respondents was from the BIMED statistical package: Cluster Analysis of Cases, BMDP2M (University of California, Los Angeles). No normalization of the data (often a standard procedure) was chosen, so that distances are the absolute number difference of each pair-wise comparison. The maximum possible difference between response patterns for two respondents would be eighty. In the results the minimum distance was twenty-two and the maximum was seventy-six with most of the 1128 paired comparisons of respondents falling between thirty-six and fifty-eight. The clustering algorithm joined on case (or group cases) to another in incremental fashion beginning with those closest in agreement. After forty-seven steps all cases were "joined." The results showing Group I (after twenty-three steps) are displayed in Figure E.1.

The Q-sort and cluster analysis approach used in this study relies upon a small diversified group of people to clarify beliefs on a particular topic. This approach differs significantly from traditional public opinion research. It does not attempt to estimate parameters in the larger public, such as what percentage holds a certain belief (with some confidence that the estimate is accurate within a given range). This traditional technique requires large samples and gives only a snapshot view of what beliefs are professed at the time. The more intensive approach, using the Q-sort on a diverse group, seeks only to uncover certain types or clusters of opinion within a domain of debate or concern. Since this domain may be fairly specialized, it is not useful to seek a random sample of the American public, merely to seek informed and diverse opinions. Further, since specific reactions to a phenomenon such as food aid may vary over time, intensive analysis attempts to locate distinctive

patterns of opinion, i.e., viewpoints, that are likely to persist with less change over time. This expected stability of viewpoints is based on the belief that there are common elements among respondents reflected in the particular views they hold at one time which can be mutually reinforcing, hence acting as an evolving common pattern over time. A description of this approach and its rationale is provided by Stephen R. Brown, "Intensive Analysis in Political Research," Political Methodology, 1 (1974) pp. 1-25.

The twenty-five items used in the Q-sort are listed below.

Q-Sort Food Aid Statements

1. Food aid has been more a disaster than a success--lowering overseas production, propping up corrupt regimes, and at best doing nothing to reduce hunger.
2. Food aid is our best practical tool in the fight against hunger.
3. The United States is such a wealthy nation and has a tremendous capacity to produce grain. It is our duty to have a food aid program, even if this means that we as consumers pay slightly higher food prices to do so.
4. We have given away twenty-seven billion dollars of food in the last two decades, all the while having hunger and malnutrition within our own borders; now it is time to start looking out for ourselves first.
5. To give food aid to countries just because they are poorer than we are is a very weak reason; we know how welfare creates dependency in our own country.
6. Giant agribusiness corporations are at the root of the world food problem.
7. If the food aid program is to help poor countries develop, the United States must make multi-year commitments to provide food aid.
8. Our nation should participate constructively in meeting human needs overseas. This can only be achieved if United States food aid availability is assured in bad times as well as good.
9. The United States will continue to have a profound effect in the global decision of 'Who shall eat?'

10. The poor countries should put their first priority on expanding their manufacturing sectors rather than trying to compete with American food exports.
11. No approach to the food problem that fails to involve basic changes in the structure of the world economy can be viewed as a serious approach to the problem of malnutrition.
12. Our government's first priority for food aid should be to protect and advance the interests of our farmers.
13. United States foreign policy objectives must continue to be given high priority in allocating food aid because food aid inevitably involves foreign policy considerations.
14. The Public Law 480 food aid program is vivid testimony to the generosity of the American people.
15. Food assistance needs should be taken into account in planning how much American farmers should grow.
16. An expansion of the food aid program should not be carried out lest it discourage increased food production within the food deficit countries.
17. The real cure for hunger is jobs, earning, and purchasing power for food.
18. The world's ability to produce food is being overtaken by population growth; this is why so many people are hungry.
19. The United States should encourage other nations, both rich and poor, to build their own grain reserves rather than to rely on imports from the United States.
20. It would be better to give foreign assistance as cash rather than as food aid.
21. Food aid should only be a safety valve for otherwise unmarketable excess commodities.
22. There is no conflict between the interests of American farmers and the need to feed hungry people.
23. Food aid is a precious resource which, in a world of half a billion chronically malnourished people, must be used first of all for humanitarian needs.
24. The world needs food reserves, but if necessary the United States must pay for these alone.
25. The only permanent solution to world food and hunger problems is for poor countries to work harder and produce food for their people.

Appendix F: Regression Analysis of American Food Aid
and Supply Adjustment Motivation
(with the assistance of Michael Gavin)

To assess the effect of domestic supply and overseas need in determining the size and direction of American food aid flows, a statistical analysis was undertaken. Total P.L. 480 grain tonnage supplied by the United States since 1956, and bilateral flows to several major recipients since 1961, were analyzed using simple regression techniques. The basic regression model included the two independent variables, domestic grain supply and overseas need, as explanations for changes in the size of grain aid flows.

General Equation. A variety of regressions were run. The best equation assumed that responses of food aid to domestic and overseas conditions would be lagged by one year, and that auto correlation existed in the data (and hence the equation should correct for it). Below are the coefficients and statistical properties of this best equation for "explaining" total grain aid flows.

<u>Independent Variables</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Constant in 1000 tons	6499.40	423.0	15.360
Support Price of Wheat less the average farm price in dollars (lagged)	2476.04	254.1	9.744
Total Wheat Stocks held by CCC in 1000 tons (lagged)	0.142373	0.009859	14.440
Sum of 6 Major Country Recipients Deviations from trend grain production (lagged)	-0.562208	0.1050	-5.357
RHO or lagged error	-0.520943	0.2512	-2.074

R-Squared = .9466; R-Bar Squared = .9272; F-Statistic = 48.76; Durbin-Watson Statistic = 2.3246; Standard Error of the Regression = .1435; Normalized = .1176.

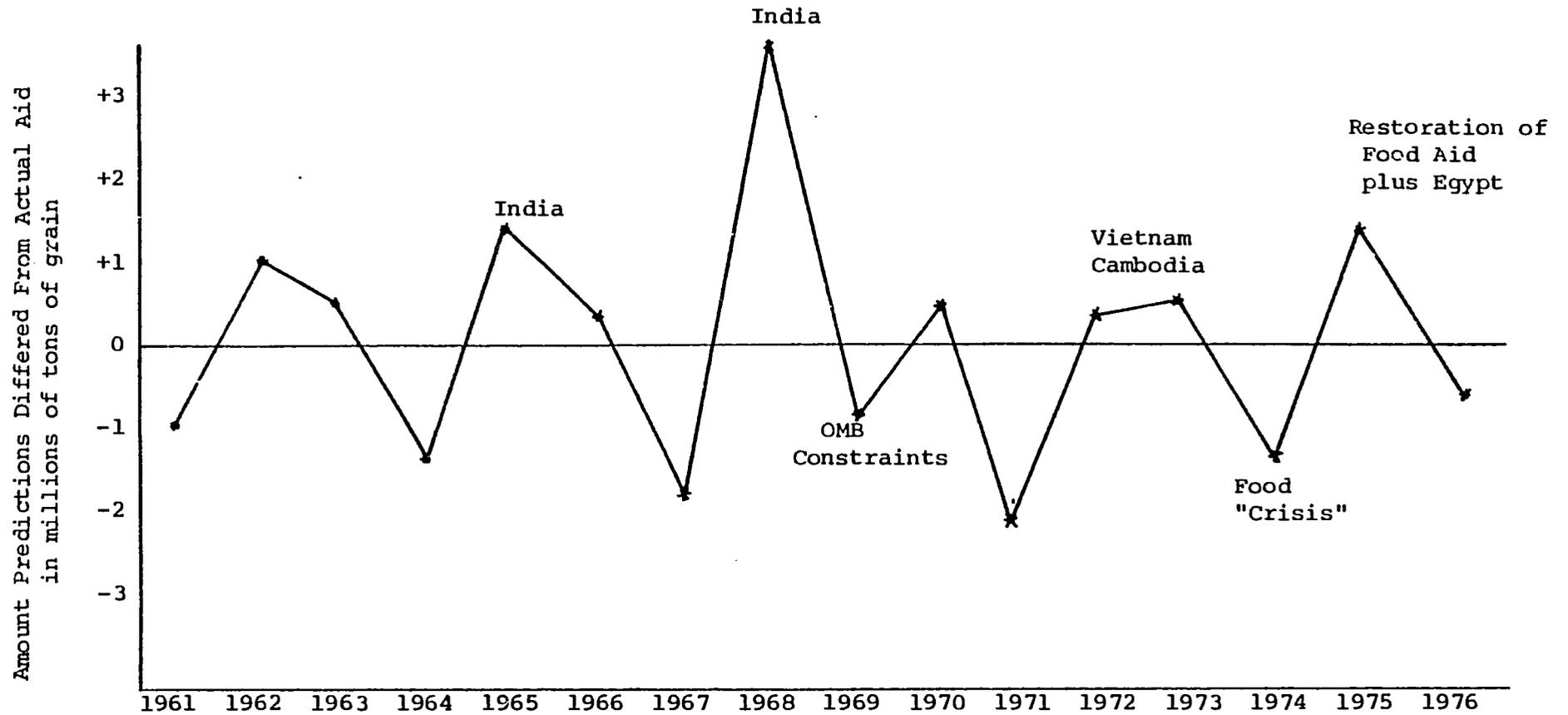
These results are very strong evidence that domestic pressures influence the level of grain aid. Both government held stocks and domestic prices make significant contributions to the size of the flow. The coefficient on 'need' is also quite large, and also highly significant (= 5.4). It implies that an aggregate crop shortfall in recipients of one million metric tons would increase grain aid by .56 million metric tons. Thus, both 'selfish' and 'altruistic' considerations seem to have influenced past flows.

The constant could also be interpreted as 'altruistic.' Since it is not related to dumping pressures, it might be interpreted to represent a stable commitment to food aid in general.

The 'rho' term is interesting. It indicates that a year that is 'early generous' (i.e., aid is higher than the predicted value) is typically followed by a year which is less generous than the equation would predict. Two reasons for this are plausible. On the supply (United States) side, it might be argued that giving away 'too much' in one year engenders selfishness the next; this is not very persuasive. On the demand side one might argue that 'too much' aid in one year allows recipients to build up their stocks; thus, for a given crop shortfall the next year, the amount of aid which is desired is less. This term is a moderately important explanatory variable; with it the equation explains about seventy-five percent of the variance in total P.L. 480 aid, while without it the equation explains about ninety-three percent of the variance. The standard deviation of the 'best equation's' errors is about 1.4 million tons.

Figure F.1 charts the predicted aid flows 1961-76 and compares them with actual flows, with a plot of the difference shown. There is one significant outcome in the errors. (In this equation, errors do not incorporate

Figure F.1: Actual Food Aid Deviations from U.S. Food Aid Predicted by the General Equation, 1961-1976



information from the previous period's error.) In 1968 the actual level of aid is 3.7 million metric tons above the equation's prediction. This is more than 2.2 standard deviations away from the predicted tonnage.

Thus, we can be ninety-five percent sure that some factor other than chance was acting to change the relationship between the United States aid and the normal determinants.

The best explanation for this deviation is found in the aid to India, which was about two million metric tons above what would be predicted for it by these determinants (see equation below for India). The Indian 'oversupply' is most likely a result of understatement of 'need' because it is based on production trend shortfalls the previous year. This fails to capture the large shortfall of India over the years from 1964-66 and its need to receive food aid for two years: FY 1966-68 (calendar years 1965-67).

Is Dumping Still a Factor?

It would seem from legislation that after 1966 P.L. 480 was supposed to be used less for dumping and to be more altruistic. To test whether this has occurred, we estimated the basic equation over the 1967-1976 period only. The results were:

1. The coefficient on each of the variables incorporating 'altruistic' (need of recipients) motives declines in absolute value (but not significantly).
2. The coefficient on each of the two 'dumping variables also declines; especially the stocks variable. However, the declines are not statistically significant.
3. The only valid conclusion to be drawn from the data is that one cannot reject the hypothesis of no shift in the function determining the size of grain food aid. The

problem is that there are not enough data points since the late 1960's to generate precise estimates.

4. However, one can reject the hypothesis that 'dumping pressures' have not mattered since 1967. The t-statistic on price is 3.7, statistically significant at the ninety-eight percent confidence level. Also, one cannot reject the hypothesis that need has not mattered since 1967 at the ninety percent confidence level.

Why Do Individual Countries Receive Aid?

The same determinants were used to examine food aid to selected major recipients over the 1960-76 period. Since several African countries and Bangladesh were not independent until after 1960, they were not included in the analysis (except for Bangladesh, which was part of Pakistan in the early period).

India. India has received the largest amount of food aid from the United States of any country. In the period 1960-76 the major general determinants of food aid flows account for variation in flows to India very well, yielding an R^2 of .87. The estimates for the equation including supply adjustment and need (deviations from trend in production) are given below in Figure F.2. The figures for other grains (wheat and corn combined) and other aid are quite similar and wheat has been the principal food aid commodity to India, certainly until 1975-76 when cooking oil and dry milk became more important.

Figure F.2: United States Wheat Aid to India

<u>Independent Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Constant	1482.60	263.7	5.622
Support Wt - Price Wt	1483.52	161.9	9.165
CCC Total/1	0.0245864	0.006128	4.012
DV India	-0.663.52	0.07328	-9.049
Rho	-0.556608	0.2398	-2.321

R-Squared = .8715; R-Bar Squared = .8248; F-Statistic (4.11) = 18.65; Durbin-Watson Statistic = 2.5281; Standard Error of the Regression = 929.7; Normalized = .3390.

Egypt. Since 1975 Egypt has been the largest recipient of American food aid. It began receiving aid in 1955, but our data on Egyptian domestic production only go back to 1960. Unlike India, the general model does not fit the pattern of food aid ($R^2 = .15$). The major fluctuations in food aid to Egypt was a result of neither domestic supply pressures (to dump surpluses or hold down inflation) nor of Egyptian need. As Figure F.3 reports, not even the constant in the equation was statistically significant. Other, probably political factors, determined this food aid flow. Among these are the increase in the early 1960's, the cut-off after the 1967 June War and the restoration of very large food aid assistance in 1974 as Egypt moved toward a more Western orientation and was prepared to negotiate with Israel. Figure F.3 is based on the data from 1960-76; in this period American food aid to Egypt clearly responded to events such as the break in diplomatic relations (1967-74) and the high priority given to Egyptian support for President Sadat as a reward for his efforts to seek a negotiated settlement with Israel after the October War of 1973. Indeed the equation suggests that when Egyptian need

was high, United States aid flows were less; The U.S. sent twenty-eight percent less for every ton of trend shortfall.

Figure F.3: United States Wheat Food Aid to Egypt, 1961-75

<u>Independent Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Constant	210.253	187.7	1.120
Support Wt - Price Wt	-0.763299	131.8	-0.005793
CCC Total/1	0.00583656	0.004396	1.328
DV Egypt	0.278543	0.7711	0.3612

R-Squared = .1469; R-Bar Squared = .0499; F-Statistic (3.13) = .7463; Durbin-Watson Statistic = .5705; Standard Error of the Regression = 483.1; Normalized = 1.211.

Pakistan. Pakistani data, like the Egyptian case, do not yield significant results or a satisfactorily R^2 (.34) compared to the general equation for food flows. As for Egypt, need has not been a positive factor, as indicated by the positive sign on the trend variable for production.

Figure F.4: United States Wheat and Corn Aid to Pakistan, 1960-76

<u>Independent Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Constant	662.18	187.9	3.54
Support Wt - Price Wt	209.37	102.4	2.05
CCC Total/1	.006271	.00398	1.58
DV Pakistan	-.059	0.216	-.275
Rho	-.134	0.287	-0.465

R-Squared = .3341; R-Bar Squared = .1805; F-Statistic (3.13) = 2.174; Durbin-Watson Statistic = 2.1256; Standard Error of the Regression = 460.9; Normalized = .4769.

Iran. United States food aid to Iran was fairly closely tied to surplus disposal motivations, if the estimates from the model are reliable explanations. Need was neither significant nor did it seem to affect flows in an altruistic way since the equation shows that the best fit is based on sending less aid in the year following a downturn in production. Given the fact that P.L. 480 counterpart funds have helped finance agribusiness investment outside of grain production, e.g., chicken breeding, and that Iran became a major commercial importer in the mid-1970's, a strong superficial case can be made that market development objectives were predominant in the supplying of food aid to Iran.

Vietnam. This is the worst case of those investigated in which grain flows were perverse in relation to need. The t-statistic for need is close to significant and suggests that food increased when production went up--i.e., it was a pro-cyclical flow. Furthermore, the surplus disposal variable also operated in exactly the opposite direction from its effect for all American food aid--namely, food aid to Vietnam increased when domestic stocks dropped. More generally, in spite of a modest R^2 (.52) Vietnam is clearly a case where surplus disposal does not seem to have been important and where local production shortfalls were either not a factor or, if they were, they tended to promote less, not more, food aid, perhaps reflecting the 'war' condition between the United States and Vietnam.

Figure F.5: United States Wheat Aid to Iran, 1961-77

<u>Independent Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Constant	-0.518891	31.14	-0.01666
Support Wt - Price Wt	6.24520	19.18	0.3256
CCC Total/1	0.00227169	0.0007051	3.222
DV Iran	0.379698	0.3892	0.9756

R-Squared = .4725; R-Bar Squared = .3508; F-Statistic (3.13) = 3.882; Durbin-Watson Statistic = 2.1734; Standard Error of the Regression = 7929; Normalized = 0.9610.

Figure F.6: United States Grain Aid to Vietnam, 1961-75

<u>Independent Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Constant	132.512	36.21	3.660
Support Wt - Price Wt	38.7250	21.91	1.767
CCC Total/1	-0.00184243	0.0007619	-2.418
DV Vietnam	9.35032	3.644	2.566

R-Squared = .5158; R-Bar Squared = .3837; F-Statistic (3.11) = 3.906; Durbin-Watson Statistic = 1.0089; Standard Error of the Regression = 77.70; Normalized = .8554.

Colombia. The seventh case examined was Colombia, a significant recipient of wheat food aid in the 1950's and 1960's. The best estimate for Colombia was obtained by deleting the constant and correcting for first-order autocorrelation. In Figure F.7 we can see that a modest R^2 of .47 is obtained (relative to $Y = 0$, R^2 is .86). Except for the error term the coefficients are significant and reflect a modest surplus disposal motivation and a reasonable response to need; i.e., when production fell by one ton food aid increased by .26 of a ton. Since 1973 Colombia

has not been a recipient of sizeable food aid, but she has been a commercial importer, using trade to adjust for domestic wheat consumption needs. Colombia is a less perverse case than Iran, where food aid foreshadowed commercial imports, because Colombia received food aid in a way that would smooth domestic supplies, not exacerbate market swings.

Figure F.7: United States Wheat Aid to Colombia, 1960-73

<u>Independent Variable</u>	<u>Coefficient</u>	<u>Std. Error</u>	<u>T-Statistic</u>
Support Wt - Price Wt	41.4280	8.695	4.765
CCC Total/1	0.000697477	0.0001661	4.199
DV Colombia	-0.258628	0.1104	-2.343
Rho	-0.131704	0.3423	-0.3847

R-Squared = .4742 (relative to $Y = 0$, $RSQ = .8568$); R-Bar Squared = .3165 (relative to $Y = 0$, $RBSQ = .7995$); F-Statistic (4.10) = 2.255; Durbin-Watson Statistic = 2.0442; Standard Error of the Regression = 32.16; Normalized = .5249.