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## **Review of NAS Title II Commodity Analysis Study**

**Submitted to :**

**Office of Food For Peace  
Bureau of Food for Peace and  
Voluntary Assistance  
Agency for International Development  
Washington, D.C. 20523**

**Submitted by :**



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      WRITTEN COMMENTS

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CHAPTER 1: REVIEW OF THE NAS STUDY

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## REVIEW OF THE NAS STUDY

During the past thirty years the focus of the PL480 Title II program and its objectives have changed considerably. With these changes, new commodities have become available to the program. The PL480 program was originally designed as a way to dispose of surplus commodities which were the only items eligible for use. In 1966, a major amendment to PL480 provided new emphasis on combatting hunger and malnutrition. Non-surplus commodities became eligible for inclusion, and a major criterion for commodity selection became the needs of malnourished populations. The nutritional wisdom of that time stressed the need for more protein in the diets of populations in developing countries. Thus, blended and fortified foods were developed specifically for the Title II programs.

By 1980, however, other factors had begun to play a role in the selection of commodities. Section 201 of PL 480 mandated a minimum tonnage for commodities utilized annually by the Title II program (1.7 million tons in 1982). Because costs of both commodities and shipping had increased significantly, there had been pressure on the program to substitute lower cost commodities for higher priced blended and fortified foods in order to meet this Congressionally mandated requirement.

At the same time, new studies and surveys had identified energy deficiency rather than protein deficiency as the major nutritional problem in most countries.

Taking into consideration these changing nutrition perceptions and budget pressures, the decision was made to re-evaluate the appropriateness and cost effectiveness of the available commodities and their utilization in the Title II program. In 1980, the Agency for International Development (AID) Bureau for Food for Peace and Voluntary Assistance (FVA/FFP) contracted the National Academy of Sciences (NAS) to review and analyze the PL480 Title II commodity selection procedures and to identify criteria for commodity selection which would maximize the nutritional, management and operational goals of the program. This contract was jointly funded by AID and USDA (for synopsis of NAS report, see Annex I). The report by a subcommittee of the NAS Committee on International Nutrition Programs is the final product of that contract and is advisory in nature.

The NAS report raises a large number of important and controversial issues. The Office of Food for Peace accordingly decided to solicit the views of a wide cross section of the interested and affected community before taking any official

action on the report.

In September 1982, the Office of Food for Peace contracted the Washington, D.C. firm of Management Systems International, Inc., to manage a coordinated review of the NAS study.

Copies of the NAS study were circulated to a wide cross section of individuals and organizations representing voluntary agencies, the private sector and government/Congress. These individuals were invited to comment on the study with respect to:

- (1) the issues raised by the study;
- (2) the legitimacy of the study's methodology, findings and conclusions;
- (3) the appropriateness of the study's recommendations; and
- (4) the implications of the study.

On September 29, September 30, and October 1, briefing sessions were held for representatives of the voluntary agencies, private sector, and government/Congress, respectively. A subsequent briefing session was held on November 8, for staff members of the Senate Agriculture Committee.

Following the briefing sessions, separate mailings were sent to those able, and those unable, to attend the briefing sessions requesting written comments on the study by the end of October.

The Table below summarizes the numbers of individuals/organizations contacted, attending the briefing sessions and submitting written comments:

INDIVIDUALS/ORGANIZATIONS:	CONTACTED	ATTENDED BRIEFINGS	SUBMITTED COMMENTS
Government (AID & USDA)	86	36	12
Congress	18	12	2
Firms	68	25	14
Voluntary Agencies & Other Interested Parties	25	10	11
TOTALS	197	83	39

A list of those contacted and those attending the briefing sessions is presented as Annex II. A list of those submitting written comments is presented as Annex III.

Thirty-nine written comments, totalling 107 pages, were received. Each comment was broken up and sorted into 18 subject headings, each containing between one and 21 separate comments. A summary of these written comments is presented in Chapter 2. Chapter 3 contains excerpts from comments received, organized by subject heading and identified by the organization or agency that prepared these comments.

## SUMMARY OF COMMENTS RECEIVED

Written comments on the NAS Nutritional Analysis of PL480 Title II Commodities were received from a total of 39 U.S. Government offices, Congressional committees, private voluntary organizations, firms, trade associations, universities, and individuals. This broad response reflects the intensive effort to disseminate the report to all affected parties, and the high level of interest in the report by those who received it and/or attended the briefings. There are ample grounds for confidence that all interested or affected parties have had the opportunity to comment, and that a representative sample has submitted written comments.

### GENERAL COMMENTS

Several of the comments praised the report's effort to rationalize the commodity selection process and the new perspective provided by the report on the "pathways" by which Title II commodities affect nutritional status. While many felt, more specifically, that the attention given by the report to considerations of nutritional cost effectiveness was potentially useful, most faulted the report for either ignoring other important objectives of the Title II program and/or proposing selection techniques which commenters considered simplistic, academic, misleading or otherwise seriously flawed.

Typical of the most positive responses were comments that the study provides "some potentially valuable tools," that it is "clear, informative, and thought-provoking," and that it is "timely and innovative." At the other extreme, the report was seen as a "classic illustration of how not to do a project analysis," was "prepared in the abstract, without consideration of practical realities," and shows "signs of incredible naivete on the part of the subcommittee members as to how this program operates in the real world."

In no case was it recommended that the major recommendations of the report be adopted as the primary basis for commodity selection without serious modification and/or further knowledge.

### OBJECTIVES AND TARGETTING

The comments generally criticized the approach of nutritional cost effectiveness to the extent that this was perceived as an overarching single objective to the exclusion of others. Most comments alluded to or listed other objectives, including reaching the poorest individuals in target groups, community development, expanding markets for agricultural export, and disposing of surplus commodities.

An example of these comments was the statement that "what the report calls nutritional cost effectiveness is in reality a mixed bag of benefits where nutrition appears only as a small item. The report does not draw a line between nutrition and other benefits and ignores the very important role promotion plays in making the commodities nutritionally effective."

## **OTHER ECONOMIC CONSIDERATIONS INCLUDING VALUE ADDED**

Several commenters noted the importance of considering value added by U.S. producers in making commodity selection decisions. Typical of these comments is the following: "wherever possible, the products should be processed in the U.S... enhancing the U.S. agricultural economy should be a prime consideration of these give-away programs."

## **THE ALPHA FACTOR**

Virtually all of the comments found fault with the alpha factor, asserting either that it is inconsistent, simplistic or impractical. Most of the comments noted in some way that the alpha factor does not reflect true commodity or program costs, particularly administrative and promotional costs to the PL 480 Title II sponsoring agencies. However, several comments also pointed to the operational complexity of applying the alpha factor, noting that it must be calculated far in advance of commodity delivery and would probably be calculated on a national or regional, rather than a local or household, basis.

## **INCOME TRANSFER**

Several comments criticized the hypothetical relationship between the alpha factor and income transfer, noting, for example, that "to base commodity selection primarily on the basis of its high value in the local economy may emphasize that income transfer is the main goal of the program. Income transfer is certainly not the main goal and one might correctly question any relevance of income transfer among intended objectives under the program." Another comment stated that "the theory that if the income transfer value of the commodity is high, the recipient will use that money for high nutritional food...is not justified or proven."

## **RESEARCH**

It is on the question of the utility and feasibility of further research that the commenters most disagreed among themselves. Several AID offices endorsed substantial research agendas, noting, for example, that "it would be precipitous and potentially dangerous for AID to modify its PL 480 Title II distribution activities as suggested in the report without considerable support from research conducted at the field level." However, other comments, particularly from firms and trade

associations, questioned whether the additional research could be accomplished effectively, given budget, management and manpower constraints.

#### **OTHER TOPICS**

Several other topics were mentioned by one or more commenters: commodity selection, nutritional factors, delivery method, spoilage, education, economic considerations in addition to income transfer, and the composition of the NAS Subcommittee itself. The Statement of Exception to the NAS Report, by W. Hoover, was endorsed in whole or in part by 12 of the 39 commenters.

# COMMENTS ON THE NAS STUDY

## I. GENERAL COMMENTS

### AID:PPC

[T]he NAS study provides...some potentially valuable tools for improving the cost-effectiveness of the commodity selection process. In order to implement the recommendations, however, much program related testing will be required to resolve the complexities and difficulties of calculating and using the alpha value.

### AID:S&T/HP

The National Academy of Sciences has prepared a clear, informative and thought-provoking document. We support the emphasis on improving the cost-effectiveness of the food program... In general, we found the report provides a sound and useful basis for further defining the future direction of the Title II program.

### AID:NE/TECH/HPN

Please allow me to commend you, as well as the NAS, for having promoted the subject evaluation. It can serve as a rallying point for resolution of some major issues in the areas of food aid, nutrition impact, and development programming.

[It] is now a program imperative for the Agency to achieve full "cost-effectiveness of Title II"... [I]ncreased program cooperation along these lines between the FVA and S&T Bureaus, now put into new focus by this report, will help achieve our common objectives.

### NE

We support the basic conclusion of the NAS regarding the importance of utilizing cost-effectiveness analysis of food commodities. The important factor will be applying such methodology to the Agency's planning and evaluation processes.

### AID:AFR/DR/ARD

The report is to be commended for the awareness it brings to a relatively new concept in PL 480 commodity evaluation. The analytical tools to assess commodity cost-effectiveness are methodically developed. Also, the report gathers and summarizes program information in formats that should be useful in Washington and the field.

## AID:LAC/DP

[The study is] both a timely and innovative reassessment... From the report, it seems clear that achieving the maximum nutritional benefits from Title II commodities will require fundamental changes in our perception of how food distribution programs function and how they should be managed to accomplish specific nutritional objectives. Making this transition will require considerable effort. Nevertheless, we are confident that the end result will justify the effort involved provided PL480 Title II budgetary levels compatible with the recommendations of this report can be formulated and made available.

[W]e were particularly impressed with the recommended emphasis on cost effectiveness in selecting Title II commodities and in the clear distinction the report draws between the direct and indirect approach for delivering supplemental foods to the ultimate recipient. Also noteworthy is the identification of the impact that minimum tonnage requirements and decreasing budgetary resources have on the quality and effectiveness of the program. It seems clear that some reconciliation between these two mutually exclusive concepts is in order if the quality and impact of our Title II programs are to be maintained.

## CARE

The thesis to maximize the alpha value (local commodity value divided by Food for Peace acquisition plus transfer costs) makes a myriad of assumptions in purporting to offer a significant contribution to better commodity selection. There are assumptions about household economics and the marketplace that are questionable, e.g.: high alpha valued goods might not save the household the cost of purchasing the same commodity off the local market, but could instead create more expensive food habits further exacerbating the caloric shortfall in beneficiary dietary intake. Assuming this was not the case and increased household income would be forthcoming, there are no assurances that increased income would be used for additional food purchases much less for the optimal food purchases needed to reach nutritionally at-risk family members.

The report bases its recommendations on a macroeconomic model which relies on various assumptions governing the choice and values of variables in the equations. There are virtually no empirical data to test the model, nor even a case study example from a literature review.

If it becomes AID policy to maximize the alpha value in commodity selection procedures despite the lack of sufficient field testing, there could be a negative impact on nutritional well-being of Title II beneficiaries. In particular, current efforts to insure that the program reaches nutritionally vulnerable children between the ages of 6 months and 5 years would be seriously undermined.

...[E]ven if a given commodity with a high alpha value is "convertible" and increased income would be forthcoming by its provision in a take-home feeding program, there are still problems in assuming the income effect would translate to a desired nutritional result.

Provision of relatively costly foods would also compete with the long-term nutrition education objective in feeding programs. The use of locally available inexpensive foods is the mainstay of effective nutrition education, and program personnel seek to identify locally available, nutritious and affordable foods and teach appropriate methods of preparation. An emphasis on costly foods in food aid programs would contradict these nutrition education objectives and quite possibly create expensive tastes in lieu of sound food habits.

Furthermore, food program managers, faced with losses and even theft of commodities and the ongoing need for more accurate monitoring and evaluation, would be further burdened were Title II commodities selected by virtue of their high market value. Such managers would need to be convinced that the added administrative problems would be worth the effort and could be handled within the context of an existing operation. There is reason to doubt that the benefits of selecting high alpha valued commodities would be convincing to food program managers without a great deal more field testing.

These comments have unfortunately highlighted CARE's points of contention with the NAS report and have devoted little attention to the many excellent features of the study. Although appreciation has been expressed for the excellent introductory chapters and the recommendation for assuring multiyear availability of supplies, the report should also be praised for its attempt to take on a complex and difficult subject and establish within it some simple guidelines that can be applied. The alpha value and income effect of food aid is not a new subject, but the report's imaginative and comprehensive treatment of the subject makes a lasting contribution to our understanding of the economics of food aid, and points to the need for micro-level studies and further research.

### **Church World Service/Lutheran World Relief**

The Academy's report... provides a long overdue look at PL 480 commodity selection as if nutritional and developmental effectiveness and cost-effectiveness were more nearly controlling considerations. That approach is an entirely proper one and one which could have major constructive implications for the US food aid program. At a time when the Congress is taking an increasing cost-conscious look at all programs-- including the once sacrosanct PL 480-- supporters of PL 480 from all quarters would do well to look to ways of improving its effectiveness while maintaining or even lowering its cost.

While the report's objective is thus laudable and timely, I find some difficulty grasping clearly the methodology it employs at several important points. For example, even after spending considerable time with the document and even with the help of the discussion on September 29, I still find the attempted distinctions between direct and indirect pathways and the criteria which should go into the commodity selection for each somewhat confusing. The typology leaves something to be desired inasmuch as direct, on-site feeding programs have some impacts on household nutrition, just as take-home programs have some direct nutritional impacts as well.

I also have some difficulty with the Report's focus on the selection of commodities in order to achieve the maximum nutritional impact from the PL 480 Title II budget. To the extent that Title II has development objectives-- and they are at least as important as its nutritional objectives-- the take-home programs have a special legitimacy. I do not see the report making the necessary and desirable comparative judgments about the value of the take-home vis-a-vis the on-site programs. Nor am I clear why, if the objective is economic development rather than simply improved nutrition, larger rations might not be appropriate in the take-home program. I realize the problem of undercutting incentive prices for local producers, but it would seem that rations could, in many situations, be on the generous side before this would happen.

### **Catholic Relief Services**

The Subcommittee on PL480 analysis is to be commended for the thoroughness of the study. The staff members involved in the project have maintained contacts with personnel of Catholic Relief Services, both at headquarters and field level, from the beginning of their research to the formulation of the report, and their cooperation and professional attitude are greatly appreciated.

While Catholic Relief Services finds itself in general agreement with a significant percentage of the study and resulting recommendations, we feel that comments are warranted on a number of points.

### **Paper Shipping Sack Manufacturers' Association Inc.**

[T]his report is a classic illustration of how not to do a project analysis:

Subcommittee members solely represented educational/research interests; no field agents or private-sector representatives were included. [There was] massive dependence on research reports, anthropological studies rather than practical day-to-day workings of the program. [There was an] overly academic economic modeling approach to finite decision factors which cannot now (or probably ever) be quantified adequately so as to use such a model. [There was a] naive lack of attention to the political factors accompanying commodity selection decisions.

## **Lauhoff Grain Company**

[T]he NAS report is flawed in very many ways and... its implementation would undermine and effectively compromise the objectives of Public Law 480. The report's focus is very narrow in scope and does not take into consideration the broad aspects and purposes of the Title II program ...Lauhoff Grain Company strongly urges FFP not to implement the alpha factor concept in commodity selection.

## **Western Great Lakes Maritime Association, Inc.**

[T]he preoccupation of the report with nutritional cost effectiveness leaves the impression that it was prepared in the abstract, without consideration of practical realities. The result seems to be another attempt to apply to food aid those concepts, criteria, and principles applicable only to dollar assistance.

In summary, we have:

- a report that may have a major impact on field operations; however, no one went to the field during its preparation, nor was field experience represented on the Committee;
- a report which deals exclusively with nutrition cost effectiveness, yet says nothing about other vital aspects and objectives of the program; and
- a report which ignores domestic and international political realities and yet may be of major significance in the selection of hundreds of dollars worth of commodities.

And finally, we have a report which cost over a quarter of a million dollars that recommends, among other items, the preparation of more reports and studies.

## **Textile Bag Manufacturers Association**

[S]ome portions show signs of incredible naivete on the part of the subcommittee members as to how this program operates in the real world with real people... [T]he subcommittee allowed themselves the luxury of making too many assumptions that were designed when and where required to serve as factual back-up for the formulas and conclusions that they wanted to present.

## **ADM Milling Company**

The report can be dangerous if construed as "gospel" and used in a broader context by decision makers...The report suffers seriously from tunnel vision and ignores the historical, legal, political, international realities, and objectives of the program...It is an expensive report (\$225,000) of very limited value.

## **Fruen Milling Company**

I...approve the substitution of rolled oats for soy-fortified rolled oats, assuming the report's comparison of the products is valid. I'm biased because my business is oats.

## **Rice Millers' Association**

RMA supports the findings of the study and looks forward to its effecting change in workings of Public Law 480 Title II.

## **Hoffmann-LaRoche, Inc.**

The Study provides a good summary of the criteria and distribution factors to be considered when evaluating the nutritional value of Title II commodities. It introduces an interesting theoretical methodology for calculating the direct contribution of the specific commodity in terms of macronutrients and indirect impact on family income. Nevertheless, while the study has developed the principles of cost-effectiveness, many of the identified criteria are not fully incorporated as the operating principles are developed.

Specifically, certain criteria identified in Chapter II either are not adequately taken into account or are assumed to have negligible impact on the calculation of the nutrient and cost-effectiveness indices....we would like to emphasize our concern regarding the development of recommendations based on a theoretical approach without actual evaluation in the field. We believe that more extensive data derived through practical experience would provide an opportunity to identify and rectify any weaknesses which may exist in the theory before a full commitment is made.

...we recommend that micronutrient factors be included in the further development of the cost-effectiveness principles, that these revised principles be studied further and that pilot programs be initiated before final Study recommendations are implemented. If further information would be helpful, please feel free to call upon us for whatever assistance we may lend to this important work.

## **Protein Grain Products International**

The approach to commodity selection espoused by the Subcommittee is based almost entirely on theory and ignores the time-tested food and nutrition delivery system that has been the hallmark of the Food for Peace program for the past twenty-eight years.

...the Subcommittee report offers very little that is substantive in dealing with the "real world" of overseas feeding programs. The report fails to recognize the multi-purpose objectives of P.L. 480, ignores true program costs, places control of the program in the hands of field personnel who at

best have only limited ability to make precise nutritional decisions, plays down nutritionally sound and time-tested processed grain products, and offers assumptions that are not backed by supporting documentation. In short...the study is of limited value, now or in the future, to those who administer the Title II program.

### Beatrice Lorge Rogers

[T]he study has made an important contribution in acknowledging that, more often than not, the nutritional effect of Title II food is achieved indirectly through the income channel rather than directly due to consumption of the donated foods, and that program designs should take account of that fact. The concept of the alpha factor is useful as one way of thinking about nutritional cost-effectiveness. This is especially true in considering the various processed or blended foods.

### American Council of Voluntary Agencies for Foreign Service, Inc.

The use of... empirical information did not play a very prominent role in the writing of the Report and, therefore, while the effort is commendable, the results may be of questionable value... The Report must make assumptions, and hypotheses, which lead to findings, conclusions and recommendations; these findings might be radically different if other assumptions were used.

While the analysis is very sophisticated, it neglects the dynamics of food production, consumption and marketing in developing country households. The picture of food use that emerges implicitly from the Report is of a system in which food is easily bought and sold, much like supermarket decisions. The Report gives the impression that the selling and buying of food takes place among people who have cash incomes to effect the complex transactions implied by "income-mediated nutritional benefits."

In general, the approach is mechanical, and understates the dynamic nature of foods use in households, and the variance among regions and countries... The construction of models that function more smoothly than reality may be of interest for reducing reality into a manageable set of relationships, especially when the models are built on known behavior.

The NAS... model is built on a number of assumptions... which need thorough testing before the recommended procedures can be implemented. In general, the Report is deductive, rather than empirically based, and some of the assumptions exemplify this type of reasoning. The Report... expresses... an equation which could be used to calculate the daily intake of energy or protein for an individual in a family. This equation is not very helpful unless the relative quantities of food consumed by each individual in a household (and of which foods) is known, and this is not known. In fact, this equation may be totally misleading; proof of the acceptability of an idea of such crucial importance based on the lack of countervailing data, and not on positive empirical evidence, is risky.

Other assumptions are based on sketchy and incomplete empirical evidence. This applies to most of the discussion on the relationship between food consumption and increased income and purchasing power, even though this relationship is probably the most important in building the thesis of the Report, and is the underpinning for the 'new perspective' on food aid.

## II. OBJECTIVES AND TARGETTING

### Senate Committee on Agriculture Staff

The Subcommittee's report and its recommendations raise some very substantive questions regarding Title II program objectives and the manner in which the program has been implemented. The assertion that commodity selection should be influenced by suitability of individual commodities-- especially their acceptability to recipients and appropriateness to nutritional needs-- is sound. However, while acceptability to recipients is pertinent to the Title II program, I don't believe U.S. Government policy makers can ignore the importance of commodity availability.

#### AID:S&T/HP

[T]here should be greater emphasis on improving planning and monitoring to better reach the priority target groups: pregnant and lactating women and children under 5 years of age, since they are most vulnerable to malnutrition and disease.

#### AID:NE/TECH/HPN

[W]e know too little about the nutrition impact numerator in the report's cost effectiveness equation. This is doubly true once we focus our attention on AID target groups-- those most at risk of malnutrition: (1) infants and toddlers, (2) pregnant and nursing mothers, and in that order. We know too little about the self-targeting of take-home foods and how it varies among commodities.

In the Near East, maternal malnutrition and low birth weights are less of a problem than in many other geographic regions... The report, by its focus on cost effectiveness and indirect pathways, does not, nor can it, give us a complete directive for solving the most pressing malnutrition problems, beyond saying that increased household income leads to improved family nutritional status... The report, by its focus, has moved us some distance from the malnourished infant and toddler in terms of the food actually distributed and its use.

#### AID:AFK/DR/ARD

The report identifies but does not develop the implications of different PL 480 Title II objectives adopted by private voluntary organizations. By highlighting the importance of sharing and displacement patterns, the report seems to push for a vote on policy without having considered other strategies for development. Under the broad and dualistic mandate of PL 480 in

Title II, PVO activity can range from: (1) using PL 480 Title II to feed more with a lower dollar value on commodity volume; (2) concentrating on development by serving fewer persons with higher dollar value per commodity volume; (3) compromising on (1) and (2) above to achieve a hybrid outcome.

If a PVO opts for either (1) or (3), the importance of sharing and displacement patterns is diminished. The alpha value calculations do not account for the cost of development... Use of lower value commodities could handle increased participation. Calculations to determine the full developmental impact of PL 480 Title II foods should include a factor to describe the relative quality of time invested in development.

An implication of the preceding discussion is that development, by its nature, is possible only for those with a pre-existing capability to invest in it. Development through a cost benefit approach assumes: (1) that only this slightly better-off portion of the population is the target population; and (2) the inelasticity of an expensive food item such as oil. We are not convinced that a commodity, such as oil, enjoys such stable elasticity even among the group able to invest in the program. Existence at the margin involves a great fluidity of resources. Such wide fluctuations in ability to procure food powerfully influence food security. We doubt whether the fluidity of the market will lend itself to a static analysis of transfer value. The report may be assuming a stability of market forces and degrees of "convertability" that do not exist.

## CARE

The macro-level perspective of the study and its focus on cost criteria may be inappropriate from the perspective of program managers selecting commodities and implementing a nutrition intervention program. The alpha value formulation appears overly simplistic in failing to take into consideration nutritional, developmental, programmatic and educational objectives which are crucial to effective food aid programs. By looking only at FFP costs, it also fails to take program operating cost into consideration, and furthermore, it ignores fundamental concerns of recipient food preferences and needs, local availability of food, household consumption patterns, and the program's long-term impact on food self-sufficiency. Moreover, in circumstances where a specific nutrition intervention is acknowledged as being necessary, no guidance is given on how to balance alpha value considerations with the nutritional objectives. For example, in instances where nutritionally at-risk preschool children are the target of a take-home program, the report recommends vaguely following "the concept of direct targeting of some foods."

## Catholic Relief Services

The Subcommittee recommends the monitoring of nutritional cost effectiveness of Title II commodities in ongoing distribution programs. While the improvement of the nutritional status of the at-risk beneficiaries represents the most important achievement, ongoing Title II programs have other goals, complementary of, or supplementary to, the nutritional effort. Thus, the monitoring of nutritional cost effectiveness independently from such other goals as community building, agricultural production, literacy, pure water, hygiene, etc., may give an unfairly distorted picture of Title II effectiveness.

## ADM Milling Company

PL 480 is a multipurpose law. It has numerous objectives. The nutritional objective is but one...Each of these other objectives is equally as important or more important than the nutritional factor...Focusing solely upon the recipient nutritional aspect as the sole priority for commodity selection to the exclusion of all other objectives severely limits the practical implementation of the recommendations set forth by the Academy.

At best, the Academy study is but another input, another concept of achieving the nutritional objective. It is therefore of limited value.

## Western Great Lakes Maritime Association, Inc.

[T]he study gives the impression that nutritional cost effectiveness is the primary objective of Title II. Intended or not, the report then seems to ignore the other objectives of Title II -- not the least of which are political.

## La Crosse Milling Company

The report for the most part ignores international and domestic political and economic realities and the effects on U.S. agricultural programs, economic development, and the hoped for expansion of U.S. agricultural markets.

## Bread for the World

Direct nutritional and health impact must be the upmost concern of Title II efforts to reach to the very poorest groups with feeding programs. Many of the very poorest people in the vicinity of a Title II feeding station do not benefit from the programs because distance, illness, or weakness prevent them from reaching the feeding site. A high priority for Title II programs should be active outreach to these people. If new assumptions

about the benefits of Title II distribution were to undermine this priority or delay this effort, the loss of real benefit to these most vulnerable families could be great.

### **Beatrice Lorge Rogers**

In 1979, I was involved in an evaluation of Title II programs in India. At that time I became convinced that the Title II food should be viewed primarily as an economic resource, since its impact in direct feeding programs was compromised by the small size of the ration and by leakages, substitutions and poor targeting. One approach to the use of Title II foods which our team recommended was consideration of the possibility of using the food for community economic development, either by creating productive resources through food-for-work, or by using the food as capital to fund cooperatives or other economic ventures. This approach, of course, requires tremendous skill in planning and community organization, and is not always possible. It is nonetheless an alternative to considering the food simply as a direct transfer to individual households. While the NAS study does not address this possibility, I do think it has developed a useful tool for evaluating nutritional cost-effectiveness, and has pointed out a very fruitful direction for further research on criteria for commodity selection in the Title II program.

### **International Food Policy Research Institute**

The study raises important issues about definition of objectives for targeted food aid programs. It clearly shows that programs with one stated objective are quite often failing to realize that objective while actually achieving another. To meet increasing public criticism of food aid, it is important to be clear about objectives and to be sure that program instruments are well-suited to achieve those objectives.

### **Foundation for Nutritional Advancement**

The 1974 report of the National Academy of Sciences indicated that current nutritional standards in this country are too low, but are higher than those in the program. To lower the standards in the PL 480 program would make it appear that we are prepared to accept a double standard -- one for Americans and another for citizens of the Third World.

### **C. Capone, M.D.**

The Subcommittee restricts the application of the alpha value to the nutritional cost-effectiveness of Title II programs and omits to consider the application of the same factor or value to the developmental aspect of the same programs. The legislation clearly states that the primary goals of Title II programs are both nutritional and developmental. Other goals are

also mentioned in the legislation, which are to be taken into consideration in the choice of the most cost-effective commodities. In particular, the nutritional and developmental goals complement one another. Nutrition in fact is one component of development. Therefore, it is hardly possible to discuss the nutritional cost-effectiveness of the PL 480 Title II commodities in isolation from the cost-effectiveness of the other aspects of the Title II program.

### III. THE ALPHA FACTOR

#### Senate Committee on Agriculture Staff

Application of the "alpha value" suggests to the reader that the nutritional goals will not, in fact, be realized as low income recipients barter the high valued food commodity for some other more pleasing product such as liquor, entertainment, etc.

Also, application of the "alpha value" appears inconsistent with identification by the Subcommittee of determining commodity selection based upon its suitability for the intended recipients. If as the Subcommittee's analysis suggests, that the high value, donated commodity will be sold in the market place, one might question its suitability or acceptability by recipients for feeding programs.

...I... emphasize my skepticism regarding the application of the so-called "alpha value."

#### AID:PPC

The NAS report uses its basic assumptions to derive the "alpha" value... and proposes its use as a criterion for commodity selection. In principle, PPC accepts this proposal as well, although the alpha value may not be the only or even the most important criterion for commodity selection.

The NAS report glosses over the difficulty of calculating a realistic alpha value. The use of nominal market prices (buying or selling) as a proxy for a food's value to the household may be inappropriate and may hide subtle differences in perceptions of food value which affect allocation of the food to vulnerable groups.

The denominator of the alpha value may also need some revision. The cost to the Food for Peace program ignores the costs borne by local government, PVOs, and participants in getting the food from the port to the human mouth.

#### AID:WE/TECH/HPN

If income supplementation is our purpose, food is of course more likely to have a greater nutritional impact than cash. Likewise, certain foods, given their high "alpha" values, unquestionably are better than cash as well as being better than other foods. These conclusions, however, only advance us part of the way toward full cost effectiveness of our Title II programs and "best of all possible" commodities. The report's use of the "alpha" value has mostly only relative meaning.

## AID:LAC/DP

The report... suggests that the type and quantity of commodities utilized under the proposed methodology may vary considerably from the type of foods that are currently in use. This implies a broad range of new issues involving such considerations as commodity production, procurement, storage, delivery, handling and transportation, just to name a few that could contribute measurably to the overall cost and hence the cost effectiveness of implementing the proposed methodology.

## USDA:FAS

While the report contains much of interest in its nutritional analysis... we found it very long, somewhat cumbersome and repetitive... We are particularly concerned about the complexity of applying the concept of alpha value to this food aid program. We believe that application would strain Public Law 480 Title II's limited budget and place an added burden on sponsoring agencies and AID staff. If we had the luxury of unlimited time and resources to implement the study's recommendations on a test basis, that would obviously be the ideal situation. However, the constraints under which we operate in the real world may not permit practical application of the study in the circumstances.

## USDA:ASCS

For on-site feeding programs, ASCS finds acceptable the author's approach in developing criteria for selection of PL 480 commodities in order to achieve maximum nutritional impact... However, the approach recommended to achieve "nutritional" cost effectiveness for the more diffused take-home programs is troublesome... The authors refer to maximization of the alpha value... in selecting commodities to assure optimal nutritional impact on recipients. There is an assumption here that the nutritional impact of the donated commodity is largely due to the indirect consequences of the additional purchasing power it conveys-- the distributed food represents an increase in real income which now permits the household to acquire additional food...

The authors admit that an "act of faith" is needed to accept the premise that when a family's income is augmented (via receipt of a high alpha-value commodity), it would adopt consumption patterns found among the higher-income families in these surveys, i.e., a propensity to use additional income for increased food expenditures... Extensive field studies would seem appropriate to assess the alpha-value criterion before its actual implementation in selecting PL 480 commodities.

ASCS... feels it important to challenge the accuracy of the assumptions made in deriving the method for calculating the alpha-value or nutritional cost-effectiveness of a commodity. The true cost of a commodity is not built into the simple model

used to derive alpha. Some coefficients which reflect the costs of both the recipient and the donor governments to achieve food price control are missing from the model. We are concerned about the validity of the basic calculation procedures as one of the "cornerstones" of the report. That is, "nutritional cost-effectiveness" is maximized when the ratio of local food prices to Food for Peace (FFP) delivered costs is maximized. Strict adherence to this principle would result in shipment of more of those commodities which are most expensive (relative to FFP costs) in the recipient countries, and a possible deficiency in needed commodities being shipped to countries in which necessary food staples are price-subsidized. We also feel that further references to program or Government costs (such as on pages 4 and 108) should be amended to clearly state that such "costs" are relative to the Title II budget and do not accurately reflect total costs to the U.S. Government. In addition, the statement on page 10 that "all costs of ocean transportation are covered by the Title II Program" should be corrected by adding the phrase "except one-half of the World Food Program shipments, which are paid for by that program."

## CARE

At best, the alpha value formulation provides field managers with an additional tool to use in the complex process of commodity selection. From a methodological point of view, attention given in the study to alpha far outweighs its value. It might be better and more fairly represented as one factor in the complex commodity analysis and selection equation:

$$CSC = f(x_1 + x_2 + x_3 + x_4 + x_5 + x_6 + E)$$

where CSC=commodity selection criteria and  $x_1$  = suitability;

$x_2$  =total cost-effectiveness including PVO and in-country costs;

$x_3$  =program objectives;  $x_4$  = program mode;  $x_5$  = program administration;  $x_6$  = local factors; and E= other.

Apart from inadequate data, there are other problems with the application of the alpha value formulation which cast doubt on the usefulness of the ratio and on what, in fact, it is measuring. The numerator of the ratio (domestic local value) is affected by high subsidies in many countries which in some instances require reform, while the denominator of the equation (FFP costs) not only includes shipping costs with the U.S. maritime subsidy of cargo preference, but it is subject to other political influences as well.

## **Catholic Relief Services**

In developing a formula to assess cost effectiveness of Title II foods, the Subcommittee emphasizes the delivered cost of commodities to the American taxpayer against the monetary value of the same commodities to recipients in developing countries. We would have welcomed comments reflecting the significant cost to the program represented by the promotional activity without which nutritional objectives are almost impossible to reach. Whether these costs be assumed by the Voluntary Agencies, the target community or the local government, the high costs of promotion should be highlighted.

## **Krause Milling Company**

Alpha values as constituted are very limiting...it provides no true cost for overseas use.

The Academy recommends that commodities with high Alpha ratings be selected. This currently places emphasis on the programming of milk powder and oil. Establishing a program based on these two commodities would be questionable for several reasons. Because of its structure, Alpha values almost automatically give low values to new or unfamiliar commodities because they are not recognized in the local market place and consequently have low local values (blended foods as an example). A rigid application of high alpha value selections then mitigates against trying new foods or new food combinations.

Alpha values reflect government subsidies both in the U.S. and overseas. On the one hand, NFDM's high alpha rating is partially due to USDA's subsidy on the price of milk in the U.S. Cereals, on the other hand, have a low alpha rating because of Third World subsidies in many places.

## **Lauhoff Grain Company**

The alpha factor concept is troublesome in many ways... The alpha value concept is in direct violation of current FFP restriction which does not permit commodities to be sold or bartered... The alpha value must be calculated for each country and/or region and plans are made 18 months in advance. Since both commodity cost to FFP and commodity value to the recipient are oriented to crop costs (U.S. and recipient country), the numerator and denominator of the alpha value would be estimated values possibly two crop seasons in the future...crop values and the alpha value concept would add one more major variable to the calculations.

Under the present method of selection, commodities are chosen on the basis of the recipients' total nutritional needs... Implementation of the alpha factor method of commodity selection based on the false premise that income transfer maximizes nutritional cost-effectiveness will further erode and compromise the

basic nutritional goals of the program. The failure of the alpha value concept to consider other factors of significance is a major shortcoming. It does not consider the cost of the commodity to the U.S. government (only to FFP) or the impact of the choice of a commodity on the U.S. economy, i.e., lost jobs, corporate and personal taxes, etc. This impact would be felt by the milling industry as well as the transportation, packaging food additive and equipment manufacturers for these related industries.

Implementation of the alpha factor concept would be impossible to administer from a practical standpoint. Field offices in the recipient countries would have an impossible task of accurately determining the factors involved such as the value of a commodity in the local market place.

#### **Paper Shipping Sack Manufacturers Association, Inc.**

Unfortunately, both the numerator and the denominator in this equation are rife with problems...With regard to the numerator, it was acknowledged at the briefing that the determination of the "value" of a commodity would be optimum if accomplished on a family-by-family basis yet, in practical terms, would probably be determined not on a family basis, not on a community basis, perhaps not even on a country-by-country basis... Then there is the denominator portion of this equation. Using the cost of commodities to Food for Peace in the denominator of this equation is a problem in several ways...[T]he three groups involved in this program--AID, USDA, and the voluntary agencies--seldom (if ever) coordinate objectives. Second, the commodity costs are on an "apples/oranges" basis due to the fact that non-fat dry milk is available to the program below the world market price due to the dairy support program.

#### **Stauffer Chemical Company**

The development of the "alpha factor" is one way of examining the cost-effectiveness of the PL-480 commodity program. As total costs to the receiving nation (distribution, inland freight, and product losses) are not used in the study's evaluation, many important factors were not included [in the alpha factor]. The cost-effectiveness of targeted feeding programs and overall nutritional needs of the receiving nations and the nutritional value of the products vs. the needs were not addressed. For these reasons, the alpha value may not be a good criterion for product selection or true economic evaluation.

#### **ADM Milling Company**

The Academy model considers cost as USAID cost of commodity acquisition and transfer costs to CIF foreign port. It ignores additional cost borne by the Volags and host country for processing and delivery to the recipient. Because most of these additional costs are reflected in the Academy formula when products are processed in the U.S., the model artificially favors bulk unprocessed commodities in the nutrition/cost equation.

## **Monsanto**

I question whether one should use only the landed cost of the commodity in calculation of the alpha value. [T]he additional cost of storage and distribution could be a very significant factor to the final recipient's "cost".

## **Protein Grain Products International**

Alpha values do not reflect actual commodity and program costs. In the U.S., the artificially low price of nonfat dry milk charged to the Title II program is not the "real" cost to the U.S. taxpayer. Overseas, alpha values do not take into consideration the costs of food handling, storage, distribution and home preparation. If actual costs were used instead of the alpha value, the ranking of commodities would be entirely different.

Alpha values are also skewed by subsidies either in the U.S. or overseas. The subsidies may artificially raise the value of some commodities (U.S. dairy products) while lowering others (cereals produced in-country). It is superficial to relate subsidies to products used in an ongoing program in that subsidies may change from year to year and thus distort the nutritional objectives of the program.

Although the voluntary agencies have done an excellent job of administering food assistance programs, particularly in light of limited staff and financial resources, one must question whether they have the time and ability to accurately measure the specific nutritional and dietary needs of the recipient groups.

## **Hoffmann-LaRoche, Inc.**

As described in the Study, the cost-effectiveness principles are very dependent on the calculation of the "alpha factor". Our prime concern is that only protein and energy contributions are identified as the nutrient indices to be related to the "alpha factor". While it is recognized that it may be more difficult and challenging to include contributions from micronutrients (i.e., vitamins and minerals) in a mathematical formula, computer techniques have demonstrated that these multiple factors can be accommodated as feeding programs are developed.

## **Beatrice Lorge Rogers**

The study requires a careful reading, since it presents, I think, a very balanced approach to the usefulness of the alpha factor in commodity selection, emphasizing that its use depends on the type of program (take-home versus on-site), its intended effect, and the trade-off between nutritional improvement of a target child and that of the household as a whole. I think the risk in this study is that people may pull out the idea of the alpha factor and apply it without considering the caveats so well presented in the text.

## American Council of Voluntary Agencies for Foreign Service, Inc.

Since various food distribution modes may not entirely reach target individuals, the NAS proposed that "leakage" not be perceived negatively, but be viewed as a benefit that appears elsewhere. (Leakage, in the perspective, extends to cases where food where this leads to decreased food purchases by the individual's aid is in fact entirely consumed by a target individual, but where leakage can be viewed as a benefit, and in particular an income benefit, the authors use cost-effectiveness analysis, and call the number derived by this method the alpha value. The income effect may have further nutritional benefits if the effective increase in purchasing power is used to purchase food. This justifies distributing the commodity with the highest cash value for the recipient, at the least cost to Food for Peace. Clearly, there is another leap of faith about the use of the increased income and the nature and extent of the nutritional benefit.

Use of the alpha valuation tends to encourage the use of NFDM and oil and to discourage the use of blended and fortified foods. The implications of these conclusions necessitate a close look at the alpha valuation. In this computation the ratio of the value of the commodity to recipients (the numerator) and the cost to Food for Peace to provide the commodity (the denominator) yields a figure that tends to obscure the relative values to the recipient of different commodities, and makes the cost to Food for Peace determinant. For example, with blended or fortified foods, while the value to recipients may be significant (in nutrition or for the cash value they represent) the cost to Food for Peace is large enough to yield a low alpha value, relative to other available commodities.

### C. Capone, M.D.

The subcommittee has omitted to apply the alpha value to the commodities which are made available to meet famine and other emergency situations and, by this, has missed the best opportunity of illustrating the employment of its theory. In famine situations the propensity of the household for using the donated foods as an addition to the diet (of adults and children) is usually equal to unity. All the food received is usually employed to complement the diet.

By limiting the analysis to the nutritional cost-effectiveness of the commodities, the report has narrowed the application of the alpha value to only one aspect of Title II program, thus forcing the choice of the most cost-effective commodities only in terms of "nutritional cost-effectiveness." What the report calls nutritional effectiveness is in reality a mixed bag of benefits where nutrition appears only as a small item. The report does not draw a line between nutrition and other benefits and ignores the very important role promotion plays in making the commodities nutritionally effective. And it does not justify the costs of those benefits which cannot be classified as nutritional....

The introduction of "work" and "propensity" factors into the formula would make the alpha value encompass both the nutritional and developmental cost-effectiveness. These are two distinct realities, but they complement each other in food aid programs. The modified formula, perhaps, could be of greater use in the selection of the most cost-effective commodities or in the most cost-effective utilization of any given commodity package.

## IV. COMMODITY SELECTION

### Senate Committee on Agriculture Staff

...I have concern about the recommendation to curtail WPC soy in infant feeding programs. This recommendation ignores the fact that the AID specifically recognized the need for such a product and has expended considerable time and research in developing this product to meet a specific need.

...I believe there are some recommendations of merit in the study such as availability of milk-free blended foods where lactose intolerance occurs. Also, the use of sweeteners in weaning mixtures is especially interesting.

### AID:NE/TECH/HPN

[T]he report's critical point needs hammering home: if we, as a development community, don't know enough about which commodities are more likely to benefit at-risk groups, through a direct pathway to improved nutrition (and how), we had better do more in the way of cost benefit to households (hopefully at least targeting on at-risk households), until we in fact do learn more about affecting the direct pathway through take-home.

### AID:AFR

I am concerned that the inflexible application of the cost effectiveness criteria would lead to an increased usage of higher priced commodities in place of lower cost yet more appropriate foods, such as processed cereal grains. Further, unless our PL480 budget were substantially increased, the number of PL480 Title II recipients would probably suffer a dramatic cut.

### AID:AFR/DR/ARD

The Food for Peace commodities currently available under the program are a result of many years of research and development carried out by the food industries. Suggestions offered by the voluntary agencies at the time each of the foods was being developed were very much considered. This long process of developing new foods included a fairly long period of acceptability testing in the field before the food was actually distributed on a large scale basis. We consistently encourage all efforts to continue the close cooperation with the voluntary agencies.

#### AID:LAC/DR/HH

[T]he recommendation of the report to maximize local value of the commodity may be directly contrary to the objective of disposing U.S. agricultural surplus. Using the nutritional cost effectiveness criteria, the low local market value and relatively high procurement cost of blended and processed foods also make these commodities undesirable for the Title II program. This will not "go over" well with the food processing industry. The shift in program focus (nutrition to income supplement) and the possible programming changes implied in this shift will not be popular with PVOs. In addition to changes in commodity mix, as well as implied changes in program priorities, the nutritional cost effectiveness criterion suggests that FVA/FFP should reassess the existing delivery mechanisms' (PVOs') ability to provide income as opposed to nutritional benefits. Taking the income criteria to its logical extreme, FVA/FFP might consider eliminating costly delivery systems (PVOs) in favor of putting the donated commodities into existing food systems (stores, markets, ration shops, etc.).

#### AID:Asia

Additional studies are suggested in order to "evaluate the appropriateness of particular commodities..." The report does make several specific recommendations for re-evaluation of commodities on the availability list or possible additions to the list. However, I had hoped that this report would in fact have done more in this direction... I feel that the advice given on milk-free blended foods, soy fortification of rolled oats, etc., does not really satisfy the statement of the purpose of the study. I do not believe the report hewed to this "central question" but rather designed a methodology for making this effort, and then recommends further field studies.

#### USDA:ASCS

An original focus of this project... was to evaluate the advisability of increased program use of basic commodities held in CCC inventory, principally whole grains. Such commodities could then be shipped to recipient countries and blended or processed by indigenous labor, thereby releasing dollar savings for the purchase of additional foodstuffs. Cost-effectiveness and nutritional balance were also to be assessed.

USDA is faced with the challenge of maximizing the use of basic commodity inventories acquired under price support programs. We feel that more consideration should be given to program use of those commodities which have already been purchased, have been determined adequate in meeting the nutritional needs of program recipients, and are easily made available. This view was expressed in a letter from the Secretary of Agriculture to the

Administrator of the Agency for International Development in January 1979... The Agricultural Stabilization and Conservation Service (ASCS) is of the opinion that maximum nutritional impact should not be established as the only goal for the effective use of surplus commodities. Furthermore, the shipment of basic commodities would reduce procurement and delivery costs and could make a substantial contribution to development in the recipient countries since indigenous processing is more likely to result in a suitable product.

## CARE

A high alpha value means an improved nutritional pay-off in take-home food programs. This, quite simply, is the major hypothesis of the report, but the example of NFDM as a high alpha valued commodity shows this is misleading. Most field managers would readily conclude that NFDM seldom, if ever, conveys more purchasing power to low-income groups for a myriad of reasons.

The NFDM example raises a paradox inherent in the alpha value approach in that although most cost-effective in relation to Food for Peace costs and local value in the recipient country, a commodity may nonetheless be nutritionally least cost-effective if caloric requirements are not first met or the conveyed purchasing power is not realized and translated into additional caloric intake.

This NFDM example also raises the problem of failure to include PVO and in-country costs in calculating the denominator of alpha.

## CHURCH WORLD SERVICE/LUTHERAN WORLD RELIEF

It does seem reasonable to give more prominence to the cost of certain commodities to the program and to their nutritional/development value to recipients. At the same time, there are several dangers which would need to be guarded against.

One is that commodity cost may change more rapidly than PL 480 projects are able to utilize cost-effective commodities and accomplish their various objectives. Helping people to improve their diets is a long-term proposition, as is increasing on a durable basis their economic resources. It would be tragic if cost-effectiveness considerations led to abrupt changes in commodity availability to the program.

Secondly, PL 480 has made progress in the past decade in becoming more than a surplus disposal vehicle. The mandatory minimum tonnage and multiyear programming features of the program are significant developments. To tie commodity selection too tightly to commodity acquisition cost may move toward reestablishing the program as a surplus disposal vehicle.

The mandatory minimum tonnage provision in the law comes in for some attention in the report. One implication is that a human needs-oriented Title II needs not a quantitative but some

sort of qualitative guarantee of commodity availability year in and year out. Since the tonnage provision in the law was a means to an end, if a better means to the same end can be found, it would surely receive sympathetic congressional consideration.

From a development perspective, it has for some time been clear that Third World processing and fortification has a great deal to recommend it, and even that commodity purchases in other Third World countries are in some instances preferable to PL 480 shipments. While purchases in other countries are not possible under current PL 480 legislation, it would be unfortunate to implement a cost-effectiveness formula which assumed processing and fortification in the U.S.

### **Catholic Relief Services**

The Voluntary Agencies would definitely welcome a greater freedom of choice in the selection of commodities, provided the higher cost of these commodities is reflected in a corresponding budget adjustment.

The report states that minimum tonnage requirements, together with "inflationary reduction" in budgets, may result in a decreased nutritional cost effectiveness in the program. This is obviously correct, since reduced Title II budget ceilings will necessarily result in a shift toward a greater percentage of low cost commodities. Recent actions by the Administration, however, such as the decreased cost of the commodity milk, leads us to hope that similar actions could be taken with respect to other commodities, such as corn and wheat and their subproducts, and possibly rice. One should also consider the significant decrease in freight costs another positive development.

### **Rice Millers' Association**

RMA concurs with the report's contention that commodity selection must begin at the level of the recipient country and with the knowledge of the community in which the distribution program is to operate. The first criterion of commodity choice should in fact be the suitability of the commodity for the interested recipients.

### **Krause Milling Company**

The Academy makes some specific recommendations for additional commodities for the availability list. Among them, (a) a milk free blended food and (b) a sweetened product for weaning mixtures. Both of the above formulations have been available in the past and could be available to the program whenever called for. We specifically refer to CSB and sweetened instant CSM.

## Paper Shipping Sack Manufacturers' Association, Inc.

The goals of Title II will undoubtedly be optimized/maximized more successfully to the extent there is an objective method by which at least some of the variables entering into decisions of commodity selection can be more precisely defined. However, AID must be very wary of selection systems which give the false impression of providing an objective and precise measurement of commodity "worth" yet are based on "ivory tower" concepts which will not work in the real world....

## ADM Milling Company

The ability to meet the multiple objectives of PL 480 lies in the control of the commodity selection process... He who controls the selection process, controls the program...The Academy recommends "that voluntary agencies in recipient countries be given greater authority to select commodities according to the guidelines proposed in this report...." Clearly, this is not the intent of Congress. Nor is it the intent of Congress to shift the center of power and control from USAID to "offshore interests". The Academy recommendation would do just that.

The list of available commodities has evolved over the years in response to the perceived needs of the recipients and the mechanisms required to meet those needs quickly and economically. Each commodity has a specific purpose and a delivery system to meet those needs. It is recommended that Volags in recipient countries be given greater authority for ...commodity selection. This deserves careful evaluation considering the risks to the program.

## Hoffmann-LaRoche, Inc.

Although it is well-established that fortified foods are a very effective vehicle for cost-effective nutritional intervention, in the Study fortified foods are omitted from the general discussion and treated merely as exceptions (see page 113). The balance between expenditures and benefits is briefly discussed; however, little information is provided regarding the incorporation of this balance in the criteria for commodity selection (see pages 120-121).

## Protein Grain Products International

Emphasis on high-value commodities such as nonfat dry milk and vegetable oil is contrary to one of the basic premises of the Title II program; that is, commodities which have the most likelihood of being produced and consumed overseas, such as cereals and legumes, should be the main components of the Title II commodity mix.

Foods recognized for their high nutritional value in the U.S. i.e., soy-fortified and blended grain products, are given low  $\alpha$  values because they are compared to local grain products. Such comparisons fail to take into consideration the additional protein, vitamins and minerals supplied by the U.S. Government.

## **Bread for the World**

Tying Title II commodity selection even more closely than at present to the price and availability of commodities in the U.S. could be a step backward, toward making Title II once again primarily a surplus-disposal mechanism. This risk cannot be taken lightly.

## **Foundation for Nutritional Advancement**

The cost-benefit analysis which is undertaken in the study tends to ignore the positive effects of food fortification on the nutritional well-being of populations in the recipient countries. In our view, increases in the cost of administering public health programs as a result of lowering the nutritional content of the commodities are very probable. The costs can be significant as has been recognized in all reputable studies carried out in the United States in recent years and could more than offset any savings envisioned.

## **Beatrice Lorge Rogers**

I do have some concern about the recommendation to use vitamin and mineral premixes in the donated Title II foods. Unless one can assure that these foods will be available indefinitely, or that fortification of the food supply will be taken over by the recipient government, such supplementation may be only a stop-gap and not a step toward solving an existing nutrition problem. This is because micronutrient supplementation is invisible and therefore does not alter either the habits or the economic constraints which caused the deficiency....

Another issue which needs to be explored further is that of the minimum tonnage requirement. I agree with the NAS study that at present the minimum tonnage requirement coupled with budget restrictions forces the program to select commodities which may not be nutritionally cost-effective, and that this situation should be remedied. However, the intent of the minimum tonnage requirement is to prevent erosion of the real effect of the program due to inflation. I would like to see some consideration of alternatives for assuring that the program is maintained at its existing level.

## V. INCOME TRANSFER

### Senate Committee on Agriculture Staff

With regard to nutritional cost effectiveness or the so-called "alpha value"... I question the reasoning behind the determination of nutritional cost effectiveness. Certainly, nutritional cost effectiveness can be a goal of the program. However, the analysis suggests that application of the "alpha factor" could imply maximizing income transfer to needy recipients. To base commodity selection primarily on the basis of its high value in the local economy may emphasize that income transfer is the main goal of the program. Income transfer is certainly not the main goal and one might correctly question any relevance of income transfer among intended objectives under the program.

#### AID:PPC

The NAS report posits that food transfers are income to the recipient and that nutritional impact is directly proportional to the monetary value of the food to the recipient. PPC accepts those assumptions with an understanding that the theoretical relationships are much more complex in reality and require further examination.

#### AID:S&T/HP

The report discusses the potential of food distribution for increasing income, and cites research findings that a good proportion of that increased income will be spent on food. However, evidence is not presented that the food purchased will be nutritious and contribute to a balanced diet for the target groups. Presumably consumer behavior also varies significantly according to household socioeconomic level.

#### AID:LAC/DR/HN

The criticisms of the report come from nutritionists, U.S. agricultural and shipping interests, and the P.V.O. lobby.

Nutritionists generally do not believe that food and cash are interchangeable. In nutritional terms, income supplements, in whatever form, do not necessarily improve the intrafamilial distribution of food. In this way the nutritional needs of the target group most important for nutritionists-- infants, pregnant women, etc., may not be efficiently addressed by the income transfer approach to PL 480 Title II programming.

#### AID:Asia

The concept on the "indirect pathway" requires a rethinking of the purpose and processes of the Title II program. The

differentiation between foods that are consumed by a targetted individual compared to food reaching the household we find very interesting.

As we understand it, in the latter case the Title II food replaces food that is a part of the normal diet of the family and can be purchased domestically, or replaces a similar food. In either case, there is a saving of income that could be used to purchase other foods. And, the argument continues, the higher the price of the domestic food relative to the Title II food, the greater will be the savings to the consumer and the more his real income would increase.

However, I am not too sure that the "savings" by the consumer/family would be used to purchase other food items. It might go for entertainment, drinks, or other less "wholesome" pursuits. In fact, I can even envisage it being used for contra-nutritious food purchases.

### **Monsanto**

A major issue prompted by this report is the assumption that recipients of the commodities will act in such a way that they will use the cash value of the commodity to purchase additional food. This uncertainty has been recognized by the Subcommittee since it is recommended that field studies be made to test this assumption...[C]hanges in commodities purchased in the Food for Peace Program should [not] be made until suitable field studies have been completed.

### **Lauhoff Grain Company**

The academic theory that nutritional cost effectiveness in take-home feeding programs is directly related to income transfer has no support within the report and has absolutely no merit.

### **La Crosse Milling Company**

The theory that if the income transfer value of the commodity is high, the recipient will use that money for high nutritional food instead of perhaps liquor and tobacco is not justified or proven.

### **ADM Milling Company**

The Academy places a high priority on the commercial value of the commodity selected (i.e., NFDM and oil). The theory is that donated high value commodities free up family income to purchase additional nutritious foods in the local marketplace.

There are numerous "assumptions" to the practical success of this concept...[H]igh value products would overexpose the PL 480 program and its administrators to thievery, graft, corruption in the delivery system, and fraud. Neither PL 480 nor its administrators need this exposure.

## **Protein Grain Products International**

The inference that recipients of donated commodities will use the food dollars "saved" to purchase other foods for the household is purely hypothetical. Just as in this country, different families have different priorities for their limited spendable income.

## **Foundation for Nutritional Advancement**

A further assumption of the study which we find questionable is that the recipient family will spend the additional money for better foods. We have not found in the United States that this is the usual use of additional income in lower-income families, and there is no reason to believe that it will be so overseas.

### **C. Capone, M.D.**

Most Title II programs (emergencies, mother-child programs, food-for-work projects) employ the "take-home" mode of distribution. The subcommittee claims that the commodities reaching the household "exert their nutritional effect through an increase in real income by displacement of food usually purchased." By increasing the family income, with commodities of high monetary value, concludes the subcommittee, the nutritional benefits will be maximized.

At this point it is difficult to agree with the subcommittee. Experience with Title II programs, plus data from surveys, studies and evaluations, indicate that by increasing the family income with commodities of high monetary value, the "welfare benefits" are maximized out of proportion of the "nutrition benefits".

## VI. STATEMENT OF EXCEPTION

### AID:AFR/DR/ARD

We...agree with Hoover... that application of cost-effective calculations will be limited because they ignore international, domestic, political and economic realities. We believe that the calculations ignore an important efficiency consideration and that the report underestimates the difficulty of obtaining the type of data successful calculations will require. By assuming a degree of program refinement that does not exist, the report suffers from "top-down disease".

### CATHOLIC RELIEF SERVICES

Perhaps as a result of "scope of work" limitations, the study does not take into sufficient consideration "program priorities, mode, operations, administration or budget levels", or "international and domestic political and economic realities" (above quotes from "Statement of Exception" by Mr. W. Hoover.)

### Laxhoff Grain Company

W. Hoover's "Statement of Exception" generally expresses the flaws of the report very well.

### Krause Milling Company

[W]e support Bill Hoover's Statement of Exception to the report by the National Academy of Science... [T]he points he has raised are valid, relevant and timely, particularly those dealing with the merits of "value-added" commodities.

### ADM Milling Company

Perhaps the single most important attribute of the study and the document which should be given the most serious attention is the "Statement of Exception" to the study by Dr. William Hoover. We wholeheartedly support and reinforce his comments and conclusions regarding the study.

### Textile Bag Manufacturers' Association

Dr. Hoover's statement of exception was extremely well-stated, and should be given greater prominence in the interpretation and evaluation of the study.

## **La Crosse Milling Company**

Mr. William Hoover, in his statement of exception, expressed as well as we can the fallacies and errors we feel were incorporated into the report....

## **Hoffmann-LaRoche, Inc.**

[T]he Report of the Presidential Commission on World Hunger (June 1980) identifies fortification as highly focused but underutilized form of nutritional intervention. This is well-described in the "Statement of Exception" prepared by Dr. William Hoover. We also concur with the discussions in the Statement of Exception entitled "Nutritional Cost-effectiveness Considerations".

## **Protein Grain Products International**

Dr. William Hoover's Statement of Exception is wholeheartedly endorsed.

## **Beatrice Lorge Rogers**

...[I]t is true (as stated by the dissenting member Mr. Hoover that political and economic factors often dictate which foods will be available to the PL 480 program.

## **Foundation for Nutritional Advancement**

We find ourselves in almost complete agreement with the Statement of Exception which is carried as Appendix to the study and would strongly recommend against implementation of the concepts included in the study until much further work has been done in the field to substantiate its premises.

## **American Council of Voluntary Agencies for Foreign Service, Inc.**

The point in the "Statement of Exception" is quite compelling, that is, "It is incredible and bordering on irresponsibility to recommend commodity purchases, involving hundreds of millions of dollars, based on theory that natural behavioral response leading to the purchase of more nutritional food will result from maximizing the income transfer characteristics of the donated commodity."

## VII. RESEARCH

### AID:S&T

[W]hile the report makes insightful theoretical contributions, it would precipitous and potentially dangerous for A.I.D. to modify its PL 480 Title II distribution activities as suggested in the report without considerable support from research conducted at the field level.

[T]he report helpfully draws attention to the poorly understood "pathways" by which distributed commodities reach targeted individuals and other beneficiaries, and to the poorly understood economic characteristics of the distributed commodities... [M]ore should be learned through research about the details of the operation of the "pathways" followed by distributed commodities and about the economic impacts of the commodities themselves in specific country situations before extensive program modifications are considered.

We therefore endorse those recommendations of the report which call for research that would provide definitive information on these questions for A.I.D. guidance. In this connection, I hope the Office of Food for Peace would call upon the resources of this Bureau, to the extent that they can be made available in view of other commitments.

### AID:AFR/DR/ARD

What is the net nutrition impact of a soy-fortified cereal product which is easily infested, sequesters available trace minerals and is variably digestible? AID has the capacity to investigate this issue having just funded a research project in Kansas with excellent capability in this area. This would be quite appropriate activity toward achieving technology transfer.

What evidence do we have that blended foods provide a disincentive to breast feeding?

We are awaiting the FAO/WHO/UNU committee report on energy and protein requirements. We would like to blend this guidance with the issues you raise concerning the distribution of nutrients in direct-feed and take-home settings.

Without investing in appropriate infrastructure of training and equipment, we wonder what the benefits of vitamin mineral mixes might be. On what basis will workers distributing food conclude that home diets are inadequate in a particular nutrient -- clinical tests and nutrient analyses of food in the diet? What risk of error would be associated in making calculation and weighing out quantities of mix? How would quality control be addressed? In the interest of safety, we believe that availability of vitamin/mineral mixes should follow, not precede local food fortification and weaning food projects.

We... support the need to conduct field studies in the areas on inter-household allocation of food, income distribution, household decision making and socio cultural aspects of local food systems.

**AID:S&T/HP**

As the report suggests, there is a great need for additional research on consumer behavior and cost-effective commodity selection. An additional question to those raised in the section on recommended studies relates to the extent to which Title II foods are a disincentive to local production of food and/or use of locally available foods.

**AID:NE/TECH/HPN**

Operational research should be geared to increasing our knowledge of food use patterns.

Whether or not the Agency decides to do more in terms of cost effectiveness through the indirect pathway, we owe it to our program objectives to increase AID efforts to develop state-of-the-art in child-specific foods and feeding practices-- i.e., the direct pathway, but using take-home. New and original child-specific foods as to color, taste, shape, texture, etc. that can be produced or mixed locally and/or centrally should be further investigated and promoted. The USDA, under AID RSSA, has already made several advances in this direction...[O]ur limited successes to date in optimal child nutrition impact through so-called self-targeting foods, is cause for redoubling our efforts along these lines, not for reducing them.

At the same time, increased attention needs to be given to the constraints on mothers with regard to the cultivation, preservation, and preparation of food at home as it affects child-feeding (home sciences).

I would recommend that these last two suggestions be aspects of the Agency's hard science research to achieve technology breakthroughs.

**AID:LAC/DP**

While the report proposes an innovative methodology for the management of our Title II efforts, it is not at all clear that this methodology can be effectively implemented without considerable annual increases in the Title II program or reductions in our worldwide commitments. There doesn't seem to be sufficient information available about the cost implications of the methodology and commodity trade-offs to determine whether it can be effectively implemented given existing budgetary constraints, commodity prices and our global program commitments. We would suggest that further research be considered to generate the kind of data that are needed to establish feasibility

parameters.

In our view, the report is a significant first step in modifying our PL 480 design and implementing methodology but that substantial additional work will be required before concrete decisions can be made about its practicality and feasibility.

### **Church World Service/Lutheran World Relief**

The report may also not be on safe ground in assuming that in nonmarket settings where undernutrition is chronic, "commodity packages convey income by displacing foods that would have been purchased in their place." This is clearly an area needing further study, as the report itself suggests.

It may also be worth observing that while instituting a process for the selection of more appropriate commodities is clearly a step in the direction of a more responsive PL 480 program, having the best commodities available to the program does not insure their wise utilization. Thus, there remains the need for continued study of how best to program food commodities in ways which maximize their nutritional and developmental impact.

### **ADM Milling Company**

The Academy recommends, in conjunction with a host of field studies, the "precise assessment of the nutritional status and existing intake patterns of the intended recipients" as a precursor to the implementation of their commodity selection concepts.

One must question the practical value of such an exercise in lieu of the fact that such evaluations have been ongoing both formally and informally for years.

First, is the question of manpower...Second, data collection in the LDC is "at best" imprecise. Third, nutrient needs are forever changing within the target groups. Finally, because PL 480 budgets and Volag requisitions must precede commodity delivery by "at least" one year, the entire process is anticipatory--a best guess at best.

### **Stauffer Chemical Company**

Additional study is needed which should include nutritional needs and capabilities for the PL 480 program as well as the costs of product losses (insect infestation, packaging failure, product degradation and rancidity), costs of warehousing and distribution within the receiving nation and the overall economic importance to the U.S. relating to domestic employment and tax revenues.

## Krause Milling Company

Although it is extremely useful for the voluntary agencies to develop sophisticated, in-house analysis of their beneficiary groups, it is doubtful that they will have the resources (both monetary and management) to carry out the detailed studies suggested by the Academy.

## Monsanto

I ... question whether all the voluntary agencies and recipient countries have the staffs to follow-up the procedures outlined by the Subcommittee.

## Paper Shipping Sack Manufacturers Association

One of the basic issues raised in the study is the desirability of quantifying the nutritional value of commodities to recipients. Much of this process depends on knowing how each family will spend additional income "released" because of the food gift, the unique nutritional needs of each family, protein versus energy cost-effectiveness for each family, etc.

What is needed in developing these values is a very specific idea of:

- The relative monetary value of Food for Peace commodities to the recipient;
- The effect of each commodity on the purchasing and consumption behavior of the recipient household;
- The amount of the commodity usually purchased by the recipient; and
- The cost to Food for Peace per unit of protein or energy.

We suggest, in all candor, that such research data will be virtually impossible to develop given the overseas staff available and that therefore such variables, if developed, will be at best virtually worthless to the measurement of nutritional value.

In a positive vein, we wholeheartedly agree with the comments on page 130 of the report regarding field studies.

Much more needs to be understood about what actually happens to the food until it is consumed, what happens to "freed" income, how package size and composition affect participation, and on and on. Indeed, many of the conclusions drawn by the subcommittee are based on conjecture, theory or opinion. There is a massive need for more facts.

## VIII. NUTRITIONAL FACTORS

### Catholic Relief Services

The question of lactose intolerance and the substitution of milk-free blended foods in areas involved was settled many years ago.

The addition of nutritive sweeteners to the list of available commodities may result in the satisfaction of energy needs of the child, and his taste, with a lesser volume of weaning mixture, thus reducing the intake of other nutrients.

### ADM Milling Company

Soy protein fractions may reduce iron utilization. The KU study on iron utilization is still being evaluated. It is very premature to draw this conclusion and in a diet comprised of other protein sources probably not true.

Blended foods are expensive and not readily accepted by recipients. Prove it. From a nutrient economic standpoint, they are inexpensive. Prove they are not.

The protein level in blended foods is higher than is needed. Can the same be said about NFDM? To what target group? Can this be said when used as a supplement?

The poor digestibility of WPC/Soy makes WPC/Soy inappropriate. The Academy was presented all the results of the USAID clinical and field studies. Nowhere was this strong a statement indicated. Where is the Academy's supporting data?

WPC/Soy is not cost effective. Compared to what? Where is the nutrient economic justification? What is the rationale behind such a statement?

The Academy rightly notes that calories or the lack thereof has recently been recognized as a major causative factor in malnutrition. Heretofore the primary emphasis was on protein deficiency in the malnutrition equation.

The caloric role in malnutrition is being elevated in status as a factor to be addressed.

But, unlike the Academy infers, caloric insufficiency is being recognized as equal to protein insufficiency in the cause of malnutrition. The Academy would have us believe that protein insufficiency is now irrelevant.

Protein and calorie needs are "twin sisters". Both must be dealt with.

And, WPC/Soy was developed as a response to the recognition of this fact.

### **La Crosse Milling Company**

The report considers only calorie and protein nutrition and basically ignores all other nutrients in the blended and fortified foods.

### **Hoffmann-LaRoche, Inc.**

The Study recommends that vitamin/mineral premixes or vitamin/mineral supplements be considered as additions to the list of Title II commodities...we feel fortification provides a means for very cost-effective nutritional intervention.

We are also concerned with the indication in the Study that "fortified foods should be used only when additional nutrients are more important than improvement of the total diet...there are various stages in the deficiency process and that less than optimal performance may occur before overt clinical deficiency symptoms appear. Recognizing this dilemma, nutritional guidelines such as those established by FAO/WHO are particularly useful. Many of the blended commodities provide the recommended nutrients at appropriate levels.

With regard to the discussion of nutrient toxicity (see page 43), we submit that the Study overstates the possibility of toxic effects from fortified foods...there is little, if any, evidence to support toxicity from fortified foods.

### **Bread for the World**

Selecting and distributing commodities on criteria based on income/market value may increase the risk of introducing commodities into an area's market whose eventual impact on nutrition and development would be unfavorable. Any commodity, including one sold by its immediate recipient, will eventually be consumed. Its nutritional benefit, and impact on eating habits in the area cannot be considered unimportant side-effects.

For example:

- Sugar and corn syrup...have no nutritive value besides energy, and could undercut the functioning of a nutritional education program promoting more nutritious foods.
- Vegetable oils are an important Title II commodity. But distributing more oils because of the income/nutritional benefits to a family who sells the oil may in the long run disrupt the development of food use in an area.
- The promotion of nonfat dry milk is beneficial if it is accompanied by agricultural development efforts that promote the production of dairy products among the recipient groups. Cost-effectiveness criteria...might dictate the use of nonfat dry milk in cases where development concerns would argue against it.

## IX. OTHER ECONOMIC CONSIDERATIONS INCLUDING VALUE ADDED

### ADM Milling Company

PL 480 is a U.S. program involving U.S. tax dollars. Sizable benefits accrue to this economy in the production of high value products through processing here "at home"...If the Academy had considered cost as net cost to the U.S. Government, their academic model would show a much different nutrient economic profile for particular commodities.

By netting the tax benefits against the commodity costs, the nutritional cost effectiveness improves, especially for processed commodities versus raw commodities.

### Rice Millers' Association

The...criterion [of] cost-effectiveness is...extremely important and one which RMA strongly endorses... [I]t is the major recommendation of the study that nutritional cost-effectiveness be carefully considered by those selecting Title II commodities, inasmuch as nutritional cost-effectiveness is greater when the ratio of the local value of a commodity (or its substitute) to the cost to Food for Peace is maximized. RMA views as desirable the use of commodities that have a high monetary value to the recipient (as does rice in many parts of the world) relative to the cost of the commodity, since by increasing family income nutritional benefits will be greater.

### Protein Grain Products International

The Subcommittee report fails to accurately perceive how people buy and sell food overseas. Products such as nonfat dry milk and vegetable oil usually command high prices in the local marketplace which in turn leads to increased incidences of pilferage, graft and corruption.

The report does not give adequate attention to the processed, blended and fortified foods that have been engineered by food scientists to deliver maximum nutrition at the lowest possible cost to U.S. taxpayers. These foods have served the program well and function as an insurance policy to narrow the gap between actual and perceived needs. Additionally, since they are processed in the United States, there are numerous benefits accrued to the U.S. by doing the processing at home.

### LaCrosse Milling Company

The commodity cost to Food for Peace was defined only as acquisition cost and transfer cost. No credit was given to the increased economic activity within the U.S., the jobs that are created, or the tax money paid.

## **International Food Policy Research Institute**

I think the study's defined objectives and methodology are legitimate. I believe it is useful to begin a cost-effectiveness evaluation with the direct cost to the supplying agency. If further work is done, I would not change the formula that has been developed. I might add a more formal second stage of analysis where costs other than those to USG are calculated and weighted in arriving at a commodity allocation. I think it would be extremely useful to make a clear statement when publicizing the results of this study that a number of other factors must also be taken into account when making decisions about commodity allocations, and to list these factors. This list should include factors which have direct costs, such as cost of administrative personnel and cost of internal transport and storage for the commodity, and it should also include factors which have indirect costs such as cost of lost employment in the U.S., costs arising from lack of program continuity as relative commodity values change, cost to recipient of changing the feeding mode, and so forth. To make the results of the study really useful in the field, some method needs to be devised whereby these other costs can be taken into account just as formally as the alpha value and the least-cost criterion.

## **Fruen Milling Company**

Wherever possible, the products should be processed in the U.S. The income transfer potential is unrelated and irresponsible. The U.S. taxpayer is burdened with this program, so why is there no consideration given to enlarging our agricultural markets by considering the impact these give-away programs have on the U.S. agricultural programs? Enhancing the U.S. agricultural economy should be a prime consideration of these give-away programs.

## **Beatrice Lorge Rogers**

The study should perhaps make the point more strongly that the paper cost of commodities to the program can be misleading in the proposed cost-benefit formulation, since some of these costs are intentionally high, producing benefits (such as a subsidy to U.S. shipping) which are not accounted for in the alpha factor.

## X. SPOILAGE

AID:AFR/DR/ARD

The report identifies but does not develop problems of nutrient losses due to: packaging and lack of preservation; issues of bioavailability; and disincentives. We feel that they need more attention.

To what extent does packaging quality as well as size packaged contribute to losses? What is the relationship between packaging and transport, storage, inventory practices?

### Lauhoff Grain Company

The references to "spoilage" and "antinutrient" effects of protein fortified foods are incorrect based on the latest data available. Spoilage needs to be defined and the basis for the report statements clarified and/or corrected. Currently, there are no known problems with the products... General information indicates that antinutrition effects are quite complex and must involve tests with complete diets. Major decisions may not be justified by preliminary data.

### ADM Milling Co.

Blended and protein fortified foods appear to spoil more quickly. Compared to what? What about NFDM, or oil? Has this been a historical problem?

## **XI. DELIVERY METHOD**

### **AID:PPC**

One topic notably absent from the NAS report is a discussion of programming implications of the use of alpha values. While the report takes as given the current Title II program, PPC feels that the use of food as an income supplement to nutritionally-at-risk households may suggest changes in delivery systems. For instance, MCH feeding programs involve high shadow costs due to monopolization of scarce health clinics and personnel, costs which may be avoided in more straight-forward food delivery systems which are more efficient in transferring food income to the household.

### **Paper Shipping Sack Manufacturers' Association**

For on-site feeding programs, the report suggests the use of a "least-cost" criteria whereby alternative commodities be compared in terms of the cost per unit of nutrition... [W]e question the logic of promoting a "least-cost" approach for recipients like school children, the ill and pregnant mothers.

Indeed, the emphasis for these recipients should be quite the contrary, focused on the nutritional value of the commodity not be limited to simply energy/protein tradeoffs but expanded further to encompass vitamin/mineral supplementation and other considerations.

## **XII. EDUCATION**

### **AID:S&T/HP**

From the health perspective, the distribution of food presents a valuable opportunity to change attitudes and habits of women in meeting their own and their children's health needs. For example, distribution of food can be accompanied by educational messages and growth monitoring, so that mothers see the impact of appropriate infant feeding on the growth of their infants. This is a programmatic consideration which may have been beyond the scope of the report, and therefore not dealt with in detail.

### **AID:NE/TECH/HPN**

More resources need to be focused on nutrition education, whether with or without donated foods or other food inputs, not just in terms of knowledge and acceptance, but increasingly in terms of improved child care/child feeding practices. The more questionable the nutrition impact of take-home food, the more important becomes nutrition education in its own right.

### XIII. CONSUMPTION PATTERNS

#### Beatrice Lorge Rogers

I wonder if the factor analogous to alpha could be devised which would account for substitution and income effects and intrahousehold allocation patterns and which would quantify the amount of a food which must be transferred to a family in order to achieve a specified increase in consumption by the target child. While the study quite correctly points out the need for further research on intrahousehold allocation of food, the alpha factor itself considers only household-level consumption. This is, of course, the best which can be done, given the present state of knowledge.

#### XIV. COMPOSITION OF THE NAS SUBCOMMITTEE

##### **Church World Service/Lutheran World Relief**

...[L]et me... register my strong disagreement with the inclusion on the Subcommittee of persons associated with institutions having a direct commercial interest in the PL 480 program. The objectivity of the Academy's report and work is not aided thereby.

##### **Paper Shipping Sack Manufacturers' Association**

[S]ubcommittee members solely represented educational/research facilities with little current field experience... [R]eferences cited throughout the report provide little comfort...The result of this major project design flaw is an overly theoretical approach to some very real, practical problems.

##### **Western Great Lakes Maritime Association**

[T]he report suffers seriously as a result of no direct field participation by anyone on the Committee preparing it. There appears to have been no one on the Committee experienced in the field management of Title II and hence, little or no attention to the practical and administrative aspects of program implementation.

## XV. RECOMMENDATIONS

**AID: AFR/DR/AR**

The Subcommittee is probably not aware of what [the recommendation on monitoring] would entail in terms of the human resources needed to implement it. The current status of personnel available for monitoring the overall PL 480 program is very limited when compared to the number of PL 480 programs being carried out throughout the world. As with other matters that necessitate consideration when implementing a recommendation of this nature, many factors come into play.

We do not believe that the program is refined enough to be able to consider adopting [concerning a modified classification scheme] this recommendation.

There is a mechanism for reviewing and evaluating commodities on the availability list, the Processed Foods Committee. Their role might be expanded, but we do not recommend review according to the guidelines presented in this report.

All recommendations require more background analysis than this report has given them. These are separate issues and were not the focus of the report. It would be appropriate to study them further if we determined their relative priority among other research issues that face us.

Concerning the formulation of weaning mixtures, sweeteners have been used in their preparation for many years. In the early years of the Food for Peace Program, extensive training in the nutrition education and demonstrations on the preparation of the food were provided to mothers at schools and health posts. As part of the community participation, attendees contributed their local foods such as sugar and vegetables.

## XVI. FURTHER ACTIVITY

### International Food Policy Research Institute

Even without additional formal analysis, some constructive uses can be made of the study results. One possibility would be to prepare a set of hypothetical cases which show that the alpha value is not always the determining factor in commodity selection. For example, in a situation where the commodity or a close substitute is not consumed by the family, the alpha value is not relevant. Or in a situation where storage is not available and a commodity with high alpha value would have a high rate of spoilage, it fails to be selected on grounds of unsuitability. A manual for field officers which contained these cases would probably be more useful than simply to provide the nomograms.

Another possibility would be to prepare a summary for the general public following the outline for Judit Katona-Apte's presentation of study findings.

### American Council of Voluntary Agencies for Foreign Service, Inc.

We are not arguing that the exercise was without value. The study leads to new paths for thinking and action, and points out areas in which present understanding is at best fragmentary. The NAS has, at the request of AID, drawn up guidelines for utilizing their approach. This is exceedingly premature. Before the Report is translated into operational procedures, significant progress must be made toward understanding the dynamics of food use, and the study evaluated against an improved understanding.

## XVII. ADDITIONS AND CORRECTIONS

### USDA/ASCS

...[S]pecific additions and corrections are as follows:

Page 11, Para. 1 - To the sentence, "Surprisingly, commodity loss...totals less than 0.5 percent" add "as a result of package failures."

Page 12, Para. 2 - To subparagraph (b) add "The Secretary of Agriculture must also determine that raw materials are available in ample supply to manufacture the processed food."

Page 14, Para. 1 - To the sentence "Packaging is important because commodities...are expected to have a shelf life of at least six months" change to "approximately one year."

Page 14, Para. 1 - USDA questions the accuracy of the statement that "...NFDM in large bags frequently hardens and loses flavor."

Comments from the Foreign Agricultural Service (FAS) include the following:

The statement in the first paragraph on page 4 should be clarified to indicate that, although the study involved 55 million Title II recipients, the program currently has a total of approximately 76 million recipients.

The following paragraph should be substituted for the first two paragraphs on page 8 under "Administrative and Budgetary Structures."

"While AID by Executive Order has primary responsibility for administering the Title II donations program, an Interagency Group composed of AID, OMB, and USDA approve specific program requests. USDA has responsibility for commodity availability and procurement and together with AID selects, within the constraints of available program funding, those commodities that in appropriate mixes will meet specific nutritional and humanitarian needs of designated recipient groups. OMB is responsible for the program's level of funding which is a function of the total program (including Titles I and III) along with other foreign assistance requests in the foreign aid account. OMB seeks to ensure that the Administration's policies are effectively carried out, not only within the context of the food aid programs, but also from an overall budgetary perspective."

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ANNEX I: SYNOPSIS OF NAS NUTRITIONAL ANALYSIS  
OF PL 480 TITLE II COMMODITIES

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Introduction And Overview

A Subcommittee of the National Research Council was charged in April of 1981 with the preparation of a nutritional evaluation of commodities provided under PL480 Title II. <sup>2/</sup> The Subcommittee focused its ten month study on the development of commodity selection criteria from the perspective of the Title II Program, and on the implications of these criteria for commodity selection procedures.

The Subcommittee report questions the conventional view of Title II feeding programs. This conventional view regards PL480 commodities as supplementary and fully additive to the normal food consumption of the target individual(s). Based on available research data, the report asserts that, in most cases, Title II food is shared among household members and/or displaces some food otherwise purchased by the household.

The report states that commodity selection should be influenced by (1) the suitability of individual commodities (acceptability to recipients and appropriateness to nutritional needs) and (2) nutritional cost effectiveness. Nutritional cost effectiveness is, in turn, determined by the costs of particular commodities to Food for Peace relative to their monetary value to the recipient, the effect of the Title II food distributed through Title II programs on the purchasing and consumption behavior of the recipient household, the amount of the commodity (or its analog) usually purchased by the recipient household, and the cost to Food for Peace per unit of protein or energy.

Research by the NRC Subcommittee revealed some additional information on the "pathways" through which nutritional effects are achieved in feeding programs. An understanding of this pathway effect is needed for decisions on commodity selection. Figures I and II present graphic representations of the two major pathways identified in the report. Major points raised by the study include:

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1/ Readers are strongly urged to read the entire document entitled "Nutritional Analysis of Public Law 480 Title II Commodities" prepared by the National Research Council for USAID/FVA/FFP/POD.

2/ Programs involved include: Non-emergency maternal and child health, school feeding, other child feeding, and food for work.

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FIGURE I

DIRECT PATHWAY OF NUTRITIONAL EFFECT

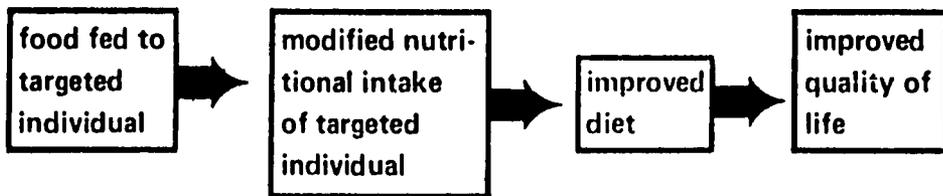
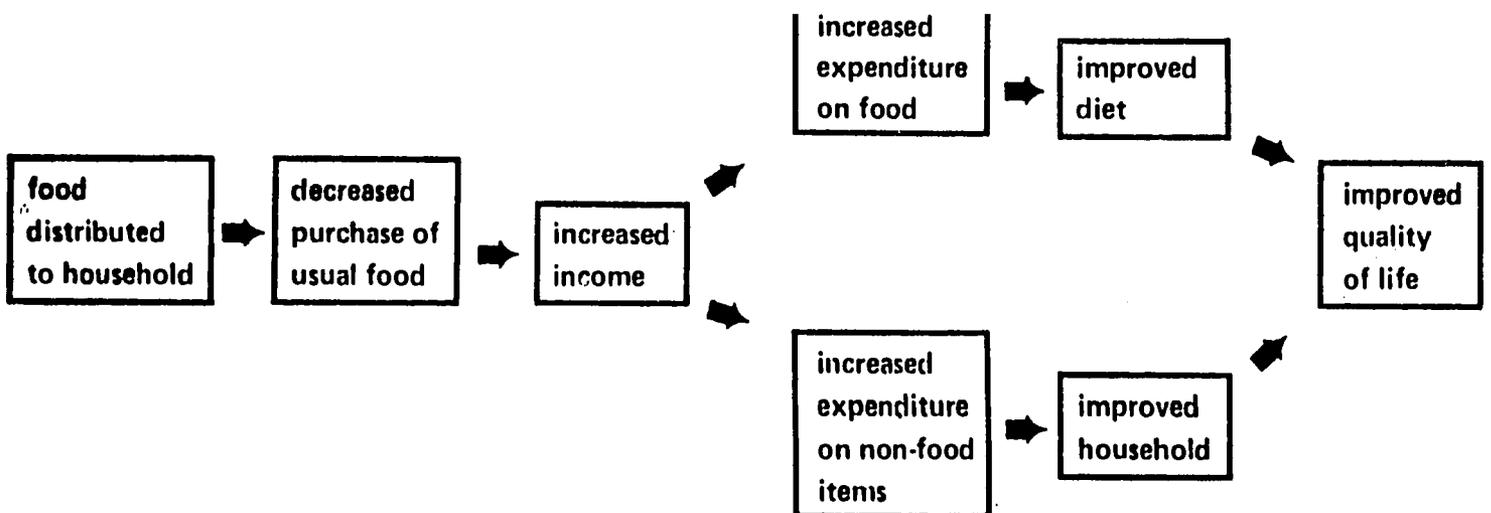


FIGURE II

INDIRECT PATHWAY OF NUTRITIONAL EFFECT



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1) Title II food distributed to, and consumed by recipients will directly influence their nutrient intake when ingestion of distributed food exceeds displacement of foods usually consumed. The magnitude is likely to be greater for nutrients than for energy since Title II foods usually have a higher nutrient density (nutrients/1000 cal of energy) than displaced foods.

2) Title II food distributed in take-home programs exert their nutritional effect through an income-mediated pathway with the distributed food representing an increase in real income. This increased income may result in an improvement in both the quality and quantity of food consumed by members of the household. Increased income may also augment household welfare through purchase of other needed non-food items. Research indicates that poor households in developing countries tend to spend a large portion of any increases in income on food.

3) In applying these findings to classical modes of food distribution, certain differences occur between on-site and take-home modes. On-site distribution demonstrates both direct and indirect nutritional effects. Take-home programs show a predominance of the indirect pathway. Shares of benefits going to particular target individuals will be influenced by educational activities in feeding programs and the use of "targeted commodities."

The report proposes two criteria for maximizing nutritional cost effectiveness. In take-home programs, the report suggests the use of what it terms the "alpha factor" (i.e., the ratio of local market value of the commodity to the cost incurred by the Title II program in providing that commodity) as a basis for rational decisionmaking. In on-site feeding programs, the report suggests use of a "least cost" criteria whereby alternative commodities should be compared in terms of the cost per unit of nutrition (e.g., per 100 calories of energy or per gram of protein.)

Application of these cost effectiveness criteria would likely involve changing the present mix of commodities in some programs. This change could result in increasing the amount of some commodities such as oil and nonfat dry milk, and decreasing the amount of other commodities such as processed cereal grains. Such a change could have an impact on the legislated minimum tonnage. The report asserts that the implementation of the recommended cost effectiveness criteria could result in a 50 to 100 percent increase in the nutritional benefits that Title II programs provide to participants:

Procedurally, the report suggests that:

- 1) Distinction must be made between situations where nutritional benefits are a direct consequence of the amount and nutritional quality of the foods supplied and those with indirect nutritional benefits, influenced by household income and food use patterns.
- 2) Application of this principle to the selection of commodities will require a consideration of program objectives and explicitly defined program goals.
- 3) Additional information about target communities will be needed.
- 4) Since this approach is at present only partially tested, changes in programs should take into account the results of ongoing research and evaluation.

#### Detailed Recommendations

The Subcommittee Report includes a number of specific recommendations addressed to the Office of Food for Peace. The recommendations are as follows:

- The nutritional cost-effectiveness of all on-going food distribution programs should be monitored.
- It is recommended that a modified program classification scheme be developed and implemented. This modification should permit differentiation between programs in which the distributed commodity is

expected to be consumed by a target individual and those in which an increased share of family food is expected. This differentiation is necessary to applying the nutritional cost-effectiveness principles of the report.

- A system should be implemented to provide for on-going re-evaluation of commodities on the availability list, as well as of commodities proposed for the list, according to the guidelines established in the report.
- Some specific recommendations for re-evaluation of commodities on the availability list or possible additions to the list follow:
  - Availability of a milk-free blended food is desirable for areas where lactose intolerance problems may be encountered.
  - Soy fortification of rolled oats is unnecessary; consideration should be given to adding unfortified rolled oats to the list.
  - For the formulation of weaning mixtures, consideration should be given to adding nutritive sweeteners (e.g., sugar or corn syrup) to the commodity list.
  - WPC-soy should not be used for children under one year of age; given its high cost in comparison to similar products, it is not a cost-effective commodity.
  - Consideration should be given to including vitamin/mineral premixes, and vitamin/mineral supplements.
  - Whole grain sorghum should only be given to populations that have traditionally used it; sorghum in the form of grits can be used where it is acceptable.
- In keeping with existing policies, it is recommended that voluntary agencies in recipient countries be given greater authority to select commodities according to the guidelines proposed in the report; this would include responsibility for making selections conform to current budget and tonnage requirements.

- Conceptually, the minimum tonnage protects the program against inflationary reductions. In 1983, with a proposed budget of 650 million and the legislated minimum tonnage of 1.7 million, it is not possible to operate a cost effective program. The budget and the tonnage must be aligned so that nutritionally cost effective programs can be operated.
- Field studies are needed to evaluate the appropriateness of particular commodities and minimum commodity package sizes in meeting nutritional and participation goals, particularly in take-home programs. More specifically, data are needed on the following:
  - What happens to the food from the time it is received by the recipient until it is consumed; i.e., what proportions are consumed, shared, sold, or bartered? What is the intra-household distribution of food in general, and specific commodities in particular? How does this affect the way commodities reach targeted individuals?
  - What income is freed, and how is it spent? What proportion is spent on food vs. nonfood items? What is the nutritional content of the foods purchased with the displaced income? What are some minimal criteria of ration size and composition to encourage program participation?
  - What is the significance of the change in intake? What extra energy, protein, or other nutrients are consumed as a result of the donated foods which displace or replace other foods for targeted individuals or households? What criteria besides anthropometric measures (e.g., morbidity, activity levels) can be designed to measure nutritional impact?
  - What are socio-cultural aspects of local food systems which affect the nutritional impact of particular commodity packages? What are acceptable or preferred foods and their forms of preparation? How are expenditures allocated to more or less preferred foods? Are certain foods considered to be more or less appropriate for specific age, sex, or physiological states? Do particular commodities require differential time, energy, or money for acquisition, preparation, or consumption?

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ANNEX II: LIST OF ORGANIZATIONS AND INDIVIDUALS  
INVITED TO COMMENT ON NAS STUDY

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**ANNEX 2. LIST OF ORGANIZATIONS AND INDIVIDUALS  
INVITED TO COMMENT ON NAS STUDY**

**U.S. GOVERNMENT**

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ANNEX III: LIST OF ORGANIZATIONS AND INDIVIDUALS  
SUBMITTING WRITTEN COMMENTS

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**ANNEX 3. LIST OF ORGANIZATIONS AND INDIVIDUALS  
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