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FOOD FOR PEACE, 1954-1986: MAJOR CHANGES IN LEGISLATION

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ABSTRACT

For more than 32 years, Congress has periodically assessed and revised the Food for Peace Program (P.L. 480) to reflect the changing needs of domestic farm policy and changing foreign policy developments. This report summarizes the significant legislative changes made in P.L. 480 since its inception in 1954, as well as discusses funding levels of the program and current congressional issues related to U.S. food aid.

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INTRODUCTION

The Food for Peace program has been an important element in U.S. agricultural and foreign policy since 1954. Original authorizing legislation, the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), stated numerous goals: to expand international trade among the United States and friendly nations, to facilitate the convertibility of currency, to dispose of surplus U.S. agricultural commodities, to promote the economic stability of U.S. agriculture, to encourage economic development in developing nations, and to promote the foreign policy of the United States. The emphasis among these goals has changed over time to reflect the changing needs of domestic farm policy and changing foreign policy developments.

P.L. 480 today consists of four titles, each providing a slightly different emphasis. Under title I, the U.S. Government provides concessional, long-term financing for the commercial sale of U.S. agricultural commodities to friendly nations. Title II provides donated U.S. agricultural commodities to nations for the purpose of alleviating famine or providing disaster relief, combatting malnutrition, and encouraging economic and community development. Title III consists primarily of the Food for Development Program, under which eligible nations may have title I loans forgiven if the local currency generated from title I program commodity sales is used to finance mutually satisfactory development projects. And title IV authorizes a farmer-to-farmer informational exchange program.

AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954
(PUBLIC LAW 480)

During the 1940s, American farmers produced abundant crops for the war effort and then for aid to war-ravaged Europe. By the early 1950s, the economies of European nations had begun to recover their ability to produce adequate foodstuffs and their demand for U.S. farm products declined. With the decline in export markets, U.S. production far out-stripped market demand. U.S. farm prices began to fall and Government-held agricultural stocks increased as a result of price-support operations. Agricultural policymakers began to look for ways to bring crop production more in line with demand, to maintain farm income, to dispose of surplus stocks, and to regain export markets.

The 83d Congress (1953-1954) considered a large number of bills that offered solutions to the surplus and trade problem. In June 1953, Congress passed P.L. 77 which authorized the gift of 1 million tons of surplus wheat to Pakistan to avert a famine. In July the Congress passed P.L. 216 authorizing the President to give $100 million worth of surplus commodities for worldwide famine relief. Also in July Congress added a new Section 550 to the Mutual Security Act; P.L. 118 authorized the sale of surplus agricultural commodities to countries participating in the mutual security program, in exchange for their local currencies. Local currencies so acquired could be spent only for the purposes of the Mutual Security Act.

On July 24, 1953, Senator Andrew F. Schoeppel and 10 other Senators introduced S. 2475, the bill that eventually became P.L. 480. The Senate passed the bill four days later. Almost a year went by, however, before the House debated, amended and passed the bill. President Dwight Eisenhower signed the measure into law on July 10, 1954.

During the floor debates in 1953 and 1954, Members of Congress made clear their concern for several issues: the need to dispose of surplus commodities that were expensive to store, the goal of expanding commercial export markets, and the desire to help friendly nations stop the spread of communism.

Senators Schoeppel and Milton R. Young expressed the need for the proposed legislation:

<u>Schoeppel</u>:

> This Commodity Credit Corporation has in prospect by the end of this year an investment in stocks owned or under purchase agreement of approximately $5 billion. S. 2475 is the only proposal brought before this body this session that comes to grips in a realistic way with this very urgent problem. We seek to provide an opportunity and an avenue for the use of agricultural commodities we have in surplus supply, by sending them to countries of the world that are friendly to us, and whose people are friendly to us. It is proposed that that be done under proper safeguards, as we view them, and under arrangements to accept in payment the currencies of those countries, and use them in the way outlined in the bill. This is a bill to promote trade. In no sense does the bill provide for a giveaway program. (Congressional Record, Vol. 99, Part 8, July 28, 1953: 10077-78.)

<u>Young</u>:

> I look upon this as one of the most important, if not the most important, pieces of legislation that has been considered by the Senate at this session, particularly with respect to agriculture. In my opinion we have been blessed and not cursed with some surpluses. We are in the position of a nation with agricultural surpluses, when many other nations are starving. When we have such surpluses, we have adverse farm prices, and when we have adverse farm prices, there develops a national economic problem. This bill proposes for the first time, I think, a very feasible and sound method of trying to make our agricultural surpluses

> available to other nations of the world who are needy and in want of these supplies. (Congressional Record, Vol. 99, Part 8, July 28, 1953: 10079.)

In 1954, when the House considered S. 2475, the program under Section 550 of the Mutual Security Act had been in operation for a year. John H. Davis, Assistant Secretary of Agriculture, reported to the House Committee on Agriculture that experience indicated that the United States could expand its sales of commodities by accepting local currencies. In reporting to the full House, the Committee report stated:

> Hon. John H. Davis, Assistant Secretary of Agriculture, informed the House Committee on Agriculture on April 27, 1954, that during the current year transactions probably will be approved under the Section 550 program in the value of about $230,000,000, and that it was necessary to limit sales to certain countries which wanted our agricultural surpluses under Section 550 because the basic mutual security program also had to be carried out with the same funds.
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> Mr. Davis, speaking for the Department, recommended that the expanded program should aim at disposing of $1 billion worth of surplus agricultural commodities within the next three fiscal years, over and above normal marketings. (House Report No. 1776, Committee on Agriculture, June 9, 1954: 6.)

House debate brought into sharper focus the need for allowing purchases to be made for local foreign currencies. U.S. agricultural attaches had told visiting Members of Congress during the previous summer that European nations wanted to buy more U.S. products but had only a small supply of dollars with no way to earn larger amounts. Yet, the United States accepted only dollars for its products. S. 2475 was an attempt to address the problem of inconvertible currency in the short-run and to develop commercial markets in the long-run. As Congressman Page Belcher put it:

> In addition to that, it is hoped that by selling these commodities in the various nations of the world we might increase the consumption of these various commodities to the point where there will be a future market, and not a method of getting rid

> of the surpluses we already have on hand. (Congressional Record, Vol. 100, Part 6, June 15, 1954: 8275.)

Another major issue of concern to the Members of the House included the relationship between agriculture and aspects of the Cold War and the Korean Conflict. "With proper use these surpluses can be made a far more potential means of combating the spread of communism than the hydrogen bomb," said Representative Brooks Hays of Arkansas. (Congressional Record, Vol. 100, Part 6, June 15, 1954: 8291.) Representative Fred Marshall pointed out the potential for S. 2475:

> Mr. Chairman, I think that this bill will have a great impact upon the conduct of our policy in foreign affairs, in that food can be used as a weapon. I say to you, Mr. Chairman, we have never made the use of food as a weapon as effectively as we should in this fight against the insidious effects of communism; but I say that the cost of that should not be charged to the American farmer. It is something that would be done for the welfare of all the people in the United States and should be properly charged to all of us. (Congressional Record, Vol. 100, Part 6, June 15, 1954: 8287.)

Representative E.C. Gathings noted that one of the propaganda weapons being used by the Communists against the United States in developing countries was that "we are permitting our food to lay up here in store- houses and rot before giving it to needy and hungry people throughout the world." (Congressional Record, Vol. 100, Part 6, June 16, 1954: 8367.) Representative Frank E. Smith of Mississippi commented that the United States would have to fight that propaganda, with lives if not with food. Much of the remaining debate focused on the precise definition of "friendly nation" and the provision to prevent transshipment of U.S. food commodities to a third-party nation.

As signed into law on July 10, 1954, Public Law 480 included three titles. The Act authorized the sale of U.S. farm commodities for foreign currencies, authorized donations of surplus commodities for emergency relief at home and abroad, and authorized the barter of agricultural commodities for strategic materials. The Act restricted sales to "friendly nations," but allowed donations to needy people regardless of the friendliness of their governments. "Friendly nation" was defined as any country other than the Soviet Union, or any nation or area dominated or controlled by the foreign government or foreign organization controlling the world Communist Movement.

AMENDMENTS TO PUBLIC LAW 480 IN 1959

The Food for Peace program began operation in 1955. Shipments during the first year totalled 3.4 million metric tons, valued at $259,000. The program grew rapidly and two years later the tonnage topped 14 million metric tons, valued at $1.1 billion.[1] This increase in exports helped to maintain the level of U.S. farm income during the 1950s.

In 1957, Senator Hubert H. Humphrey, at the request of Senator Allen J. Ellender, Chairman of the Committee on Agriculture and Forestry, began a study of the operations of P.L. 480 to determine what had been accomplished, what could be accomplished, and what changes, if any, were needed in the law. The study lasted more than a year and included 10 days of public hearings. Senator Humphrey presented his report, "Food and Fiber as a Force for Freedom," to the Chairman in February 1958. His report emphasized the value of P.L. 480 for foreign and agricultural policy, and made numerous suggestions for legislation changes.

In addition to the Humphrey Report, several other groups looked at P.L. 480 in 1958 to assess its accomplishments and suggest legislative changes. The National Planning Association issued "Agricultural Surplus Disposal and Foreign Aid," a study made at the request of a Committee to Study the Foreign Aid Program. A team directed by Assistant Secretary Davis surveyed six countries and issued a report entitled "Policy Considerations Pertaining to

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[1]Statement by Deputy Secretary of Agriculture, Richard E. Lyng, before the House Select Committee on Hunger, June 26, 1984.

Public Law 480." A group of American Businessmen appointed by James H. Smith, Jr., Director of the International Cooperation Administration, made a field investigation of the "Accumulation and Administration of Local Currency."

Senator Humphrey noted that all the studies were "surprisingly unanimous in their suggestions." (International Food for Peace. Hearing, Senate Committee on Foreign Relations, July 1959: 15.) The four major criticisms of P.L. 480 were that (1) it was administered as a surplus disposal program with little attention to humanitarian and foreign policy goals; (2) friendly countries abroad felt that they were doing the United States a favor by taking surplus commodities; (3) the program was viewed as a temporary effort because authorizations were limited to one year; and (4) the machinery for administering the program was inadequate and the administrators uninterested.

On April 16, 1959, Senator Humphrey and others introduced S. 1711, the International Food for Peace Act of 1959. Many of the proposals contained in the bill were the result of the earlier studies. As introduced, S. 1711 called for restatement of the purpose of P.L. 480 to emphasize humanitarian aspects, establishment of long-term credit sales, grants of food for building reserves in developing countries, grants of local currency to foundations to be used for social development in developing countries, and a revised structure for administering the program.

Senator Humphrey summarized the reasons for the changes in a statement made April 16, 1959:

> If in the early years of Public Law 480 the motive of self-interest predominated--and I think we might agree that too often it did--it was because there was so little precedent for the use of agricultural surpluses, otherwise than as famine and disaster relief, for constructive purposes. We did not have the experience; it had to be gained. We did not have the techniques; they had to be

> developed. We did not fully know the potentialities; they had to be learned. Not all had the vision that was needed. Negative attitudes on the part of some persons result more from inattention and thoughtlessness than from design. As I have already indicated, the original Public Law 480 was probably supported by more Members of Congress who conceived of it as surplus disposal than by Members who understood fully its constructive potentialities. But at that time we did not know what we since have learned, namely, that our agricultural surpluses are a powerful instrument for promoting welfare, peace, and freedom on a world scale. Year after year I have seen attitudes change on the Hill. Year after year we have improved and widened and extended Public Law 480, with growing comprehension of its possibilities. Year after year we have tried to convey our growing comprehension to the executive branch, as well as our sense of frustration over its failure to push ahead to realize that potential and administer Public Law 480 with boldness and imagination.
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> We have made some progress, but we have not made enough.
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> For these reasons, I am proposing that the revised Public Law 480 be known as the Food for Peace Act; that its statement of purposes be expressed in terms that none can misunderstand, and that that statement be amplified in a preamble which I have included. (Congressional Record, Vol. 105, Part 5, April 16, 1959: 6124, 6126.)

The bill that eventually passed was not S. 1711, but H.R. 8609, introduced by Representative Harold D. Cooley. The Agricultural Trade Development and Assistance Extension (P.L.86-341) emphasized the barter program, authorized long-term sales for dollars, authorized grants for building stockpiles in developing countries, and authorized food for work projects. The main concerns of Congress were the use of the barter provision and the proposed credit sale of commodities for dollars. The House Committee stated that preference should be given to barter, second only to cash sales for dollars, as a means of disposing of U.S. surpluses. This reflected growing concern over the large amount of foreign currencies held by the United States, for which there was no foreseeable use. However, arguments against the extended use of barter prevailed. The primary objection was that one of the purposes of the Act was to promote commercial trade, and barter would take the place of potential cash sales. As Representative Charles B. Hoeven said:

> This change completely ignores the basic purpose of the Agricultural Trade Development and Assistance Act which is to expand trade and increase exports of U.S. surplus agricultural commodities. The problem today is to find countries willing to buy additional agricultural surpluses even for their foreign currencies. There is no long waiting line of countries clamoring for our surpluses on any terms. (Congressional Record, Vol. 105, Part 13, August 19, 1959: 16413)

The most significant change in the 1959 law was the addition of a new title IV providing for long-term credit sales for dollars. The terms required dollar repayment over a 10-year grace period. The reasoning was that this provision would open new markets for commodities by allowing sales to those nations unable to qualify for barter or title I local currency sales. Also, it was hoped that this program would reduce the rate of growth of local currencies held by the United States.

> In numerous instances, officials of countries which are experiencing these "growing pains" of economic and industrial development have expressed to the committee and to committee members their urgent need for some long-term assurance of adequate agricultural supplies during their development period. These nations expect to be able to pay for these commodities, and they are willing to pay in dollars, but they need all their existing resources, and particularly their foreign exchange, to carry out the industrial and commercial development programs they have planned. It is with this type of situation particularly in mind that the Committee has included the provisions for long-term supply contracts in this bill.
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> In addition, this new program will open up markets that are not now available on other than a strictly cash or short-term credit basis because the countries are considered "hard currency" nations and are, therefore, essentially ineligible either for a title I sales agreement or for a barter transaction. (House Report No. 908, Committee on Agriculture, August 15, 1959: 7)

The amendments to P.L. 480 were signed into law on September 21, 1959, as P.L. 86-341.

AMENDMENTS TO PUBLIC LAW 480 IN 1964

The Agricultural Trade Development and Assistance Act of 1964 (P.L.88-638) addressed a number of concerns that had evolved since 1959. During the 1960s, U.S. food aid policies reflected world needs resulting from decolonization, the population explosion, and rising U.S. agricultural surpluses. Many European colonies became independent nations in the early 1960s and U.S. policy was designed to win their political support and show humanitarian concern for their hungry citizens. In 1960, the international community launched the Freedom from Hunger Campaign and, in 1963, organized the World Food Program to assist developing countries. The United States supported the new organization with funds and commodities through title II of P.L. 480. During the 1960s the United States provided over half of the World Food Program budget.

In June 1963, a World Food Congress convened in Washington, D.C. under the chairmanship of Secretary of Agriculture Orville Freeman. About 1,200 people participated as representatives of international agencies, national governments, universities, farmer organizations, industry, scientists and women's groups. The purpose of the Congress was:

> to represent to the governments and peoples of the world a true picture of the prevailing problems of hunger and malnutrition; to explain its expanding dimensions; and to reawaken among them the sense of urgency and anxiety which is essential if the problems are to be solved before they snowball into a menacing crisis. (Report of the World Food Congress, Vol. I, p. 3, FAO, Rome, 1963.)

The Congress focused on the dangers of population pressures in relation to world resources, and on the rising pressures on governments in newly independent nations to meet rising expectations of the citizenry. The resolution adopted by the Congress laid the responsibility equally on developed and developing nations and international groups to mobilize resources to free the world from hunger.

As the U.S. Congress considered revisions in the food program in 1964, several issues held its attention: what to do with the excess foreign currency held by the United States; how to help achieve the expectations of developing nations; and how to adjust P.L. 480 to fit U.S. policy toward Southeast Asia, Egypt, and Eastern Europe. By 1964, U.S. military involvement in Southeast Asia was escalating, while President Nasser of Egypt was looking toward the Soviets for assistance in the Mideast struggle.

In testimony before the Senate Committee on Agriculture and Forestry in August 1964, the Comptroller General Joseph Campbell pointed out that under title I the United States had accumulated very large amounts of local currencies in some countries. These amounts were far in excess of any potential needs by the United States and represented difficulties to the countries themselves. Senator Humphrey stated the issue in floor debate:

> In many countries we have sizeable amounts of foreign currencies loaned out as a result of Public Law 480 activity, and we have an equal amount of foreign currencies which lie idle, drawing no interest, losing value through inflation, hanging like a sword over the economy of the country, with no one knowing what will happen to it.
>
> In the meantime, people are in need, schools are inadequate, health facilities are neglected, roads are not being constructed, medical research goes undone or is pursued without any real effort being devoted to it. (Congressional Record, Vol. 110, Part 15, August 19, 1964: 20418)

To deal with the foreign currency problem and to further U.S. foreign policy, both House and Senate committees and the Secretary of Agriculture supported the redefinition of "common defense" to include measures taken for "internal security" as legitimate purposes for grants of foreign currencies.

Congressman Cooley stated during debate that 90 percent of local currency generated in South Vietnam was granted to support the war effort, and that this represented nearly 20 percent of U.S. support of the Vietnam military budget.

The issue of foreign currency was not settled by the 1964 amendments. The Act (P.L.88-638) merely established a committee to look into the situation and make recommendations to the President for policy changes.

Other proposed changes focused on foreign policy objectives. For example, the definition of "friendly nation" was rewritten to exclude from title I any nation controlled by a communist government, or any nation which permitted its ships or aircraft to transport commodities to or from Cuba.[2]

Despite the perceived need of revisions, P.L. 480 was praised for certain successes. Secretary Freemen noted in his testimony before the House Subcommittee on Foreign Agricultural Operations that Public Law 480 made a direct contribution to the achievement of the rising expectations of people in developing countries. He emphasized that the officials in charge of the program were directing more and more of the commodities...

> ...along channels that promote economic growth and enhance the ability of those receiving assistance to provide for themselves. Commodities that otherwise would have been surpluses in American stockpiles are being transformed into capital investments that will return rich dividends in the future. (Extension of Public Law 480--Titles I and II. Hearings, House Subcommittee on Foreign Agricultural Operations, February 1964: 12.)

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[2] In January 1961, the United States and Cuba had severed diplomatic relations. In February 1962, President John Kennedy had issued a proclamation instituting a total U.S. trade embargo against Cuba. Non-communist countries generally observed the embargo until 1966, when European and Japanese manufacturers began to ignore it.

THE FOOD FOR PEACE ACT OF 1966

During the early 1960s, the broad directions of U.S. agricultural policy changed little. The two central problems remained: over-production and low farm income. Domestic policies of the Food and Agriculture Act of 1965 (P.L. 89-321) were designed to reduce U.S. agricultural surpluses by holding some land out of production and offering price supports for major crops. This policy effectively reduced commercial exports by raising U.S. commodity prices. Therefore, P.L. 480 continued to be needed as a major vehicle for disposing of surplus stocks. During the early 1960s P.L. 480 shipments accounted for approximately 25 percent of the dollar value of U.S. farm exports.

In the international atmosphere of growing concern for the hungry, combined with the domestic situation of declining wheat stocks which resulted from farm legislation, U.S. policymakers revised the P.L. 480 program in 1966. None of the original goals of the program were abandoned, but meeting the food needs of developing nations received primary emphasis. The stress placed on combatting world hunger and on encouraging self-help development measures had domestic policy implications for the United States. Disposal of surplus food stocks was no longer to be the determining factor in food aid programming, nor was food aid seen as the long-term solution for the hungry. Agricultural experts warned of a potential world food crisis that, if it occurred, would require removal of production controls in the United States to meet world food needs. Even then, they warned, food needs could not be met effectively by the United States alone.

Throughout the debates of the 1966 legislation, the recurrent themes of expanding U.S. commercial markets and stopping the spread of communism were readily apparent. The House Committee report put it succinctly:

> The agricultural development of underdeveloped nations affords this country perhaps its best opportunity in all history to expand the foreign markets for American products. New billions of dollars' worth of manufactured goods should cross the seas. All the facts and statistics show that the faster another nation improves its agriculture, the stronger its economy becomes, and the greater the volume of our commercial markets in that country.
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> A hungry world is a dangerous world.
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> It is a world fruitful to communism. But communism cannot feed the people it enslaves. Communism can offer the underdeveloped world only hunger and starvation. The genius of America's farmers and the American system of free enterprise can save mankind from famine and mass starvation, if implanted and accepted in the far corners of the earth. (House Report No. 1558, Committee on Agriculture, May 27, 1966: 7-9.)

Other major issues debated by the Congress included restrictions on sales to nations trading with Cuba and North Vietnam, changes in the long-term credit sales for dollars program, and whether or not P.L. 480 should exist separately from general U.S. foreign aid programs. The House version of the bill forbade sales to countries dealing with Cuba and North Vietnam, and restricted aid to Egypt. The Senate version allowed sales if they were in the U.S. interest. The conference report of September 23 adopted the less restrictive Senate language. The House voted to recommit the bill to conference to insist on its provision. Representative Paul Findley expressed the House sentiment:

> With the U.S. death toll in Vietnam now about 5,000 and steadily rising, it is difficult for me to understand why anyone would hesitate to use every available legislative means to shut down shipping of all kinds to both Cuba and North Vietnam. (Congressional Record, Vol. 112, part 19, October 5, 1966: 25317.)

The law prohibited the Federal Government from making sales agreements for foreign currencies or dollars with any nation which sold, furnished, or permitted ships or aircraft under its registry to transport to or from Cuba or North Vietnam any equipment, materials, or commodities, as long as those countries were governed by a communist regime. Excepted articles of trade were medical supplies and non-strategic raw materials or commodities.

The long-term credit program instituted in 1959 was discussed at length. The House committee proposed that the period of the loan be extended to 40 years, with a 10-year grace period. This amendment was adopted by the House, despite opposition arguments that 40 years was too long a period for a loan to purchase a perishable commodity. The Senate suggested a 20-year loan period. The final legislation included a 20-year loan with a 2-year grace period.

The resulting Food for Peace Act of 1966, P.L. 89-808, revised the basic structure of the titles and placed the emphasis clearly on the humanitarian goals of the food aid program. The policy statement shifted the purpose of the food program from surplus disposal to planned production for export to meet world food needs. (The 1966 Act gave the program the basic structure that exists today.) The sales for foreign currency and the credit sales for dollars were combined into a new title I. The Act called for an orderly transition to sales for dollars by the end of 1971. Title I required self-help contracts as part of every agreement in order to encourage recipient governments to improve domestic agriculture and food production. The new title II combined famine relief and donations through international agencies, both private and government. Barter remained in title III. A new title IV became the farmer-to-farmer program, which provided for an exchange of individuals from the U.S. agricultural community to teach farmers in developing countries about improved farming methods. This program, however, was not funded until 1985.

In hammering out these significant changes, Congress debated the issues evoked by the various goals of the program, the food needs of the world's poor, and the economic and diplomatic needs of the United States. Secretary Freeman linked these purposes in his testimony before the House Committee on Agriculture in February:

> To the millions of people in the newly independent and developing nations of the world, victory in this war [against hunger] means the opportunity to realize deep and urgent aspirations for higher levels of living under freedom.
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> To those in the highly developed nations that already enjoy material prosperity in a free society, it means continued growth in the future under conditions that make their freedoms more secure. (World War On Hunger. Hearing, House Committee on Agriculture, February 1966, Part 2: 188.)

AMENDMENTS TO FOOD FOR PEACE IN 1968

Hearings held on proposals to amend and extend P.L. 480 in 1968 brought forth few suggestions for changes in the program, other than to expand the uses of local currencies for self-help and development programs, and to limit further agreements with nations trading with North Vietnam. The House Committee on Agriculture laid out the philosophy behind the program at that time:

> Through the 14 years that Public Law 480 has been in existence, the committee has diligently attempted to emphasize and implement each of the program's goals within the framework of a "graduation" theory.
>
> From the beginning it was felt that the eventual goal of each country program should be the development of a commercial market to replace the gifts or concessional sales being made under Public Law 480 or other Government programs.
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> The basic idea was to make outright donations where people are in immediate need of food. Later this food aid might be conditional work. Later there might be a soft-currency sale with a portion of the proceeds granted or loaned to the recipient nation as foreign aid. Later there might be a government-to government dollar credit sale. Then there might be a private trade agreement under title I or an offshore procurement contract under title III. Next there might be a combination of concessional and commercial sales. Simultaneously the foreign currencies generated by the sale of these commodities would be used for market development, loans to American business firms, meeting U.S. obligations, and for the host of other uses authorized by the law. Finally, a strictly commercial relationship between the private trade in our country with the private trade in the other nation would be established. At this stage the graduation theory would have been proven. (House Report No. 1297, House Committee on Agriculture, April 23, 1968: 3.)

The amendments of 1968 extended the program for two years and made several changes. P.L. 480 was amended to provide that 5 percent of title I local currencies be made available for voluntary population control programs, and to established voluntary population control programs as one of the self-help measures to be considered before entering into a title I agreement.

Language was added to the Act requiring that 2 percent of the local currency received from each country be set aside to finance international, educational, and cultural exchange activities and activities of American educational institutions under various education acts.

The amounts of foreign currencies needed for five selected currency uses were required to be specific under the title I sales agreement. Where currencies were so used, such amount would be paid at the time the commodities were delivered, and would then be considered as an advance payment of the earliest installments of such agreements.

Up to 50 percent of the foreign currencies could be converted for sale to U.S. or participating country contractors to pay wages earned in public works projects and 50 percent of the foreign currencies could be converted for sale to U.S. importers who buy materials from the participating country.

The 1968 extension authorized the use of foreign currencies for carrying out programs to control rodents, insects, weeds, and other animal and plant pests. Finally, the extension tightened the prohibition on sales to North Vietnam by excluding any exporter doing business directly or indirectly with that country from title I financing.

CHANGES IN PROGRAM EMPHASIS, 1972-74

The Agricultural Act of 1970 (P.L. 91-524) extended the P.L. 480 program through 1973 with little change.

In 1972, the world food situation took a sudden change for the worse. Inclement weather and other factors reduced global supplies to what was perceived as dangerously low levels. Large numbers of people in several areas of the world faced imminent starvation. Within the United States, some policymakers began to suggest revising P.L. 480 to reflect the change in the world food situation and the increased need for humanitarian aid. Instead of the previously large U.S. commodity surpluses and low prices, there were almost-empty storage bins, rising food prices, and strong export demand for U.S. farm products.

As food stocks decreased and commodity prices rose, food aid shipments were curtailed. Traditional donor nations, such as the United States, were reluctant to maintain or increase food aid levels at a time when domestic prices of food were rising steadily. The Food for Peace budget which declined slightly in 1973 and 1974, combined with prevailing higher commodity prices, caused the quantity of aid to decline precipitously, from 9.9 million metric tons in 1972 to 7.3 million tons in 1973, and to 3.3 million tons in 1974. Both budget and programming levels have been increased since 1974, although aid levels have not reached the peaks of the 1960s. (See table 1.)

The availability criteria stated in Section 401 of P.L. 480 also served as a constraint on exports during 1973-74. The section stated that no commodity could be declared available for distribution under P.L. 480 if such disposition...

> ... would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity.

Such restrictions on availability for shipment remained in effect until 1977 when a waiver for humanitarian purposes was added to Section 401.

In the context of world food shortages, the 93d Congress enacted three laws affecting the Food for Peace operations. First, was the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) which extended Food for Peace with minor changes through 1977.

Second was a provision in the Foreign Assistance Act of 1973 (P.L. 93-189) to limit the use of P.L. 480 funds for defense purposes. In the early 1970s. domestic sentiment against U.S. involvement in Southeast Asia continued to rise while the Administration pursued a policy of Vietnamization. During congressional consideration of the Foreign Assistance Act of 1973, the issue of the use of P.L. 480 monies as aid to South Vietnam and Cambodia was hotly debated. These countries had been receiving grants equal to at least 80 percent of the funds generated by title I to use in strengthening their armed forces. Many Members of Congress felt that this was an inappropriate use of Food for Peace funds, particularly in light of the severe food shortages in other areas of the world. Section 40 of the Foreign Assistance Act of 1973 prohibited the use of foreign currency funds for common defense and internal security as of July 1, 1974, unless Congress expressly authorized such use. (The subsection of P.L. 480 which provides for use of foreign currency funds for common defense was repealed by the International Development and Food Assistance Act of 1975).

The third law affecting P.L. 480 operations was the Foreign Assistance Act of 1974 (P.L. 93-559) which further strengthened the humanitarian aspects of the program. Congress was becoming alarmed about the predominance of foreign policy goals, including military involvement, over humanitarian and development goals in the programming of Public Law 480 commodities. As Senator Mark Hatfield stated:

> ...during recent months the Congress has become increasingly aware of the prostitution and politicalization of the "food-for peace" program. Specifically, almost half of the modest and shrinking surplus commodities under this program were diverted last fiscal year to support the war economies of South Vietnam and Cambodia, in heartless insensitivity to the threat of famine which grips much of the world. Further, those actions constituted a blatant attempt by the executive branch to nullify congressional action which placed limits on appropriations to the governments of those countries.
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> Consider these facts. While more than $400 million in food-for-peace funds was allocated to Indochina in fiscal year 1974, the Sahel region of Africa, where a quarter of a million have died of starvation and millions more suffer from severe malnutrition and are struggling to live, received only about $61.5 million under the food-for peace program. Pakistan received only $37.5 million.
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> Bangladesh received a mere $20.1 million, despite the severe malnutrition that continues to afflict millions of its young. And India, which alone has 20 times the population of South Vietnam and Cambodia, and which is faced with the threat of famine, received only $67.1 million.
>
> The priorities governing the food-for-peace program are clear: They are to support economies geared to war, rather than relieve famine and starvation. Almost half of last year's food-for-peace allocations turned out, in fact, to be food for war. (Congressional Record, Vol. 120, Part 28, December 4, 1974: 38129)

Reflecting such sentiments, the 1974 Act directed that in fiscal year 1975 not more than 30 percent of concessional food aid be allocated to countries other than those designated by the United Nations as "most seriously affected" by food shortages, unless the President demonstrated to

Congress that use of such food assistance was solely for humanitarian purposes. As a means of increasing food production worldwide, the 1974 Act also directed that special attention be given to increasing agricultural production in countries with an annual per capita income under $300.

In the closing days of the 93rd Congress, the World Food Conference convened in Rome for an eleven-day meeting, attended by delegates from 130 countries. The conference called on all governments to give high priority to increasing world food production and to provide a minimum of 10 million tons of grain each year as food aid, with a larger proportion of national food aid going through the United Nations Food Program. The conference established a World Food Council to continue to work for these goals. In several resolutions, the 93d U.S. Congress indicated an intent to implement the resolutions of the World Food Conference.

INTERNATIONAL DEVELOPMENT AND FOOD ASSISTANCE ACT OF 1975

The world food situation, resolutions of the World Food Conference, and projections of food requirements by 1985 were prominent features in congressional debate on revisions of the Food for Peace program by the 94th Congress. Debate focused on several issues: (1) On what basis should food aid be allotted to other nations? Should food aid serve only humanitarian purposes or were U.S. political and foreign policy goals valid considerations? (2) What restrictions, if any, should be tied to U.S. food aid? (3) What type of food aid programs would be most beneficial to recipient nations? How could the expertise of the United States best be adapted to the needs of small farmers in developing countries? (4) What commodity or dollar levels of aid should the United States agree to provide? Should the United States make long-term rather than annual commitments to aid? What foods should be included in Food for Peace? (5) What relationship should foreign food aid programs have to domestic programs in terms of priority? (6) Could Food for Peace operations be reorganized to make the program a more effective vehicle for food aid? These and other questions were considered as Congress debated H.R. 9005, the major bill amending P.L. 480 in 1975.

As signed into law, the International Development and Food Assistance Act of 1975 (P.L. 94-161) limited to 25 percent the volume of U.S. concessional food aid that could be allocated to nations other than those having an annual per capita gross national product of $300 or less, as determined by the most recent annual report of World Bank, unless significantly changed circumstances caused reallocations to be required. The Act required that the minimum quantity of agricultural commodities distributed annually through Food for-Peace donations programs be set at 1.3 million tons. Voluntary agencies and the World Food Program were guaranteed 1.0 million of the 1.3 million tons. The Act required that any international agreements on grain reserves be approved by the Congress before it could become binding on the United States.

INTERNATIONAL DEVELOPMENTS AND FOOD ASSISTANCE ACT OF 1977

As Congress began debate on the foreign assistance bill in 1977, it operated in an atmosphere quite different from the early 1970s. U.S. stockpiles of grain were beginning to rebuild as the world experienced good harvests. Major foreign policy concerns included the promotion of human rights, the U.S. contribution to the economic development of poorer nations, and programs to meet basic human needs.

It was within this context that the 95th Congress enacted the International Development and Food Assistance Act of 1977 (P.L. 95-88). The Act made more flexible the poverty criteria used to determine eligibility for long-term credit sales under title I of Food for Peace. The Act adopted the International Development Association's poverty level, which changes periodically to accommodate such factors as inflation. (The current maximum is $790 per capita GNP.) The Act retained the requirement enacted in 1975 that at least 75 percent of title I sales must be allocated to countries that meet the GNP poverty level requirement and are unable to meet their food needed, although the requirement may be waived if it is determined that 75 percent of the aid cannot be used effectively to carry out the humanitarian or development objectives of title I. The Act denied title I aid to any country that engages in a consistent pattern of gross violations of internationally recognized human rights, unless it is determined that such aid will be used for programs that directly benefit the needy people of that nation.

P.L. 95-88 also amended the donation program under title II by increasing the minimum tonnage from 1.3 to 1.6 million metric tons in 1981. In 1982 and each year thereafter, the tonnage would be 1.7 million metric tons. At least 1.3 million metric tons were to be distributed through voluntary agencies and the World Food Program through 1980, with the minimum reaching 1.4 million metric tons in 1982.

The Act also added to the barter provisions of title III of P.L. 480 a "food for development" program. The program was meant to encourage countries to use proceeds from sales of title I commodities to increase food supplies, to increase access of the poor to those supplies, and to improve the general well-being of the rural poor. Emphasis was on assistance to small farmers, sharecroppers, and landless farm laborers. (Agreements for P.L. 480 commodities under this title may run from one to five years.) To be eligible, countries must undertake self-help measures to boost production, improve storage, transportation, and distribution of commodities, and reduce population growth. No commodity would be shipped unless at the time of exportation assurance is given that the aid commodities would not create a disincentive to domestic production in the recipient country, and unless adequate storage facilities would be available to prevent spoilage and waste.

Representative John Buchanan summarized congressional thinking behind the inclusion of a Food for Development program in the 1977 Act:

> The best solution to the problem of malnutrition is to develop programs and policies to provide farmers in the developing countries with techniques and assistance to raise their production, and to provide others with employment opportunities to raise their income to enable them to pay for adequate diets.

> There is little doubt that the emphasis on self-help and technical assistance ~~is~~ the right track. Several authoritative studies agree that only 44 percent of the world's cultivatable land is actually being cropped. Country-by-country investigations, even in a country like Bangladesh, have led to the conclusion that there may well be no country without adequate agricultural resources to feed its population. But these resources must be developed.
>
> It was for this reason we recommend establishing under Public Law 480 a new food for development program under which funds from title I concessional sales may be used for agricultural and rural development, including voluntary family planning, health, and nutritional programs. Under this program funds generated by local sales of commodities may be used for these purposes and credited against repayments which the country would otherwise have to make.
>
> Finally, Mr. Chairman, it should be admitted that the programs of U.S. food and economic assistance abroad authorized in this legislation are not only humanitarian and altruistic, but also serve the self-interest of the United States as well. Improvement in the lot of the world's hungry, malnourished, and poor not only lessens the economic burdens which our humanitarian concerns lead us to bear but relieves pressures which could erupt in international conflict involving our country. (Congressional Record, Vol. 123, No. 81, daily edition, May 12, 1977: H 4347-48)

The establishment of a multi-year Food for Development program emphasized the U.S. policy that food aid should be one factor in general development aid that helps recipient nations increase their own capacities to feed their citizens. The overall goal of the multi-year program was:

> ...to increase the access of the poor in the recipient country to a growing and improving food supply through activities designed to improve the production, protection, and utilization of food, and to increase the well-being of the poor in the rural sector of the recipient country. (Section 301b of P.L. 480).

The program was aimed at those countries which were seriously prepared to undertake self-help measures to improve production and distribution of food supplies, and to reduce population growth. Particular emphasis was to be placed on activities that assist small farmers, tenants, sharecroppers, and landless agricultural laborers by expanding their access to rural services and institutions, and by providing opportunities for bettering the lives of the poor who are dependent upon agriculture.

OTHER LEGISLATIVE CHANGES IN P.L. 480 IN THE LATE 1970S

The Food and Agriculture Act of 1977 (P.L. 95-113) extended the Food for Peace program for four years, increased the maximum authorization for donations under title II to $750 million, and stated that in times of urgent humanitarian need, commodities could be authorized for P.L. 480, even if U.S. supplies are limited. The Act stated that for title II shipments from Commodity Credit Corporation inventories, the CCC shall be charged only the export market price. The difference between the cost of acquiring the commodities under domestic price support programs and the export price would be charged to CCC operations.

The Act amended title I of Food for Peace to make bidding procedures among suppliers of commodities more open and competitive. Any commission paid to agents must be reported to the Secretary of Agriculture, and the reports must be made available to the public.

The Secretary of Agriculture was required to appoint a task force to review and report on the administration of Food for Peace within 18 months of passage of P.L. 95-113. The review was to include organizational arrangements, title I criteria and procedures, quality controls, and regulation of organizations to which services were contracted. The report, entitled "New Directions for U.S. Food Assistance: A Report of the Special Task Force on the Operation of Public Law 480" was submitted May 1978. The Act also encouraged the President to enter into negotiations to create an international system of nationally held grain reserves to ease the adverse effects of low-production years.

The International Development and Food Assistance Act of 1978 (P.L. 95-424) made several amendments to P.L. 480. The Act stated that the Commodity Credit Corporation may pay freight charges from U.S. ports to designated ports of entry for those commodities made available under title III of P.L. 480 to a country on the United Nations Conference on Trade and Development (UNCTAD) list of "relatively least developed countries." The Act also stated that disbursements (for the purposes described in the approved Food for Development program of a country) was to be deemed as payments with respect to credit furnished under the agreement. A special provision for UNCTAD countries stated that if:

> the disbursements in a fiscal year are greater than the amount of the annual repayment obligation which that country would have to meet for that fiscal year under the agreement but for the disbursements in accordance with the Food for Development program, then the disbursements which are in excess of the amount of that annual repayment obligation may, to the extent provided in the agreement, be considered as payments with respect to the annual repayment obligations of that country for that fiscal year under other financing agreements under this Act. (Section 305b)

The 1978 Act also directed the President to submit to the Congress not later than February 1, 1979, a report explaining why food assistance provided under title I of P.L. 480 was not more successful in meeting food needs of people suffering from hunger and malnutrition, and to recommend steps which could be taken to increase effectiveness of the program.

PRESIDENTIAL COMMISSION ON WORLD HUNGER

In 1957 both the House and the Senate had passed resolutions (H. Res. 784 and S. Res. 271) calling on the President to establish a commission to deal with domestic and international hunger and malnutrition. In September 1978 (in response to the 1957 resolution), the President created a Commission on World Hunger charged with developing factual data as to the causes of world hunger and malnutrition, making recommendations to reduce their prevalence, and working to implement the recommendations. Part of the Commission's task was to examine the effectiveness of U.S. programs such as Food for Peace. The Commission formally reported March, 1980:

> Recognizing the impact of U.S. actions on the international economic environment which conditions the ability of developing nations to overcome hunger and attain equitable economic youth, the Presidential Commission on World Hunger calls for the United States to make the elimination of hunger the primary focus of its relationships with the developing countries, beginning with the decade of the 1980's. In order to implement the Commission's primary recommendation, what changes will the United States have to make in its approaches to international trade and investment policies, world food security, development assistance and domestic programs and policies? (Summary of World Hunger Commission, April 1980)

The report focused on several broad hunger-related topics and made recommendations with regard to each topic. These are some of the recommendations given by the Commission.

--The United States supports international negotiations to establish global commodity agreements to stabilize the export prices to such developing country products as copper, cotton, and tea.

--The United States calls for new multilateral trade negotiations to reduce tariffs on developing country manufactured goods exports to western markets.

--The United States should extend "duty free" treatment to developing country exports to the U.S. market under the U.S. Generalized System of Preference (GSP).

--The United States should act to reduce the burden of international debt on the world's poorest countries.

--The United States should move as rapidly as possible toward the United Nations' goal of 0.7 percent of Gross National Product as this nations's net disbursement of concessional development assistance.

--The Agency for International Development (USAID) should give greater emphasis to nutrition and employment generating programs as an integrating theme for its program activities in agriculture, health care, education and housing.

--The Congress should undertake a complete revision of the P.L. 480 Food for Peace program to give priority to its development objectives. (Overcoming World Hunger: The Challenge Ahead, Report of the Presidential Commission on World Hunger, March 1980.)

WORLD SECURITY WHEAT RESERVE

In August 1978, the House and Senate Agriculture Committees reported bills that would have established food reserves and a food fund to meet world food needs. H.R. 13835 provided for a Government-held wheat reserve to be used as a backup for P.L. 480 food aid in time of global emergency. The stocks were to come from CCC stocks as well as market purchases. By using P.L. 480 channels, the reserve would have been subject to the restrictions placed on all P.L. 480 commodities, such as links to human rights records. S. 3460 established an international emergency food fund and authorized the President to spend up to $500 million for U.S. food aid during periods of global food emergencies. The fund was to be used when P.L. 480 stocks were no longer available, or when necessary to meet the international obligations of the U.S. Government.

Proposals for the food reserve and the food fund prompted heated debate over which approach could best meet world food needs for emergency food aid. Supporters of the reserve argued that stocks would ensure food would be available when most needed (regardless of economic factors) while taking quantities of surpluses off the market, thereby supporting domestic farm prices. Alternatively, supporters of the fund argued that relatively high commodity and transportation costs rather than actual shortages of grain would keep the hungry from having food. A fund would pay for these costs while being less costly to maintain than a reserve.

In May 1979, the Administration sent to Congress its proposal to establish a reserve for wheat. Some Members of Congress, as well as many in the agricultural community, voiced opposition to the concept, fearing that at some future time the reserves could be released onto the domestic market, depressing agricultural commodity prices. As they had in the past, humanitarian organizations urged passage of the proposal. At this time, however, nothing was enacted.

In January 1980, the U.S. placed an embargo on the sale of grain to the Soviet Union in response to that country's invasion of Afghanistan. In order to offset any potential negative impact of the embargo on domestic prices, the Government immediately took a number of steps to remove grain from the domestic market, including an offer to purchase the grain that had been committed to the Soviets. The CCC subsequently acquired about 4 million metric tons of wheat. The sudden acquisition of 4 million tons of wheat by the CCC created an opportunity to establish a food security reserve. Subsequently, the Food Security Wheat Reserve Act, signed into law on December 3, 1980, isolated this surplus wheat stock from the market while insuring food availability in times of emergency.

Among other things, the Act established the wheat reserve to supplement and complement the P.L. 480 program. It authorized four million metric tons of wheat to be set aside for use in meeting emergency humanitarian food needs in developing countries. The reserve can be drawn upon if either of two situations occurs. First, as stated in the Act,

> stocks of wheat may be released by the President to provide, on a donation or sale basis, emergency food assistance to developing countries at any time that the domestic supply of wheat is so limited that quantities of wheat cannot be available for disposition under the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480) except for urgent humanitarian purposes.

Second, up to 300,000 metric tons can be released from the reserve to meet urgent humanitarian relief needs in a developing country or countries that experience a major disaster in any one year without consideration of the domestic supply situation. This provision allows for the immediate release of food in situations where normal P.L. 480 procedures, such as need for a special congressional appropriation, would otherwise preclude a quick response.

The Food Security Wheat Reserve Act further requires that, when wheat is released from the Reserve, it must be replenished either by the transfer of wheat from existing stocks owned by the Commodity Credit Corporation or by commercial purchases. Funds to purchase wheat to replenish the reserve must be authorized by congressional appropriation. Authority to replenish the reserve was to expire on September 30, 1985. However, it was extended to September 30, 1990, by the Food Security Act of 1985 (P.L. 99-198).

The first time the reserve was used was to meet emergency food aid requirements in Ethiopia and other drought-affected African countries. On December 5, 1984, President Reagan made a statement authorizing the release of 300,000 metric tons to meet urgent humanitarian needs in Ethiopia.

LEGISLATION IN THE 1980'S

The Agriculture and Food Act of 1981 (P.L. 97-98) extended P.L. 480 through 1985. This Act also authorized instituting literacy and health (title I, Sec. 109) programs for the rural poor under P.L. 480. Recipient nations are required to demonstrate increased accountability for progress in agricultural development.

The International Security and Development Cooperation Act of 1981 (P.L. 97-113) reduced the minimum shipments required under title II to be allocated to the ongoing programs of private voluntary agencies and the World Food Program from 1.4 million metric tons to 1.2 of the 1.7 million metric ton minimum for title II program. It also emphasized that the United States be able to determine that recipient countries carry out self-help measures.

In 1982 the Senate Committee on Agriculture, Nutrition, and Forestry considered P.L. 480 country-eligibility requirements. Through non-legislative actions, the Committee informally opened the way for the President to determine if the People's Republic of China could become eligible for P.L. 480, title II aid.

> Sections 103(d) and 103(j) of Public Law 480 exclude from Public Law 480 eligibility these countries that dominate or control a world Communist movement, or that are dominated or controlled by such a movement. Although no countries are specifically barred by name under these sections, the legislative history of the Food for Peace Act of 1966 makes clear that, at the time these provisions were enacted, the Soviet Union and the People's Republic of China were considered by the Committee to be excluded from Public Law 480 eligibility under sections 103(d) and 103(j).

> The nature of the relations between the United States and the People's Republic of China has changed significantly since 1966. Consequently, the Committee report states that if the President believes that the People's Republic of China satisfies the criteria of sections 103(d) and 103(j) of Public Law 480, the President is free to designate China as a "friendly country" under existing law.[4]

Two bills signed into law in 1985--the Food Security Act of 1985 (P.L. 99-198) and the International Security and Development Cooperation Act of 1985 (P.L. 99-83)--significantly amended P.L. 480.

The 99th Congress, in striving to increase agricultural exports in future years, attempted to expand foreign food aid programs in a number of ways within the context of broader farm legislation. First, the Food For Peace program was extended to 1990 by the Food Security Act of 1985. Title I of P.L. 480 was amended to allow sales of commodities for local (inconvertible) currencies. At least 10 percent of the aggregate value of the title I program must be loaned in the form of local currencies (although this minimum may be waived by the President, if determined in the best interest of the United States). The United States will enter into agreements with private financial intermediaries for local currencies which must be repaid in a manner which will permit conversion to dollars. Proceeds from these sales will go toward promoting private enterprise within the recipient country. It was further stipulated that this program may not be used to promote production of agricultural commodities that would compete with U.S. exports. The President must report to Congress annually on local currency activities.

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[4] U.S. Congress. Senate. Report of the Committee on Foreign Relations, International Security Enhancement Act of 1982, 97th Congress, 2d Session, May 28, 1982, pp. 38-39.

The Food Security Act of 1985 amended P.L. 480's title II program by increasing the minimum tonnage requirement from the previous level of 1.7 million metric tons, to 1.9 million metric tons for each fiscal year 1987-1990. Of the 1.9 million metric tons, the law requires that at least 1.425 million tons for nonemergency programming must be distributed by private voluntary organizations (PVO's), cooperatives, and the World Food Program (WFP). Another provision requires that at least 75 percent of the nonemergency minimum be bagged, processed, or fortified commodities, although this provision may be waived, if such a requirement reduces the effectiveness of the program or if supplies do not allow the requirement to be met. Furthermore, the title II funding authority was placed on a fiscal year basis, rather than the previous calendar year basis, and annual funding authority was set at $1 million. Monetization of title II commodities by PVO's became possible, whereby PVO's can sell at least 5 percent of the aggregate value of donated commodities within a recipient country. The PVO must provide information (when requesting commodities) as to how the foreign currencies generated by monetization will be used.

The maximum level of title III of P.L. 480, the forgiveness of debt provision, was reduced from 15 percent to 10 percent of the value of all title I agreements for any fiscal year.

Title IV, the farmer-to-farmer program was, for the first time, funded by the 1985 Act. A minimum of .1 percent of P.L. 480 funds are to be made available annually for this program. (Prior to the passage of the 1985 Act, a pilot farmer-to-farmer program had already been implemented in 1985 by AID.).

Congress also supplemented the existing foreign food assistance programs with a provision in the farm bill entitled "Food For Progress."

In this provision, commodities either from Section 416 or P.L. 480 can be programmed on a multi-year basis to countries that have made commitments to promote free enterprise in their agricultural sector via appropriate commodity pricing, to improve market access for their locally produced goods, and to increase private sector involvement. Payment for commodities provided by P.L. 480 is to be identical to title I procedures. However a minimum of 75,000 metric tons of commodities is to be provided on a grant basis from Section 416 programming, and therefore, payment will not have to be made. Under the Food for Progress provision, a maximum of 500,000 metric tons of commodities will be available for each of the fiscal years 1986 through 1990, with some coming from P.L. 480 title I, on a grant basis. A maximum funding of $30 million (exclusive of commodity costs) from CCC can be supplemented by P.L. 480 title I appropriations.

In addition to the Food Security Act of 1985, title X of the International Security and Development Cooperation Act of 1985, included some provisions amending P.L. 480. First, this Act established title II minimums to be 1.8 million metric tons for FY 1986, with not less than 1.3 million metric tons being distributed through PVO's, cooperators, or the World Food Program (WFP). For FY 1987 the minimums were set at 1.8 million metric tons, of which not less than 1.425 million metric tons would be available for distribution through PVOs, WFP and cooperator groups. The foreign assistance act also provided for title II commodities to be furnished for direct distribution, sale, or barter in carrying out the purposes of title II. This Act stresses that PVO's should give particular consideration to nutritional and development needs in distributing title II commodities. Additionally, the President is authorized to approve agreements with PVO's and cooperators to make available for distribution nonemergency commodities on a multi-year basis.

FUNDING LEVELS

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

P.L. 480 budgetary costs and program levels for any one year may not be identical. For example, during FY 1983 P.L. 480 programs had a program level of $1,509.5 million. The appropriation for that year was $1,028 million.

Title I sales are made on credit, and repayments reduce P.L. 480 budget costs by partially financing the program level of subse- quent years. In addition, commodities shipped under title II may have been acquired under the domestic price support program. The P.L. 480 program pays the CCC the export market price for these commodities. Funds available for P.L. 480 for FY 1975 through FY 1985 (with estimates for FY 1986 and FY1987) are indicated in table 1 in the appendix.

The amounts of commodities shipped under P.L. 480 depend not only on actual funding levels, but also on domestic commodity prices. If P.L. 480 funding levels remain constant but domestic commodity prices rise, the quantity of commodities shipped will decline. Thus, in the early and mid-1970s when the limited size of U.S. agricultural stocks caused prices to rise, quantities shipped under the food aid program declined. Over the past ten years, program funding has varied from a low of $972.4 million in 1976 to a high of $2.1 billion in 1985. Over the same time period, the quantities shipped under the program have varied from under 5 million metric tons in 1975 to more than 8 million metric tons in 1985. It should be noted, however, that in the decade of the 1960s, the quantity shipped was consistently in the range of 15-18 million metric tons. Furthermore, the proportion of U.S. agricultural exports under P.L. 480 to total agricultural exports dropped dramatically in the early seventies (from the peak of 29 percent in 1962 to 13 percent in 1972 to 4 percent in 1974), and have stabilized around 3 percent of total agricultural exports in recent years. (See table 2 and graphs in the appendix.)

CURRENT CONGRESSIONAL CONSIDERATIONS

The diverse goals of P.L. 480--to dispose of surplus U.S. agricultural commodities, to provide food for the world's hungry, to expand international market development for U.S. agricultural exports, and to promote U.S. foreign policy overseas--at times seem to be in conflict. While there appears to be general agreement that the U.S. food aid program has been valuable to the United States as well as to the world community, debate continues over some of the methods of achieving the goals.

The 99th Congress considered such related and conflicting issues as: expenditures for foreign food aid programs in light of ongoing budget reducing measures, loan of acquired local currencies to small business (micro-enterprises) in the recipient country, satellite monitoring of world food supplies in order to improve the anticipation of food deficit emergencies, expansion of the list of commodities available for the food aid program (ie, potatoes, dairy cattle), concern over whether the U.S. assistance programs are promoting production in the recipient countries of agricultural commodities that might compete with U.S. agricultural exports, long-term agricultural development in the recipient countries and sustainability of the local food production, as well as the relationship of American surplus disposal with respect to (1) displacing U.S. and other countries' commercial sales of agricultural products, (2) meeting nutritional and cultural needs in developing countries, and (3) promoting economic stability in the U.S. agricultural sector.

During this time of unprecedented U.S. agricultural and world agricultural surpluses, the 100th Congress is likely to continue the search for the balance between providing foreign food aid and assisting with foreign food self-sufficiency on the one hand and encouraging foreign development without undermining U.S. commercial exports on the other. In addition, promotion of long-term sustainable agricultural production with an increased awareness of environmental effects in the developing countries is likely to receive attention in the years to come.

P.L. 480 has lasted more than 30 years. All the goals of P.L. 480 may never be achieved simultaneously. However, without such a diverse set of goals, P.L. 480 may not have had the broad-based support of U.S. policymakers that it has maintained throughout its more than 30-year history. Future Congresses will likely continue to fine-tune the program according to the level of U.S. agricultural surpluses, world food needs, and the international political atmosphere.

P.L. 480 SUMMARY

The P.L. 480 program emerged in 1954 within a context of growing costs of storing U.S. farm surpluses, a desire by the U.S. Government to provide food aid to European and developing allies after World War II, and a lack of foreign exchange in food importing countries. The Program was designed to alleviate these problems.

As originally written, P.L. 480 authorized three types of commodity transfers: sales of commodities to be paid for with the local currency of the recipient countries (title I), donations of commodities to meet famine and other extraordinary relief requirements (title II), and barter exchanges of commodities for strategic materials (title III). In the early years, most P.L. 480 commodities were sales for local currencies.

The primary emphasis of the foreign food aid program has shifted over the years as agricultural and political circumstances throughout the world shifted. During the first decade of P.L. 480, expanding U.S. foreign agricultural trade seemed to be the major objective. The Food for Peace Act of 1966 changed the emphasis to be more humanitarian and development oriented. During the early 1970s, reduced world food supplies combined with the large and unanticipated grain purchases by the Soviet Union contributed to a more restricted food aid program. However, by the 1980s, world and U.S. farm stocks were once again rising, and P.L. 480 export levels were allowed to expand.

As currently written, the law authorizing the Food for Peace program includes requirements that food aid commodities not displace commercial sales nor act as a disincentive to, or interfere with, local agricultural production and marketing. Also, recipient nations should act to include the poorest of the poor in their economic development programs and encourage self-help measures to increase food supplies. At least 75 percent of title I commodities must be shipped to nations that meet the poverty criterion established for International Development Association financing; that is, they must have a per capita GNP of $790 or less.

Four titles of P.L. 480 currently authorize the program's operation. Under title I, the U.S. Government is authorized to provide concessional, long-term financing for the commercial sale of U.S. agricultural commodities to friendly nations. Ten percent of the value of this title may be repaid in foreign inconvertible currencies. Loans are made available at a minimum interest rate of two percent during the grace period, two to ten years, and three percent thereafter, and are repayable within 10 to 40 years. Initial payment of at least five percent of the purchase price is required. Most agreements include a provision that up to 10 percent of the purchase price be repaid on demand in local currency. Those funds are then used by the United States for its expenses in the host country.

Title II authorizes the donation of U.S. agricultural commodities to nations for the purpose of alleviating famine or providing disaster relief, combating malnutrition, and encouraging economic and community development. Commodities are purchased by the Federal Government and donated under government-to-government agreements and through the U.N. World Food Program and non-profit voluntary relief agencies. Monetization (or the sale of donated commodities) within the recipient country by the commodity distributor (ie, PVOs, WFP, or a U.S. agency) is allowed if certain criteria regarding use of acquired funds are met.

Title III, along with barter provisions, authorizes the Food for Development Program, under which eligible nations may have title I loans forgiven if the local currency generated from title I program commodity sales is used to finance mutually satisfactory development projects.

Title IV authorizes the farmer-to-farmer program. This program was first implemented as a 1-year pilot program in 1985.

Future Congressional P.L. 480 concerns are likely to include the possibility of aid replacing commercial sales, expansion of the list of eligible commodities (as producer groups seek program support for their commodity), and development promotion in recipient countries versus increased competition for agricultural trade markets. The overriding factor likely to have the greatest impact on P.L. 480 throughout the remaining years of the 1980s, however, is the restricted U.S. budget. While the United States has enough surplus food to provide humanitarian assistance overseas, it would be very costly to provide significantly greater levels of food assistance than current levels.

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APPENDIX

TABLE 1
P.L. 480 (FOOD FOR PEACE) PROGRAM LEVELS FY 75-83 ACTUAL
FY86 AND FY87 ESTIMATE
(Millions of Dollars)

	FY75	FY76	TQ	FY77	FY78	FY79	FY80	FY81 c/	FY82 d/	FY83 e/	FY84 f/	FY85 g/	FY86	FY87
Titles I/III a/ Program Level	$ 767.2	$ 645.0	$ 332.6	$ 798.6	$ 733.7	$ 827.1	$ 908.8	$ 846.4	$ 832.1	$ 843.2	$ 803.7	$1,052.8	$1,030.0	$ 944.4
Appropriation (BA)	425.2	449.5	56.0	680.5	276.9	339.4	266.2	441.3	392.1	428.5	577.0	615.0	653.1	564.4
Carryover Funds b/	48.3	-85.8	209.1	-289.8	72.5	89.2	210.7	-34.8	22.0	6.5	-147.4	47.5	3.9	...
Receipts	293.7	281.3	67.4	407.9	384.3	398.5	431.9	439.9	418.0	408.2	374.1	390.3	373.0	380.0
Title II Program Level	460.4	327.4	155.8	459.5	458.8	547.3	596.5	847.3	515.3	557.2	655.8	1,052.6	781.9	600.0
Appropriation (BA)	353.3	640.5	90.2	488.8	646.0	466.5	620.1	787.6	607.9	599.5	800.0	1,349.0	646.1	600.0
Carryover Funds b/	107.1	-313.0	65.6	-29.9	-187.2	80.8	-23.6	59.7	-92.6	-42.5	-144.2	60.5	3.9	...
Total Program Level	1,227.0	972.4	488.3	1,258.1	1,192.5	1,374.4	1,505.3	1,693.7	1,347.4	1,400.2	1,459.5	2,105.4	1,811.9	1,544.4
Appropriation (BA)	778.5	1,089.9	146.2	1,169.3	922.9	805.9	836.3	1,228.9	1,000.0	1,028.0	1,377.0	1,964.0	1,299.2	1,164.4
Carryover Funds b/	155.4	-398.8	274.2	-319.0	-114.6	170.0	187.1	24.9	-70.6	-36.0	-291.6	108.0	7.8	...
Receipts	293.7	281.3	67.4	407.9	384.3	398.5	431.9	439.9	418.0	408.2	374.1	390.3	373.0	380.0

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

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

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

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

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

f/ Titles I/III include $175.0 million supplemental appropriation available until September 30, 1985; Title II includes $60.0 million supplemental appropriation available until March 31, 1985.

g/ Total appropriation includes $384.0 million supplemental appropriation available until December 31, 1985 and a $225.0 million supplemental appropriation for an Emergency Reserve for African Famine Relief to be available until September 30, 1986.

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

Source: Executive Office of the President, The Budget of the United States Government--Appendix for fiscal years 1975-78; U.S. Department of Agriculture, "Budget Explanatory Notes" for fiscal years 1978-1987.

TABLE 2

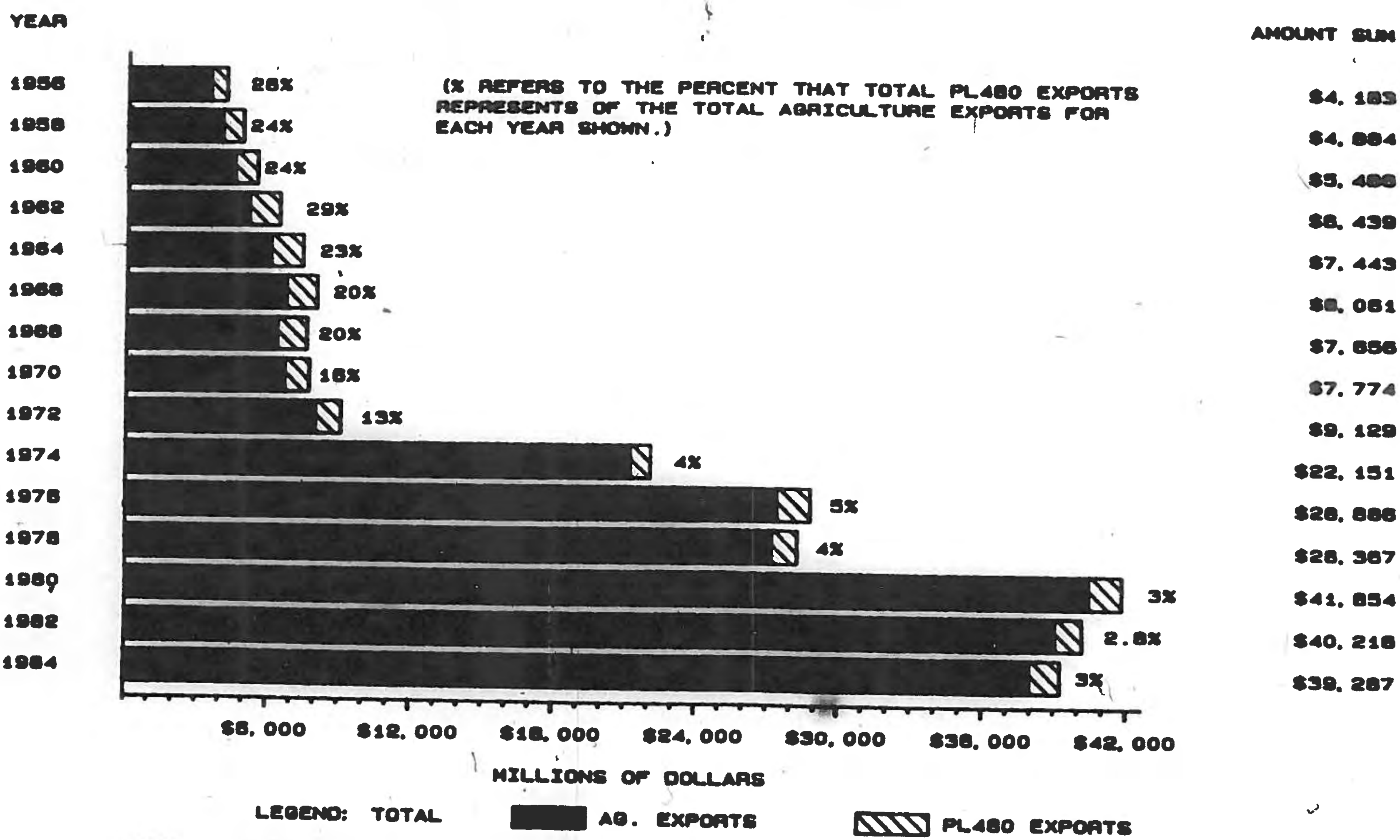
P.L. 480 Program Exports, FY 1955-1985
(Metric Ton Grain Equivalent Basis)

Fiscal Years	Title I/III 000 MT	Title I/III $Mil	Title II 000 MT	Title II $Mil	Total 000 MT	Total $Mil
1955	2,587.8	73.0	830.4	186.8	3,418.2	259.8
1956	9,045.1	438.8	1,025.5	247.7	10,070.6	686.5
1957	12,836.1	907.8	1,435.2	216.8	14,271.3	1,124.6
1958	7,460.4	657.5	1,768.1	223.7	9,228.5	881.2
1959	9,977.7	724.1	1,510.6	160.9	11,488.3	885.0
1960	12.724.0	823.9	1,601.3	142.8	14,325.3	966.7
1961	13,758.9	951.5	2,583.2	220.9	16,342.1	1,172.4
1962	15,850.6	1,048.4	2,927.6	248.7	18,778.2	1,297.1
1963	14,552.4	1,145.3	2,814.3	263.5	17,366.7	1,408.8
1964	14,016.0	1,104.6	2,760.0	270.0	16,776.0	1,374.6
1965	16,082.5	1,299.8	2,328.5	238.7	18,411.0	1,538.5
1966	15,454.0	1,047.6	2,703.4	266.5	18,157.4	1,314.1
1967	11,612.5	981.0	2,344.7	267.4	13,957.2	1,248.4
1968	12,396.2	1,022.8	2,182.8	250.1	14,579.0	1,272.9
1969	7,762.6	773.7	2,233.9	264.7	9,996.5	1,038.4
1970	8,726.7	815.3	2,209.5	240.6	10,936.2	1,055.9
1971	7,490.7	743.0	2,344.2	279.9	9,834.9	1,022.9
1972	7,167.4	679.0	2,738.2	403.7	9,905.6	1,082.7
1973	5,029.1	667.4	2,344.7	290.0	7,373.8	957.4
1974	1,810.6	575.4	1,503.4	282.9	3,314.0	858.3
1975	3,598.1	762.0	1,229.2	334.4	4,827.3	1,096.4
1976 and TQ	5,415.6	1,006.2	1,237.0	378.0	6,652.6	1,384.2
1977	5,000.6	762.1	1,433.4	362.0	6,434.0	1,124.1
1978	4,520.7	738.8	1,574.0	337.0	6,094.7	1,075.8
1979	4,689.3	792.7	1,600.3	393.0	6,289.6	1,185.7
1980	4,245.3	865.3	1,821.8	508.9	6,067.1	1,374.2
1981	3,855.9	790.6	2,037.7	584.8	5,893.6	1,375.4
1982	3,923.6	722.5	1,776.3	385.0	5,699.9	1,107.5
1983	4,149.5	809.7	2,079.4	451.2	6,228.9	1,260.9
1984	4,294.7	775.3	1,768.5	451.2	6,063.2	1,226.5
1985	5,173.3	928.2	3,318.5	692.0	8,491.8	1,620.2
TOTALS	255,207.9	25,433.3	065.6	$9,843.8	317,273.6	$35,277.1

Source: USDA, FAS/EC/PAD/Amma Hawthorne/6-3-86/Wang, estimates.

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

FY1956 - 1984.

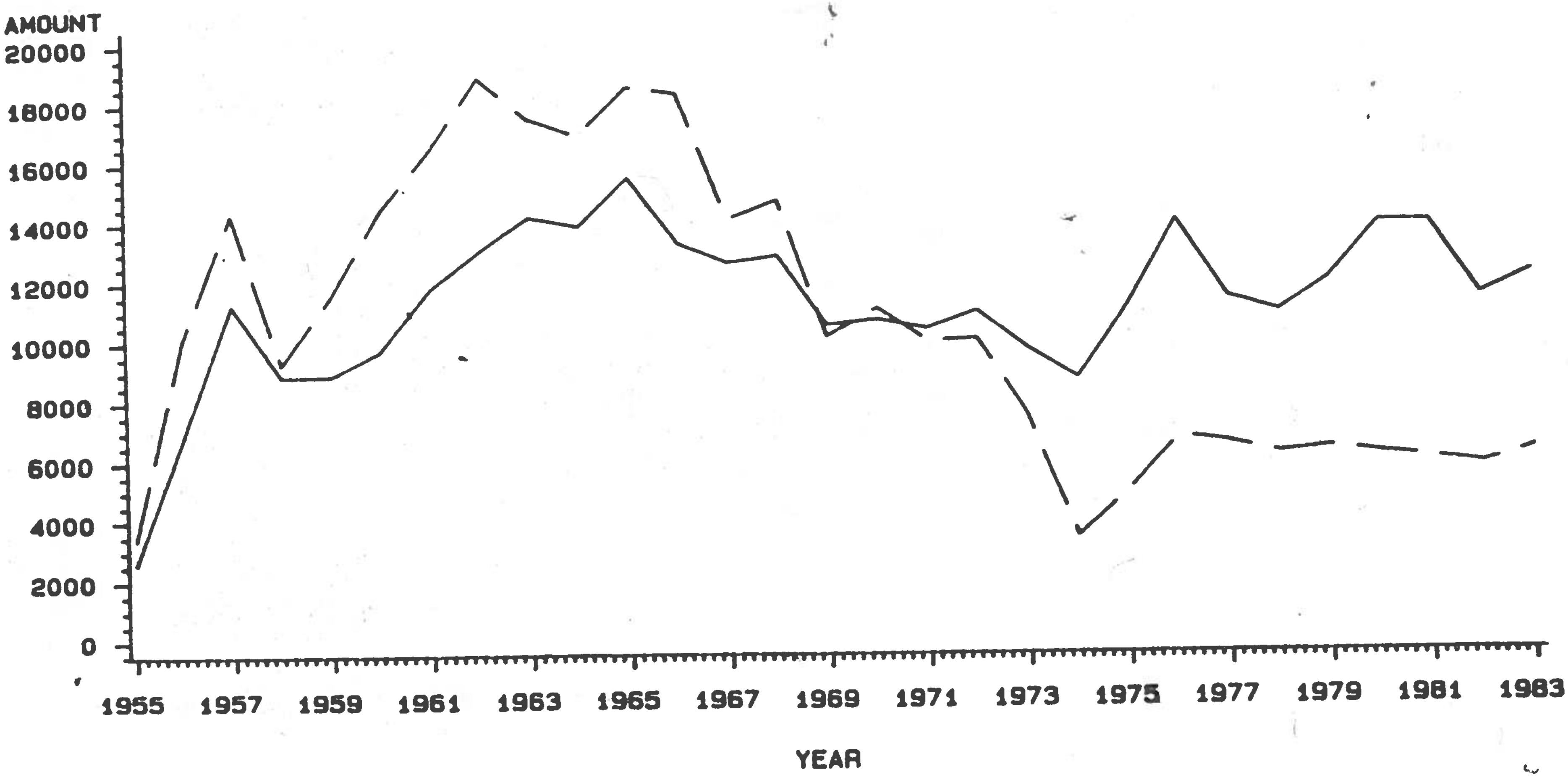


SOURCE: USDA FOREIGN AGRICULTURAL TRADE OF U.S.
NOVEMBER/DECEMBER, 1980. U.S. EXPORTS, USDA, MAY 17, 1984.
TESTIMONY BY RICHARD E LYNG, JUNE 26, 1984.

TABLE PREPARED BY CRS

P.L. 480 PROGRAM EXPORTS, FY 1955–1984

(METRIC TON GRAIN EQUIVALENT BASIS)



LEGEND: TYPE ——— $100 THOUSAND – – – METRIC TONS

CRS-59

U.S. DEPARTMENT OF AGRICULTURE, FOREIGN AGRICULTURE SERVICE
TESTIMONY BY DEPUTY SECRETARY OF AGRICULTURE:
RICHARD E. LYNG BEFORE THE
HOUSE SELECT COMMITTEE ON HUNGER, JUNE 26, 1984
TABLE PREPARED BY CRS