

SJR

45

S. JATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 2/5/92

FURTHER:

Date of 5-Day Notice: Feb 20, 1992
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: Feb 26, 1992

Resources Committee considered SJR 45

Urging the use of canned pink salmon in the "Public Law 480 - Food for Peace" program.

and recommends:

replace with _____ CS _____ (_____)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

same title
 new title
 technical
title change
(HB only)

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes Resources 2/26/92

fiscal notes _____

appropriation--no fiscal note

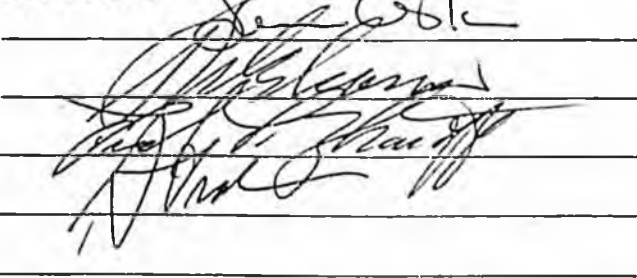
PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

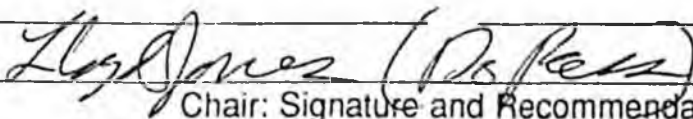
zero fiscal notes _____

fiscal notes _____

DO PASS:



OTHER RECOMMENDATIONS:


Chair: Signature and Recommendation

FISCAL NOTE

**STATE OF ALASKA
1992 LEGISLATIVE SESSION**

BILL NO. SJR 45

Revision Date: _____ Department Affected: _____
 Title: Urging the use of canned pink BRU: _____
salmon in the "Public Law 480-Food for Component: _____
Peace" program
 Sponsor: Senator Kertulla
 Requestor: Senate Resources COMPONENT SERIAL NO.

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

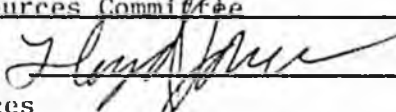
GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Senator Lloyd Jones, Chairman Phone: 465-3743
 Division: Senate Resources Committee Date: February 26, 1992
 Approved by Commissioner:  _____
 Agency: Senate Resources Date: February 26, 1992

Alaska State Legislature

Sen. Jay Kerttula, Co-Chairman

Sen. Pat Pourchot, Co-Chairman

Sen. Al Adams

Sen. Jim Duncan

Sen. Lyman F. Hoffman

Sen. Dick Shultz

Sen. Rick Uehling

Senate Finance Committee

State Capitol
Juneau, AK 99801-1182

(907) 465-1200
(907) 463-3066 Fax

Box 1009
Palmer, AK 99645
(907) 376-2675
(907) 376-0315 Fax

SPONSOR STATEMENT

SJR 45

by

Senator Jay Kerttula

SJR 45 attempts to alleviate some of the problems which are being experienced within the pink salmon industry due to a severe drop in prices, at least partially caused by a surplus inventory of canned pink salmon.

By this resolution, the Alaska Legislature is urging the Department of Agriculture to place canned pink salmon on the 1992 "Food for Peace" docket; this is essentially a list of the commodities which are available to countries under our foreign food aid programs.

Public Law 480 governs the foreign food aid programs of the Agricultural Trade Development Assistance Act of 1954. The programs are administered jointly by the Agency for International Development (AID) and the U. S. Department of Agriculture (USDA). This program provides humanitarian assistance and market development activities for U.S. agricultural products overseas.

The prices for each commodity are set through an open bid process.

Title I of PL 480 (Sales Program) is a long-term concessional loan program for countries where the annual per capita income is above \$600. Loan terms are for 20-30 years. Each country looks at the commodities that are available and the prices which are being quoted and then decides if they wish to purchase the commodity. The country purchases directly from the seller.

Title II (Foreign Donations) provides for foreign donations through private, nonprofit organizations. The organizations request an available

commodity and the Department of Agriculture purchases the commodity at commercial prices.

Title III of PL 480 (Food for Development) is a grant program for the neediest countries who cannot afford any long-term loans. The Department of Agriculture issues an invitation to bid on commodities which have been approved and USDA then pays the supplier directly. Each country decides which commodities they wish to purchase and how much of their allocation they wish to utilize.

Now that the Department of Commerce has declared canned pink salmon a surplus commodity, the next "step" is for the U.S. Department of Agriculture to place the commodity on its docket so it is available for the various programs under PL 480.

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Foreign Food Aid

Background. Section 416 of the Agricultural Act of 1949 and P.L. 480, Food for Peace, are the two primary U.S. foreign food aid programs. Both foreign food aid programs conduct humanitarian assistance and market development activities for U.S. agricultural products overseas. P.L. 480 is the larger, providing about 5 million metric tons of farm commodities overseas each year for long-term concessional credit sales (Title I) and foreign donations (Title II). Section 416 is a much smaller program, authorizing USDA to donate CCC-owned commodities, as needed and as available, to fill short-term food deficits in foreign countries. In contrast to P.L. 480, about 1 to 2 million metric tons of surplus commodities are shipped annually under Section 416. (See CRS Issue Brief 90035 for more detail on foreign food aid programs.)

Prior to the 1990 act, both USDA and the Agency for International Development (AID) jointly administered all foreign food aid programs; USDA was the lead agency in administering P.L. 480, Title I and Section 416, and AID was the lead agency in administering P.L. 480, Title II.

Both P.L. 480 and Section 416 were amended by the 1985 farm act. P.L. 480 was reauthorized through Dec. 31, 1990. Congress included a number of amendments in 1985 to move more commodities abroad; a reinstatement of the sales for local currency program (long-term Title I loans for currencies that are inconvertible to dollars), the Food for Progress Program (multiyear food programming using Title I of P.L. 480 and Section 416), and monetization (sales of donated commodities within the country to help fund distribution costs) are a few examples. Section 416 was amended to include all CCC-held surplus commodities, not just wheat and dairy products, as was formerly the case.

The Food Security Wheat Reserve (FSWR), a 4 million metric ton reserve of Government-owned wheat, was established by Congress in 1980 at the time of the U.S. grain embargo to the USSR. It was designed to remove the amount of wheat that would have been purchased by the USSR, to offset any negative impact the surplus wheat might have on the domestic market, and to be available when urgent world food needs cannot be met through production or normal P.L. 480 commodity programming.

Funding. Funding authority for Title I is within the CCC budget. Annual funding authority for P.L. 480 Title II was increased from \$1 billion to \$1.2 in the Food Security Act of 1985. The FY1990 appropriations act sets total P.L. 480 programming levels at more than \$1.522 billion. The FY1991 appropriations law (P.L. 101-506) sets total P.L. 480 funding at \$1.576 billion.

1990 Changes. The 1990 Act extends the P.L. 480 program, Food For Progress, and the authority to replenish the Food Security Wheat Reserve through FY1995. It also directs new funds and commodities to "emerging democracies" such as the countries of Eastern Europe.

The new law makes a number of significant changes in the P.L. 480 program, with the intention of streamlining it and increasing its effectiveness in delivering food grants and developing future markets. One fundamental change in P.L. 480 under the Act is that it assigns USDA primary responsibility for the long-term concessional sales program in Title I, while assigning the Agency for International Development (AID)

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primary responsibility for food grant activities under Titles II and III. Prior to this act, an interagency committee maintained the responsibility for all foreign food aid activities under P.L. 480; no single agency had final authority.

Under the 1990 Act, Title I continues to provide for sale of U.S. agricultural commodities using long-term concessional credit. The 1990 act allows for repayment to be in dollars or local currencies. The Title also specifies various eligible uses for the acquired local currencies under this Title.

Title II continues as the primary foreign food donation component of P.L. 480. As before, this Title distinguishes between emergency and nonemergency assistance, with minimum annual tonnages specified through 1995. The act provides authority for maximum funding of \$1 billion for Title II activities. However, the President can waive this limit if urgent humanitarian needs require greater funding. A Food Aid Consultative Group is established under this Title; it will meet regularly, and is to terminate Dec. 31, 1995. The Group will include representatives from AID, USDA, private voluntary organizations (PVOs), and African, Asian, and Latin American nongovernmental organizations.

A new provision in Title II requires that between \$10 million and \$13.5 million be made available to assist PVOs and cooperatives in administering the program and distributing the food.

Title III, Food for Development, is a government-to-government bilateral grant program. Donated food to least developed countries may be used for direct feeding programs, for developing emergency food reserves, or may be sold in the recipient country for local currency. The local currency then is to be used for specific economic development activities as agreed to by the AID Administrator and the recipient country government.

Title IV contains administrative and technical requirements, including definitions and consultation requirements. It cites ineligible commodities -- tobacco and alcoholic beverages (restricting tobacco only under Title II) -- and provides for multi-year commodity agreements under P.L. 480.

Title V, the Farmer-to-Farmer program, provides a minimum of 0.2% of total P.L. 480 funds annually from FY1991-95 to assist farmers and agribusiness operations in developing countries by transferring knowledge of farming technologies and methods from U.S. farmers, agriculturalists, land grant universities, private agribusinesses and nonprofit farm organizations to farm and agribusiness operations in developing countries, middle income countries, and emerging democracies. (A minimum of 0.1% of P.L. 480 funds is to be used for farmer-to-farmer activities in developing countries.)

Title VI authorizes certain activities for the reduction of Latin American and Caribbean country debts. This Title also extends Food for Progress through Dec. 31, 1995. It provides authority for the President to use an additional \$10 million of CCC commodities or funds to enhance development of private sector agriculture in countries participating in the Food for Progress program.

The 1990 act also amends cargo preference law with respect to P.L. 480. Cargo preference, a law requiring a percentage of gross tonnage of government subsidized

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Exports be shipped on U.S. flag vessels, has been applied to P.L. 480 exports since 1954. Many in the Great Lakes area have argued that this requirement has favored Gulf and Coastal ports over Great Lakes ports. The 1990 farm Act attempts to address this criticism by authorizing that foreign-flag vessels can be designated (if certain criteria are met) as American Great Lakes vessels and can carry certain preference cargoes without having to wait the requisite 3 years. The act guarantees Great Lakes operators access to 50% of P.L. 480 cargoes on a lowest landed cost basis.

Current Issues. In the first half of 1991, P.L. 480, Title II, has been strained by the approximately 8 million people starving in Sudan, the widespread starvation that is a result of civil unrest in Liberia, and the plight of Kurdish refugees (approximately 2 million) after the Persian Gulf War. Administration officials believed the funding of the overall P.L. 480 program would be adequate, if given blanket authority to transfer funds from Titles I and III into Title II in order to meet the numerous emergencies around the world. This authority is provided only for FY1991 in the Emergency Supplemental Persian Gulf Refugee Assistance Act of 1991 (P.L. 102-45). In addition, President Bush authorized the use of up to 300,000 metric tons of wheat from the Food Security Wheat Reserve (FSWR). So far, an estimated 60,000 tons have been tapped for food needs in Ethiopia.

With respect to the Middle East refugee emergency, the Administration states that a total of \$32 million worth of P.L. 480 Title II commodities have been provided to the World Food Programme (WFP) for distribution in the region. In addition, the Administration is considering tapping wheat from the FSWR.



THE SECRETARY OF COMMERCE

Washington, D.C. 20230

November 27, 1991

1991 DEC -4 AM 9:56

Honorable Ted Stevens
United States Senate
Washington, D.C. 20510-6025

Dear Ted,

Thank you for your letter regarding the inclusion of canned pink salmon as an eligible commodity in the Public Law 480 (P.L. 480) Food For Peace Program.

We have concluded that a surplus of U.S. harvested and processed canned pink salmon exists. The necessary information is being sent to Secretary Madigan at the U.S. Department of Agriculture with our recommendation that canned pink salmon be placed on the P.L. 480 docket for FY 1992.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Mosbacher", written over a faint, larger signature.

Robert A. Mosbacher

NEWS

United States
Department of
Agriculture

Office of Press and Media Relations
News Division, Room 404-A
Washington, D C 20250

Office of
Public Affairs

Rebecca Broeking (202) 720-0328
Arthur Whitmore (202) 720-4026

USDA REVISES P.L. 480 ALLOCATIONS FOR FISCAL 1992

WASHINGTON, Jan. 21--The U.S. Department of Agriculture today issued revised country-commodity allocations for the second quarter of fiscal 1992 under the Food for Peace (Title I of Public Law 480) and Food for Progress Programs.

Christopher E. Goldthwait, acting general sales manager for USDA's Foreign Agricultural Service, said that of the \$511.6 million available for Title I and Food for Progress commodity purchases, \$73.1 million remains unallocated as a reserve.

Goldthwait also said that El Salvador, Guyana, Jamaica, Morocco, and Tunisia signed P.L.480 agreements with the United States in the last quarter of 1991.

Because situations develop that can cause a change in country and commodity allocations during a fiscal year, these allocations do not represent final U.S. commitments with participating governments.

Title I of P.L. 480 is a concessional sales program to promote exports of agricultural commodities from the United States and to foster broad-based sustainable development in recipient countries. The program provides export financing over payment periods of up to 30 years, grace periods of up to seven years, and low interest rates.

Countries eligible for the Title I program are developing countries experiencing a shortage of foreign exchange earnings and having difficulty meeting all of their food needs through commercial channels.

Under the Food for Progress Program, commodities are provided to developing countries and emerging democracies that have made commitments to introduce or expand free enterprise in their economies. New agreements have been signed with Albania and Panama. Resources for this program can be provided using the authority of P.L. 480, Section 416(B) of the Agricultural Act of 1949, and the Commodity Credit Corporation Charter Act.

The priorities for country allocations are based on several factors including need for food, undertaking of economic and agricultural measures to improve food security, and potential for becoming a U.S. commercial market. The allocations take into account changing economic and foreign policy situations, market development opportunities, existence of adequate storage facilities and possible disincentives to local production.

Additional information is available from Mary Chambliss, U.S. Department of Agriculture, Foreign Agricultural Service, at (202) 720-3573.

TABLE 1: Country and Commodity Allocations
Public Law 480
Title I
Second Quarter, Fiscal 1992

	Total Allocation	Undesignated	Wheat/ Flour a/	Rice	Feed Grains
	(\$ Mil)	(\$ Mil)	-----1,000	Metric Tons-----	
	-----	-----	-----	-----	-----
Congo	5.0	0	-	17	-
Costa Rica	10.0	0	30	-	-
Cote d'Ivoire	10.0	0	-	34	-
Dominican Republic	10.0	0	37	-	-
Egypt	150.0	0	986	-	-
El Salvador	30.0	0	152	-	27
Guatemala	15.0	0	120	-	-
Guyana	5.0	0	42	-	-
Jamaica	30.0	0	86	31	81
Jordan	20.0	0	134	-	-
Morocco	35.0	0	48	-	-
Pakistan	20.0	0	-	-	-
Philippines	20.0	0	-	-	-
Poland	10.0	0	-	-	-
Sierra Leone	7.0 b/	0	8	15	-
Sri Lanka	5.0	0	37	-	-
Tunisia	10.0	0	81	-	-
Yemen	10.0	0	-	-	31
Totals	402.0	0	1,811	97	190

-more-

(TABLE 1, cont'd)

	Vegoil	Oilseed Meals	Tallow	Cotton
	----1,000 Metric Tons or 1000 Bales----			
	-----	-----	-----	-----
Congo	-	-	-	-
Costa Rica	-	-	-	-
Cote d'Ivoire	-	-	-	-
Dominican Republic	7	-	-	-
Egypt	-	-	-	-
El Salvador	-	-	28	-
Guatemala	-	-	-	-
Guyana	-	-	-	-
Jamaica	-	-	-	-
Jordan	-	-	-	-
Morocco	60	-	-	-
Pakistan	30	-	-	-
Philippines	-	87	-	-
Poland	-	-	-	27
Sierra Leone	-	-	-	-
Sri Lanka	-	-	-	-
Tunisia	-	-	-	-
Yemen	-	-	-	-
	-----	-----	-----	-----
Totals	97	87	28	27

-more-

TABLE 2: Country and Commodity Allocations
Public Law 480
Food for Progress Program
Second Quarter, Fiscal 1992

	Total Allocation (\$ Mil)	Undesig- nated (\$ Mil)	Wheat/ Flour a/ -1,000 Metric Tons-	Rice
Albania	7.5 c/	0	40	-
Panama	4.0 c/	0	-	-
Nicaragua	25.0 c/	0	45	-
Totals	36.5	0	85	0

	Feed Grains	Vegoil	Meal	Tallow
	1,000 Metric Tons			
Albania	-	-	-	-
Panama	-	7	-	-
Nicaragua	-	13	9	19
Totals	0	20	9	19

Note: Numbers may not add due to rounding.

a/ Wheat Flour included as grain equivalent.

b/ Total includes \$2 million for financing transportation costs.

c/ Total includes transportation costs as follows: Albania, \$2.3 million; Panama, \$800,000; and Nicaragua, \$4.9 million.

ROBERT C. BYRD, WEST VIRGINIA, CHAIRMAN

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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-8025

JAMES H. ENGLISH, STAFF DIRECTOR
J. KEITH KENNEDY, MINORITY STAFF DIRECTOR

December 12, 1991

The Honorable Edward R. Madigan
The Secretary of Agriculture
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250

Row

Dear Ed:

Secretary Mosbacher recently informed me that the Department of Commerce has determined canned pink salmon to be a surplus commodity and has recommended to the Department of Agriculture that it be placed on the Public Law 480, Food for Peace, docket for 1992.

The salmon industry in Alaska is currently facing a great hardship. A worldwide glut of pink salmon has depressed prices being paid to Alaska fishermen to a ten-year low of twelve cents a pound. Last year's pink salmon run increased stocks by 27% and a run of this magnitude or greater is expected next year.

In an effort to help alleviate the economic distress that this has brought to many of Alaska's fishing communities, I urge you to implement Secretary Mosbacher's recommendation as soon as possible and place canned pink salmon on the P.L. 480 docket for 1992.

Thanks for your help.

With best wishes,





Melanie A. Alvord
Staff Assistant

Ted Stevens
United States Senator
Alaska

522 Hart Senate Office Bldg.
Washington, D. C. 20510
(202) 224-3004

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United States
Department of
Agriculture

Foreign
Agricultural
Service

Food for Peace

1988 Annual Report on Public Law 480

INTRODUCTION

The Food Security Act of 1985 (P.L. 99-198) and other legislation in the 99th and 100th Congresses significantly changed the foreign food aid programs of the Agricultural Trade Development Assistance Act of 1954 (P.L. 83-480), often referred to as P.L. 480. These changes provided for monetization (sale or barter) of donated commodities, for local currency sales, and for a new commodity donation program, Food for Progress, to promote agricultural policy reform and private sector development in receiving countries. More recently, Congress has authorized an expansion of monetization of donated food aid.

U.S. food aid programs serve multiple objectives: U.S. market development, recipient country economic development, humanitarian relief, and support of foreign policy goals. The programs are administered jointly by the Agency for International Development (AID) and the U.S. Department of Agriculture (USDA). The Office of Management and Budget, the U.S. Department of the Treasury, and the U.S. Department of State participate in the decision-making process for food aid.

In addition to reporting the status of the P.L. 480 program in fiscal 1988, this report highlights achievements in the Food for Progress Program and in the Local Currency Loan Initiative legislated by the Food Security Act of 1985 and amended by the Omnibus Trade and Competitiveness Act of 1988.

Under the Food for Progress Program, commodities financed under section 416(b) or from P.L. 480 title I resources can be programmed on a multiyear basis to countries that agree to promote free enterprise in their agricultural sector. A maximum of 500,000 tons of commodities were to be made available for each of the fiscal years 1986 through 1990.

The objective of the Local Currency Loan Initiative is to promote the development of private enterprise by authorizing U.S. Government sales of agricultural commodities for local currencies rather than for long-term dollars. Local currency obtained from the sale of title I commodities is loaned by the U.S. Government to private intermediate financial institutions in the recipient country. These institutions then lend to the private sector within the recipient P.L. 480

country. Under this program, the President is directed to enter into section 108 sales at a level of not less than 10 percent of the aggregate value of all title I agreements unless the total level of agricultural exports would be adversely affected. To the maximum extent practicable, the President is to use at least 5 percent of the local currencies to provide agricultural technical assistance, including the funding of market development activities.

PROGRAM SUMMARY

U.S. agricultural exports amounted to 148.4 million tons valued at \$35.3 billion in fiscal 1988. The P.L. 480 program accounted for approximately \$1.2 billion of this, or about 3 percent. Commodities under the program were shipped to 74 countries. The largest recipients of food under title I/III were Egypt and Bangladesh. They accounted for 37 percent of the total title I/III exports. Under title II, the Asia/Near East region was the largest recipient, with India the largest single recipient. This region accounted for 46 percent of the total title II exports.

Title I and Title III

The fiscal 1988 aggregate program value of title I/III agreements signed was \$728.6 million. Title I agreements and amendments were signed with 26 countries. The objectives of the title III Food for Development Program were met through the signing of two agreements with Bolivia and Bangladesh, totaling \$80 million.

Title II

Commodities were shipped under the title II program to approximately 59 million needy people in 72 countries in fiscal 1988. The Commodity Credit Corporation (CCC) valued these commodities at \$458.3 million. Major commodities donated under title II were wheat and wheat products, including flour, blended foods, nonfat dry milk, and vegetable oil.

TITLE I--SALES PROGRAM

Summary

During fiscal 1988, 46 title I sales agreements and amendments were signed with an export market value of \$728.6 million. The agreement actions were concluded with 26 countries considered to be friendly with the United States, in accordance with section 103(d) of P.L. 480.

In fiscal 1988, convertible local currency sales agreements (including title III) comprised 95 percent of the total value of agreements signed. The remaining 5 percent of the agreements signed were on section 108 local currency terms.

The five countries with the largest amounts programmed were: Egypt--\$180 million; Pakistan--\$80 million; Bangladesh--\$60 million; El Salvador--\$41.5 million; and the Sudan--\$40 million.

Commodities programmed included wheat, wheat flour, corn, sorghum, rice, vegetable oil, tallow, and cotton. Wheat and wheat flour (3.2 million tons) were the major commodities. Other quantities were 381,000 tons of vegetable oil, 286,000 tons of feed grains (corn and sorghum), 208,000 tons of rice, 40,000 tons of tallow and 40,000 bales of cotton.

Allocation Requirements

Title I programming during fiscal 1988 met the requirement that at least 75 percent of food allocations go to countries with per capita incomes of less than \$835. This 75:25 ratio is set forth in section 111 of the Agricultural Trade Development and Assistance Act of 1954, as amended. Tables 8 and 9 provide the initial and final country and commodity allocations for fiscal 1988.

Loan Terms

Title I of P.L. 480 provides for the concessional sale of agricultural commodities to friendly countries. Agreements under title I may be signed either for dollar credit with up to a 20-year repayment period or for convertible local currency credit with up to a 40-year repayment period. The grace period for dollar credit agreements may go up to 2 years, and for convertible local currency agreements it may be as long as 10 years.

Initial payments that are not part of long-term credit may be required under both types of agreements. Minimum interest rates under both types of financing are set by law at not less than 2 percent during the grace period and 3 percent thereafter. Terms for agreements are determined on a case-by-case basis.

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

Role of the CCC Although the CCC finances the sale and export of commodities under title I, actual sales are made by private U.S. suppliers to foreign importers or government agencies. The CCC finances sales by paying suppliers directly through the U.S. banking system for their sale except for any portion not covered by a required initial payment. The CCC then collects the amount provided in the agreement with the importing country. These funds are used to support current title I programs.

Accounting for Title I Costs The gross cost to the CCC of financing long-term credit sales for U.S. agricultural commodities from July 1, 1961, through September 30, 1988, totaled \$34,777 million--\$31,856 million of commodity and other costs, \$2,669 million of ocean transportation costs (including \$1,982 million for ocean freight differential), and \$251 million of interest costs.

Through September 30, 1988, the CCC had been reimbursed for all costs by dollar payments under government-to-government and private trade entity agreements in the amount of \$4,945 million, by \$4,650 million in foreign currency funds used to finance long-term credit sales, and by appropriations of \$24,934 million.

*Self -Help
Provisions*

All P.L. 480 title I sales agreements since 1967 have contained self-help measures to which recipient countries have committed themselves. Examples of self-help provisions contained in agreements include the following:

- *Devoting land resources to production of needed food;*
- *Developing agricultural, chemical, farm machinery and equipment, transportation, and other necessary industries;*
- *Training farmers in agricultural techniques, and reducing illiteracy among the rural poor;*
- *Constructing adequate storage facilities;*
- *Improving marketing and distribution systems;*
- *Creating a favorable environment for private enterprise and investments;*
- *Adopting governmental policies that ensure adequate incentives for producers;*
- *Expanding institutions for adaptive agricultural research;*
- *Allocating sufficient national funds and foreign exchange resources for self-help provisions;*
- *Implementing health programs for the rural poor; and*
- *Carrying out voluntary programs to control population growth.*

TITLE II--FOREIGN DONATIONS

Summary

The title II food aid program is the U.S. Government's most direct effort to combat hunger and meet food shortages abroad. Food aid is best known historically for meeting emergency and short-term needs of the hungry. However, a considerable portion of title II food commodities are also used to promote long-term development to address the underlying issues that prevent developing countries from meeting their own food needs.

During fiscal 1988, about 2.3 million tons grain equivalent of title II commodities were shipped to approximately 58.6 million needy people in 72 countries. The CCC valued these commodities at \$458.3 million.

Wheat and wheat products, including flour, comprised over half the commodities donated through title II in fiscal 1988. Feed grains and their products, rice, vegetable oil, and nonfat dry milk were also donated.

In both value and volume, the Asia/Near East region was the largest recipient of title II food aid. Approximately 41 percent of the total title II tonnage was distributed to Asia, with another 5 percent to the Near East. Distributions in Africa increased from 30 percent in fiscal 1987 to 42 percent in fiscal 1988, with Ethiopia, Mozambique and the Sudan receiving the largest amounts for famine relief.

Operations

One of the main objectives of the P.L. 480 title II food donation program is to alleviate hunger and malnutrition of people in the poorest countries of the world. The target recipients included 15.4 million women, infants, preschool children in maternal child and day-care centers; 9.3 million older children in school feeding programs; and 12.1 million adults and dependents through food-for-work projects. In addition, another estimated 16.2 million people, including 7.8 million refugees, were fed through emergency, general relief, and other self-help programs.

Administered jointly by the USDA and AID, title II activities are carried out by the following groups:

Private voluntary organizations

Adventist Development and Relief Agency (ADRA)
American Jewish Joint Distribution Committee (AJJDC)
American ORT Federation (ORT)
Catholic Relief Services (CRS)
Church World Service (CWS)
Cooperative for American Relief Everywhere (CARE)
Doulos Community
Ethiopian Orthodox Church (EOC)
Food for the Hungry (FHI)
Jamaica Agricultural Development Foundation (JADF)
Joint Relief Program (JRP)
League of Red Cross and Red Crescent Societies (LICROSS)
Lutheran World Relief (LWR)
National Cooperative Business Association (NCBA)
Oxford Famine Relief (OFR)
Projects in Agriculture, Rural Industry, Science and
Medicine, Incorporated (PRISM)
Save the Children Federation (SCF)
World Vision Relief Organization (WVRO)

Intergovernmental organizations

International Committee of the Red Cross (ICRC)
League of International Red Cross
and Red Crescent Societies (LICROSS)
World Food Program (WFP)
U.N. High Commissioner for Refugees (UNHCR)
U.N. International Children's Education Fund (UNICEF)

Recipient governments

Distribution Private, voluntary agencies and international organizations distributed 52.7 percent of 2.0 million tons of commodities shipped (1.1 million tons, valued at \$243.1 million); the World Food Program including the International Emergency Food Reserve, 24.3 percent (490,000 tons, valued at \$108.3 million); and the bilateral government-to-government programs, 23 percent (465,000 tons, valued at \$106.9 million). Of the total, nearly \$201.2 million in commodities were channeled to meet emergency programs around the world.

Famine Prevention Ethiopia was an outstanding example in fiscal 1988 of title II commodities being used to prevent a famine of major proportions. A number of nongovernmental organizations distributed food to millions of Ethiopians suffering from the drought and civil war which ravaged the country. In order to avoid a repetition of the 1984-85 starvation and massive shelter feeding programs, the U.S. Government and other donors repositioned food stocks and began early distribution of food while the people were still strong enough to carry rations and return to their farms. The United States and other donors responded quickly and efficiently to meet the needs. By April 1988, confirmed food pledges totaled 1.04 million tons, of which the United States supplied 268,866 tons valued at \$47.4 million. Port and logistical capacities were greatly improved, airlift operations were implemented where needed, and financial support for transport and management was granted to the nongovernmental organizations to avert massive starvation. The U.S. Government also supported an agricultural recovery program of some \$19 million in Ethiopia, making the total value of the P.L. 480 contributions approximately \$100 million.

Maximizing Development Potential In recent years, there has been a growing recognition that food aid also can play a longer term development role in addressing problems which prevent developing countries from meeting their own food needs. Recurring drought in Africa highlights the need for developmental efforts to overcome the underlying causes of famine. AID continues to help develop mutually reinforcing approaches to strengthen the effectiveness and development impact of food aid.

Through two title II full monetization programs in Indonesia, sufficient initial capital and interest income are being provided for two private voluntary organizations to implement targeted development activities over the next 5 years. CARE's Community Self-Financing and Water and Sanitation Facilities project will support technical assistance for communities to develop and construct their own clean

water and sanitation systems, and to provide technical training while developing community self-help capacity and skills for undertaking loans and debt servicing.

Also in Indonesia, the National Cooperative Business Association is establishing the Indonesian Enterprise and Trade and Development Foundation. This foundation will provide both long-term lending and equity capitalization to high-priority, labor-intensive business ventures and promote viable Indonesian enterprises while developing and testing flexible private sector investment strategies. The project is intended to promote U.S. and Indonesian mutual trade interests.

World Food Program

The World Food Program (WFP), under the auspices of the United Nations and the Food and Agriculture Organization, had a \$1.4-billion pledge target for the most recent biennial (calendar years 1987 and 1988). The United States, in turn, pledged \$250 million for the same biennial as its share. The pledge authorized \$175 million through title II and \$75 million under section 416 for commodities and transportation, of which \$2.9 million is for administrative support. Section 416(b) of the Agricultural Act of 1949 authorizes overseas donations from CCC surplus stocks.

The WFP also administers the International Emergency Food Reserve (IEFR), which has a 500,000-ton yearly target for emergency contributions. During fiscal 1988, the United States contributed over 230,000 tons of food, valued at \$36.7 million, through the IEFR. Additional funds were provided by the U.S. Government to cover transportation costs.

The Food Aid Convention

The objective of the Food Aid Convention (FAC) of 1986 was to improve world food security by ensuring a minimum of 10 million tons of cereal aid annually to developing countries, a target first established by the World Food Conference of 1974. Signatories are obligated to pledge minimum annual amounts of cereal aid in wheat (or its equivalent) suitable for human consumption.

Ten countries and the European Community (EC) are members of the new FAC, with total pledges of 7.5 million tons. The United States is the largest donor, with a pledge of 4.47 million tons. All of the U.S. obligation is met by P.L. 480 shipments, including title I concessional sales and section 416 donations. Efforts are made to encourage the participation of other potential donors to reach the 10-million-ton target.

TITLE III - FOOD FOR DEVELOPMENT

Operations

Title III, known as Food for Development, was added to P.L. 480 in 1977. A country must be eligible for a title I agreement before a title III program can be approved. This allows low-income countries to purchase U.S. agricultural commodities on title I terms. It differs from title I in that as the proceeds from the sale of the commodities are used for developmental purposes, an equivalent dollar value of the title I loan is offset. When the offset occurs, the loan in effect becomes a grant of commodities.

Before a title III agreement may be approved and negotiated, the recipient country must submit a Food for Development Plan which describes how the commodities are to be used. The plan must describe the self-help projects to be financed by the sales proceeds. Projects and programs financed must increase food production, improve storage, transportation, and distribution of farm products, or improve the quality of rural life through health and nutrition or family planning programs. A joint evaluation of progress in the implementation of the Food for Development program is conducted each year.

Goals

The goals of title III are: "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."

Special Provisions

A special provision of the Agricultural Trade Development and Assistance Act of 1954 provides for the negotiation of multiple-year commitments of up to 5 years, provided suitable commodities are available for programming through P.L. 480. A plan to use the commodities or the sales proceeds must be approved. Also, the recipient country must show it is making satisfactory progress in implementing the provisions of the agreement.

A second special provision of the Agricultural Trade Development and Assistance Act of 1954 allows relatively least developed countries to apply the currency use offset to any P.L. 480 principal or interest payments falling due that fiscal year. This allows recipient countries to more easily meet their obligations of remaining current in the repayment of principal and interest from previously negotiated title I agreements using the food or sales proceeds in accordance with an approved Food for Development plan. Countries not considered to

be "relatively least developed" may reduce or offset the loan under which the commodities were purchased by an amount equivalent to the dollar value of the proceeds applied.

Requirements The legislation established that, of the annual aggregate value of title I agreements, not less than 10 percent is to be under title III beginning in fiscal 1986 and each fiscal year thereafter.

Bellmon Amendment As is the case for title I, no commodity will be exported unless at the time of exportation adequate storage facilities are available to prevent spoilage and waste, and the shipped commodities will not create a significant disincentive to domestic production in the recipient country.

Self-Help Measures Each agreement or amendment, regardless of terms, must contain self-help measures which improve the production, storage, and distribution of agricultural commodities. They are to be implemented in such a way as to enable the poor to participate actively in increasing food production through small farm agriculture. In addition, the recipient government agrees to provide adequate financial, technical, and managerial resources for their implementation.

Self-help measures are to be additional to those which the recipient country would otherwise be able to undertake in the absence of the loan or grant and are to be described in specific and measurable terms. Other provisions require that the sales proceeds be used for financing the self-help measures set forth in the agreement.

Agreements During fiscal 1988, title I/III agreements valued at \$728.6 million were negotiated with 26 countries. Agreements with two of the countries-- Bangladesh and Bolivia, totaling \$80 million--contained currency use offset provisions as authorized under title III. This amounts to 10.9 percent of the aggregate total value of the program. Highlights from these two programs follow.

Highlights: 1988 Title III Food for Development Program

*Bangladesh
(\$60 million,
Title III)*

In fiscal 1988, an amendment was negotiated to a title III agreement signed initially in 1987. Bangladesh falls into the "relatively least developed country" category. Self-help measures contained in the agreement included commitments to: (1) continue to reduce the costs of the Public Food Distribution System and to redirect all reduced