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PUBLIC LAW 480: LEGISLATIVE HISTORY,
OPERATIONS, AND EVALUATION

by

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INTRODUCTION

The depletion of the world agricultural surplus stocks in the early 1970's has caused people to raise questions concerning international food policies. Some of these questions concern the food aid program authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480).

P.L. 480 is the largest single international food aid undertaking by the U.S. in terms of volume and dollar value of its shipments. It has been the subject of much controversy due to the wide range of interests represented and objectives outlined in its provisions, as well as actual results achieved.

The material reviewed in the first section of this study describes the legislative history of P.L. 480 and includes reasoning behind changes in the law. The second section presents the administrative organization and financial procedures followed in carrying out P.L. 480 programs. The final section reports on the impact of P.L. 480 on recipient nations as well as the U.S.

Study Objectives

The P.L. 480 program has served as a food aid program by which U.S. agricultural commodities are used to promote economic development in recipient countries. The P.L. 480 program has been changed considerably since its passage in order to meet that goal. As the P.L. 480 program is changed to meet these desired goals, U.S. agriculture, as well as recipient countries will be affected. Thus, the primary objective of this

study is to evaluate the impact of P.L. 480 on recipient countries and U.S. agriculture.

Other objectives of the study were:

- (1) To gain an understanding of the reasoning for the P.L. 480 program by reviewing the legislation leading up to the passage of P.L. 480 and subsequent legislation which has modified the law.
- (2) To understand the administrative organization and financial procedures used in meeting the objectives of P.L. 480.
- (3) To determine the impacts of P.L. 480 on recipient countries and the U.S.

Information for this report was gained through various studies, reports, and public documents that described the P.L. 480 program and its impact on the U.S. and recipient countries.

SECTION I

LEGISLATIVE HISTORY OF P.L. 480

Food aid to foreign countries from the United States had been used as part of foreign economic assistance long before the passage of the Agricultural Trade Development and Assistance Act of 1954. Before World War II, foreign assistance usually came in the form of relief to victims of natural disasters and the amount of assistance was small. For example, between August, 1921, and June, 1923, the American Relief Administration distributed over 700,000 tons of foods, medical supplies, and clothing to Russia because of widespread famine. From 1928 through 1931, starvation was widespread in the northern provinces of China. The United States Relief Committee sent \$530,000. This was used for the purchase and transportation of grain. The Federal Council of Churches provided funds for relief work projects.

In 1931, with major flooding of the Yangtze River in China, the United States Grain Commission released 15,000,000 bushels of wheat which China purchased for famine relief.¹ With World War II, foreign economic assistance became an important part of U.S. foreign policy. In 1941, Congress passed the Lend-Lease Act which provided economic aid to Great Britain and other nations to help in the war effort. The Lend-Lease Act was only a war-time arrangement, with no significant policy carryover after the war. The United States provided \$50.2 billion in aid with \$6.5 billion being spent on agricultural commodities.²

¹M. Curti, American Philanthropy Abroad (New Brunswick, New Jersey: Rutgers University Press, 1962), pp. 290, 358.

²Luther Tweeten, Foundations of Farm Policy (Lincoln: University of Nebraska Press, 1970), p. 481.

With World War II coming to an end, the U.S. became involved in the rehabilitation of Europe and parts of Asia. In 1947, under the support of the European Relief and Recovery Act, better known as the Marshall Plan, surplus commodities were provided in the form of concessional sales. Included in these were large shipments of wheat and other food stuffs.³ The inclusion of farm goods in these sales were inevitable given the set of post-war circumstances.

During the war years, the U.S. farm sector had been producing at full capacity due to patriotic and profit incentives. After the war had ceased, the patriotic incentives were removed, however, the profit incentives still remained because of high price supports. An accumulation of surplus stocks began to build to a level that their disposal became a pressing problem. Congress looked upon these agricultural surpluses as a source of aid to relieve countries suffering from hunger and such aid could relieve the surplus situation in the U.S.⁴

Surplus stocks were used as a tool in forwarding American diplomacy under the Marshall Plan. It, generally has been judged a success because the European countries recovered rapidly from the effects of war. Food aid also is believed by many to have helped restrain the spread of Communism.⁵

United States interests became worldwide as attention was shifted from Europe to the Korean conflict and other of the world's developing areas. The possibilities of using the U.S.'s agricultural surpluses in the form of economic assistance to these areas became more plausible.

³Ibid., p. 482.

⁴Peter A. Toma, The Politics of Food for Peace (Tucson: University of Arizona Press, 1967), p. 7.

⁵Tweeten, Foundations of Farm Policy, P. 484.

For example, India was trying to establish itself as an independent nation but was having problems with food supplies which had been prevalent for generations. Also in 1950, India suffered from flood and drought. To meet these problems, Congress passed the Emergency Aid to India Act in 1951. This provided a \$190 million loan to India at 2.5 percent interest. This loan covered a one-year period. Shipments under it were only to be of foodgrains or their equivalent to combat the emergency of 1950. In 1953, Pakistan was granted wheat to combat famine. Congress directed the Commodity Credit Corporation (CCC) to make one million long tons of support wheat available to Pakistan from June 1953 to June 1954. Of this, 700,000 long tons were to be used for famine relief and 300,000 tons were to be used as a reserve to supplement Pakistan's emergency programs.⁶

From 1950 through 1953 efforts were made in Congress to develop legislation that would incorporate all of the various U.S. foreign assistance programs. The outcome of this was the Mutual Security Act of 1953. The stated objective of the Act was, "to maintain the security and promote the foreign policy of the United States by authorizing military, economic and technical assistance to friendly countries to strengthen the mutual security and individual and collective defenses of the free world."⁷ The main thrust of this Act was to use foreign assistance to strengthen the position of the United States against the Communist Bloc, while at the same time contributing to the economic development of the recipient countries. The Act also opened the way for disposal of excess agricultural stocks. The Mutual Security Act (MSA) program, like the Marshall Plan

⁶Murray R. Benedict and Elizabeth K. Bauer, Farm Surpluses, U.S. Burden or World Asset (Berkeley, California: University of California, 1960), p. 41.

⁷Ibid., p. 37.

provided food aid through concessional sales, but the MSA program differed in that provisions were made for payment in local currencies. However, the continuing buildup of agricultural surpluses, along with increasing need for food and fiber in a large number of developing nations, pressed the U.S. Congress for a more extensive program of surplus food disposal to developing nations.⁸ The outcome of this was the Agricultural Trade Development and Assistance Act of 1954, Public Law 480.

Basic Legislation of Public Law 480

Public Law 480 was an attempt to deal with the problem of agricultural surpluses and at the same time support U.S. foreign policy. The goals of feeding hungry people and serving political and economic self-interest brought about the passage of P.L. 480.

The condition of the agricultural sector of the American economy was the principal causal factor in the creation of P.L. 480. Over-production and low prices combined with the high cost of governmental subsidies created an atmosphere of demand for alternate solutions to the surplus problem. Some of the more obvious solutions were not politically feasible. Government purchase and storage of surplus agricultural commodities promoted conditions which generated more surpluses. The destruction of surplus commodities was not acceptable on ethical grounds. Such action would have relieved the storage problem, but not the basic one of surplus production. Giving the excess commodities away in the massive amounts necessary was not possible because of the negative impact the policy would have had on the international market and on other agricultural export countries.

⁸Tweeten, Foundations of Farm Policy, p. 484.

The largest potential market for agricultural commodities lay in the underdeveloped regions of the world. But the countries involved could not afford to spend scarce dollar reserves for large purchases and their own currencies were not acceptable or convertible exchange in international trade.⁹

The original proposal that agricultural surpluses be sold for foreign currencies came in the form of a resolution issued by the 1952 National Conference of the American Farm Bureau Federation at Seattle, Washington.¹⁰ In 1953, Congressional response to the situation took the form of an amendment to the Mutual Security Act that monies be allocated (\$100 million to \$350 million) for the sale of surplus agricultural commodities for foreign currencies. This amendment was clearly not enough to deal with the surplus, and a much larger program was needed. When P.L. 480 emerged from Congress in 1954, it was based on the premise and the hope that excess agricultural commodities could be disposed of by selling them for foreign currencies, provided they could not be sold for dollars.¹¹

P.L. 480 was worded to allow a great deal of flexibility, so this program could be used in various ways. The announced purposes of P.L. 480 were to (1) promote the welfare of American agriculture and (2) further the foreign policy of the United States. Congressional intent to keep the interests of American agriculture paramount is seen in Section 2 of P.L. 480, as the following excerpt illustrates:

It is hereby declared to be the policy of Congress to expand international trade among the United States and friendly

⁹Commission on Foreign Economic Policy, Report to the President and Congress, 1954 (Washington, D.C.: Government Printing Office, 1954), p. 28.

¹⁰Congressional Quarterly Almanac, 1953, Vol. IX, p. 114.

¹¹Ibid., p. 120.

nations, to facilitate the convertability of currency, to promote the economic stability of American agriculture and the national welfare, to make maximum efficient use of surplus agricultural commodities in furtherance of the foreign policy of the United States by providing a means whereby surplus agricultural commodities in excess of the usual marketings of such commodities may be sold through private trade channels, and foreign currencies accepted in payment thereof. It is further the policy to use foreign currencies which accrue to the United States under this Act to expand international trade, to encourage economic development, to purchase strategic materials, to pay United States obligations abroad, to promote collective strength, and foster in other ways the foreign policy of the United States.¹²

When first passed, P.L. 480 provided for three basic types of programs. Title I included two primary authorizations: (1) the President was authorized to negotiate with friendly nations for the sale of surplus agricultural commodities for foreign currencies; and (2) the President was authorized to use, or enter into agreements with friendly nations to use the foreign currencies received for one or more specific purposes.

The purposes for which these currencies may be used covered several categories of which the following are included:

1. To help develop new markets for United States agricultural commodities.
2. To purchase strategic or other materials for a supplemental stockpile.
3. To procure military equipment, materials, facilities, and services.
4. To finance the purchase of goods and services of other friendly countries.
5. To promote balanced economic development and trade among nations.
6. To pay United States obligations abroad.
7. Loans to promote multilateral trade and economic development.

¹²Agricultural Trade Development and Assistance Act, Statutes at Large 68, sec. 2, 454 (1954).

8. To finance international educational exchange activities under authorized programs.
9. To acquire sites and buildings and grounds abroad for United States Government use.
10. To help meet emergency or extraordinary relief requirements other than requirements for surplus food commodities.
11. For the sale for dollars to American tourists.¹³

There are other categories for which these currencies can be used, but they could be put under the general heading of educational exchange, information and support, and scientific information and support.

Title II; under the heading of Famine Relief and other Assistance, enabled the President to furnish emergency assistance to friendly nations to meet famine and other urgent relief requirements. Food assistance has also been used under this title to supplement children's diets and provide wages in the form of food instead of money for economic development programs.¹⁴

Title III was divided into two programs. Under the first, provision was made for the donation of food to welfare organizations which administer and distribute the food through independent programs. The second program under Title III allowed the Commodity Credit Corporation (CCC) to barter supplies of surplus agricultural commodities for goods required by the national stockpiles of the United States.

In 1959, Title IV was added. This title provided for long-term supply contracts by which agricultural surpluses were sold on long-term credit arrangements. The reasoning for this amendment was that surplus agricultural commodities and their products could be used to assist the

¹³Ibid., sec. 104, paragraphs a-s, 455-457 (1954).

¹⁴Ibid., sec. 201, 457.

economic development of friendly nations. It would do this by providing long-term credit to purchase surplus agricultural commodities for domestic consumption during periods of economic development with the expectation that prepayment could be made by funds generated by an improved economy.¹⁵

In the ensuing years, P.L. 480 has been modified several times by legislation. In general, the effect of most of this legislation was to expand the program beyond its original limits.

Modification of P.L. 480

It was found that the original law did not deal effectively with one of its main goals--to dispose of agricultural commodities that were in surplus. When P.L. 480 was passed on July 10, 1954, the CCC had title or held loans on approximately \$6 billion worth of agricultural surpluses. In April of 1959, the figure was in excess of \$9 billion.¹⁶ Therefore, Title IV, an amendment to the original law was proposed to make it easier for recipient countries to get long-term credit for use in acquiring surplus commodities.

Arguments for the passage were based on several points. One was that there should be an increased effort to develop markets for U.S. commodities abroad. Another was a feeling that the Russians were getting the best of the U.S. by operating disposal programs that granted long-term agreements at a rate of interest substantially below that of U.S. agreements.¹⁷ The U.S. long-term agreements delivered agricultural commodities

¹⁵U.S., Congress, House, An Act to Amend the Agricultural Trade Development and Assistance Act of 1954, P.L. 86-341, 1959, sec. 401, p. 610.

¹⁶U.S., Congress, House, Committee on Agriculture, Long-Term Contracts Under Public Law 480, Hearings on H.R. 2420, 86th Cong., 1st sess., 1959, p. 47.

¹⁷Ibid., p. 55.

for 10 years, with dollar payments spread out over 20 years from the date of the last delivery of commodities. This would insure the recipient countries of a long-term supply while helping in their economic development. This was also the beginning for the philosophy that P.L. 480 should be used for other purposes in addition to its role in surplus disposal. It was the beginning of a "Food for Peace" program. The "Food for Peace" program was an objective of the Eisenhower administration to be achieved by implementing Title IV of P.L. 480.

Opponents to the proposed legislation argued that the amendment would merely be an extension of Title I and should not be under a separate title. Also there was some weight given to the fact that there may be commitments to supply commodities to countries when the U.S. did not have excess supplies of those commodities available. Some members of Congress also feared that there would be countries not willing to take more commodities than they were receiving under Title I. However, Title IV of P.L. 480 was passed on September 21, 1959.

Through the late 1950's and in the early 1960's, there was a strong push by some members of Congress, especially in the Senate, to transform P.L. 480 to correspond with the oncoming shift in United States foreign policy. In January, 1959, President Eisenhower in a special farm message to Congress initiated a "Food for Peace" program. During this same period, there were proposals considered for the extension of P.L. 480. A two-year extension of the P.L. 480 Act was passed in 1959, but a provision to change the title to the "Food for Peace Act of 1959" failed to pass. Most of the debate was centered on the issue of whether the nature of P.L. 480 was foreign or domestic.

The Food for Peace evolution came about with the election of John F. Kennedy to the Presidency. Even while Kennedy was campaigning, he expressed interest in using the agricultural surpluses as a tool for peace by helping people around the world whose friendship we were seeking.¹⁸

After Kennedy was elected President, one of his first moves was to establish an office for Food for Peace and assign George McGovern as its director. The Food for Peace program actually emphasized the role of food aid as an instrument of foreign policy, whereas the P.L. 480 program was designed to be primarily domestic in that it was directed toward the alleviation of U.S. agricultural surpluses.¹⁹

In 1961, two significant changes came about pertaining to P.L. 480. One was that the period of extension was raised to five years, where before there had only been two or three year extensions. Secondly, for the first time, the Department of State agreed to support P.L. 480 as an important factor in foreign relations of the United States.²⁰

In 1962, President Kennedy wanted three amendments passed to strengthen the Food for Peace program. Two of the three were rejected by Congress. These were: (1) to purchase commodities not in federal stockpiles, and (2) to donate food surpluses to further international economic development. The third amendment passed which permitted government-to-private trade agreements. In that same year the Foreign Aid Act halted aid to communist countries. However, there was a provision in that same Act which allowed P.L. 480 aid to communist countries to continue.²¹

¹⁸Toma, The Politics of Food for Peace, p. 44.

¹⁹Robert G. Stanley, Food for Peace, Hope and Reality of U.S. Food Aid, (New York: Gordon and Breach, 1973), p. 71.

²⁰Congressional Quarterly Almanac, 1961, Vol. XVII, p. 109.

²¹Toma, The Politics of Food for Peace, p. 63.

After 1964 the Food for Peace program was again affected by major changes. First, the surpluses held by the U.S. government had declined. This led to the speculation that if the program was to continue, nonsurplus commodities might have to be purchased by the government on the open market, thus making the program comparable to other foreign aid programs. Also, it had been suggested that the decline of surpluses, when coupled with continued food deficits in many foreign countries, could lead to planned surpluses through an expansion of U.S. agricultural production.²²

A further change affecting the future of the program was introduced in 1966 by President Johnson in a message to Congress. Johnson asked Congress to replace the existing P.L. 480 program with similar legislation, but titled "Food for Freedom". This proposal was probably suggested because the U.S. did not have food surpluses as it once had and also it would be a shift to more foreign aid operations. This was pointed out by the features of the proposal that were: (1) to make self-help an integral part of the food aid program, (2) to eliminate the "surplus" requirement for food aid, (3) to expand the magnitude of food aid shipments, and (4) to authorize the CCC to enrich nutritionally the foods shipped under the program.²³

There were other proposals introduced during this time by other members of Congress. In the hearings on these proposals, many of the provisions were incorporated in a bill that became an extension of P.L. 480 in 1966. However, President Johnson's proposed title "Food for Freedom" was dropped, and the program was still to be known as Food for Peace.

²²Ibid., p. 133.

²³Ibid., p. 134.

Some of the provisions that became law with the passage of the extension were: (1) Food for Peace would no longer be based only on surpluses. This was an imperative change because of the lack of agricultural commodity surpluses, (2) prohibition of trading with countries who trade with North Vietnam or Cuba, but granted the President the privilege of waiver as to countries dealing with Cuba, and (3) the President was specifically directed to conduct the program to assure a progressive transition (to be completed by December 31, 1971) from foreign currency sales to either dollar sales or sales for currencies on terms so as to permit U.S. recovery of dollar credits from receipts, and (4) title of original P.L. 480 is now "Food for Peace Act of 1966".²⁴

In 1968, the Act was extended through 1973. It also strengthened the prohibition of sales to North Vietnam by excluding any exporter from doing business with that nation. Other changes concerned self-help programs and cultural exchanges. Voluntary family planning programs were to receive up to five percent of Title I funds generated in any country. Up to 50 percent could be provided to U.S. importers to buy materials from the recipient nations and as much as 50 percent could be used to pay wages earned in public work projects.²⁵

Other Laws Affecting P.L. 480

The 93d Congress enacted three laws affecting Food for Peace operations. The Agriculture and Consumer Protection Act of 1973 (P.L. 93-86) extended Food for Peace through 1977, and prohibited sales and donations

²⁴U.S., Congress, House, Food for Peace Act of 1966, Pub. L. 89-808, 89th Cong., 1966, H.R. 14929.

²⁵U.S., Congress, Senate, Extension of the Agricultural Trade Development and Assistance Act of 1954, Pub. L. 90-436, 90th Cong., 1968, S. 2986.

to North Vietnam, unless specifically authorized by Congress, after July 1, 1973.

Members of Congress found that funds generated under Title I were used to strengthen the armed forces of South Vietnam. They felt that this was an inappropriate use of Food for Peace funds in light of the humanitarian and peaceful intent of the food aid program. Therefore, 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.

The Foreign Assistance Act of 1974 (P.L. 93-559) strengthened the humanitarian aspects of the program. The Act directed that in FY 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"²⁶ by food shortages. The 1974 act also directed that special attention be given to increasing agricultural production in countries with an annual per-capita income under \$300, as a means of increasing food production worldwide.²⁷

During the 93d Congress, the World Food Conference convened in Rome for a meeting which was attended by delegates from 130 countries. The Conference adopted several resolutions that called on government for action in such things as: (1) have a world wide grain reserve plan, (2) give high priority to increasing food production, particularly in the developing nation, (3) support rational population policies, and

²⁶ "most seriously affected" (MSA) countries are defined as those countries without the internal food production capability or the foreign exchange availability to secure food to meet their immediate food demands--taken from "Food for Peace Program, 1974 Annual Report", Message from the President of the United States, House Doc. 94-352, 94th Cong. 2d sess. 1974.

²⁷ U.S., Congress, Senate, Foreign Assistance Act of 1974, Pub. L. 93-559, 93d Cong., 1974, S. 3394.

(4) 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 World Food Program.

The resolutions of the World Food Conference were a prominent feature in the debates on revision of the Food for Peace program. Some of the questions the debate has centered around are the following: (1) What basis should be used to allot food aid to other nations? Should food aid serve only humanitarian purposes, or are U.S. political and foreign policy goals to be given consideration? (2) What, if any, restriction should be tied to U.S. food aid? (3) What kinds of food aid programs would be most beneficial to recipient nations? (4) What commodities or dollar levels of aid should the United States agree to provide? Should the United States make long term rather than annual commitments? (5) Can Food for Peace operations be reorganized to make the program a more effective vehicle for food aid?²⁸

In the 94th Congress, several bills were introduced to clear up the objectives of the Food for Peace program. The most significant bill was H.R. 9005, the International Development and Food Assistance Act of 1975, which was signed into law (P.L. 94-161) on December 20, 1975. The provisions of this act amended P.L. 480 in several ways. Section 2 of P.L. 480 was amended by prescribing that when furnishing food aid, the President shall: (1) give priority to consideration in meeting urgent food needs of those countries most seriously affected by food shortages; (2) continue to urge donor countries to increase their participation in efforts to address food needs of the developing world; and (3) relate

²⁸U.S., Congress, House, Committee on International Relations, Food Problems of Developing Countries: Implications for U.S. Policy, 94th Cong., 1st sess., 1975.

U.S. assistance to self-help by the aid receiving countries, with emphasis on development of labor intensive, small farm agriculture. Another provision of this same act changed the previous 70%-30% ratio of concessional food aid to a 75%-25% ratio, thus strengthening the humanitarian aspect.²⁹

Title II of P.L. 480 was amended by requiring a minimum of 1.2 million tons of agricultural commodities to be distributed annually for all three types of food distribution under Title II. These three are: government-to-government agreements, voluntary agencies, and the World Food Program. A minimum was set up to allow for better forward planning, where before there were uncertainties that existed as to whether a continued supply of commodities would be forthcoming.³⁰

A new section was added to P.L. 480 which authorizes and encourages the President to seek international agreements for a system of national food reserves to provide insurance against unexpected food production shortfalls, with costs to be shared among nations.³¹

This year, 1977, a new farm bill is expected to extend P.L. 480 legislation, with amendments added to change the law. One of these changes will probably be to increase the present \$300 per capita income limit on countries receiving aid. Informed opinion is the most likely change will be to increase it to approximately \$500. The Senate version of the bill, which has already been debated, would change this limit to \$520 gross national product per capita limit to which 75 percent of the volume of food aid under Title I is required to be allocated in each fiscal year.³²

²⁹U.S., Congress, House, International Development and Food Assistance Act of 1975, Pub. L. 94-161, 94th Cong., 1975, H.R. 9005.

³⁰Ibid.

³¹Ibid.

³²"Farm Legislation Enters Waiting Stage," Milling and Baking News, June 7, 1977, pp. 7-8.

Also the minimum quantity of 1.3 million tons allocated under Title II will be revised upwards to 1.5 million tons minimum for fiscal year 1978. Of the 1.5 million tons, 1.3 million will be made available to the World Food Program and voluntary agencies.

The Senate version of the bill authorizes the President to negotiate for a system of food reserves as a U.S. contribution to the International Emergency Food Reserve for humanitarian relief. This provision directs the Secretary of Agriculture to build stocks of food, both processed and blended, to a level of 2 million tons per year. These stocks may be rotated each year to reduce the likelihood of spoilage and deterioration.³³

Some of the above provisions of the 1977 Senate version of the bill will probably be changed to some degree by the House, but similar provisions probably will be incorporated in the 1977 P.L. 480 extension.

P.L. 480, when passed in 1954, was to be used mainly as a surplus disposal tool for agricultural commodities with some emphasis on developmental objectives. In the late 50's and early 60's, P.L. 480 emphasis was one of furthering U.S. foreign policy by using food aid. This emphasis of humanitarian aid to further foreign policy also was carried on through the late 60's. In 1972, when the world food situation took a turn for the worse, lawmakers looked at the law to see if it could be restructured to become more consistent with the post 1972 conditions. As feelings become stronger for a world food reserve system to be set up, P.L. 480 may become the legislative vehicle the U.S. will use to fulfill its part in meeting reserve commitments.

Although the emphasis of P.L. 480 has changed, the means by which the Food for Peace program is carried out has remained the same since

³³ Ibid.

the inception of the law. The next section will examine the administrative organization and financial procedures for implementing P.L. 480.

SECTION II

OPERATIONS

Public Law 480, passed in 1954 is a complicated law having four titles, several supporting motives and involves many agencies of the government. The bureaucratic arrangement for P.L. 480 is both complex and intricate. The central focus of this section is to explain the administrative organization and financial procedures for P.L. 480.

Administrative Operations

When first passed, P.L. 480's primary authority was assigned to the President. Executive Order No. 10560 of September 9, 1954, delegated this Presidential authority to various people and agencies for administration. Primary responsibility for sales of commodities under Title I for foreign currency went to the Secretary of Agriculture. All functions conferred on the President by Title II were delegated to the Director of the Foreign Operation Administration to be carried out under the authority of the International Cooperation Administration. Title III operations were delegated to the Commodity Credit Corporation for barter operations of surplus stocks.¹

Also in the same Executive Order an Interagency Staff Committee on Agricultural Surplus Disposal was created, because of the interest in P.L. 480 by many departments and the complexity of the Act. Its purpose was to better coordinate the activities of the Act. The committee was

¹U.S., Congress, House, 1st Semiannual Report on the Activities Under Public Law 480, H. Doc. 84-62, 84th Cong., 1st sess., 1955, pp. 2-3.

composed of a representative from the White House office who acted as chairman of the committee, and one representative of each government department or agency designated by the Chairman. The committee consisted of senior officials of the Departments of Agriculture, Commerce, Treasury, and State, plus an official from the Foreign Operations Administration and one from the Bureau of the Budget. The committee chairman has responsibility of advising the President on policy matters.²

The Secretary of Agriculture was responsible for the day-to-day operations through the appropriate interagency relationships. To meet this objective, the Secretary of Agriculture established a working committee under the chairmanship of the Administration of the Foreign Agricultural Service and representatives from the Interagency Staff Committee on Agricultural Surplus Disposal, the Department of Defense, and the Office of Defense Mobilization. This committee under the policies of the Interagency Staff Committee is responsible for consideration of specific proposals for sales or grants and for working out the detailed provisions of agreements.

The Secretary of Agriculture received the bulk of direct functional authority, but the policy aspects of the program remained in the hands of the Chief Executive. From 1954 until 1960, the Presidential authority and its delegation allowed a gradual increase in emphasis on the foreign policy aspects of the program. There were other agencies that had an interest in this Act as is shown in the following delegations of authority contained in Executive Order No. 10560 of September 9, 1954, and No. 10900 of January 5, 1961:

1. Secretary of Agriculture - all functions under Title I and IV except as otherwise delegated.

²Ibid.

2. Secretary of State - negotiations and entering into agreements with friendly nations; all functions under Title II; waiving appropriations requirements in respect to the foreign policy of the United States.
3. Chiefs of United States Diplomatic Missions - coordination and supervision in the carrying out by agencies of their functions in the respective countries.
4. Director of the Bureau of the Budget - fixing the amounts of Title I foreign currencies to be used for purposes described in section 104 of the act.
5. Secretary of the Treasury - authority to prescribe regulations governing the purchase, custody, deposit, transfer, and sale of foreign currencies received under the act.
6. Agencies administering the expenditures of foreign currencies - authorized uses:
 - a) Department of Agriculture - agricultural market development.
 - b) Office of Emergency Planning - supplemental stockpile.
 - c) Department of Defense - common defense.
 - d) Department of State - international educational exchange; cultural and educational development, health, nutrition and sanitation; buildings for U.S. Government use; American educational studies; workshops and chairs in American studies.
 - e) Agency for International Development - purchase of goods for other countries; grants for economic development; loans to private enterprise; loans to foreign governments; non-food items for emergency uses.
 - f) United States Information Agency - translating the books and periodicals; American sponsored schools and centers; trade, agricultural and horticultural fairs; audio-visual materials.
 - g) National Science Foundation - scientific activities.
 - h) Librarian of Congress - acquisition; indexing and dissemination of foreign publications.
 - i) Department of the Treasury - sale for dollars to American tourists.
 - j) Any authorized United States agency - payment of United States obligations.³

Some members of Congress argued that the Act was not getting rid of the surpluses as effectively as they thought it should, so increased effort was made to use the U.S. surpluses to further foreign policy objectives, which would change the main function of P.L. 480. This brought some action by the Executive branch. In a farm message to Congress on

³ Summary of Executive Order No. 10900, January 5, 1961, 26 Federal Register 143, as amended, p. 143.

January 29, 1959, President Eisenhower initiated a "Food for Peace" program. In doing so, he created a position of Director of Food for Peace who was to serve as the coordinator of Food for Peace. This was a new position on the President's executive staff. The duty of the Director of Food for Peace was to supervise and coordinate all Food for Peace programs under P.L. 480.

In 1961, President John F. Kennedy changed the Director of Food for Peace position from Special Assistant to the President to Special Assistant to the Secretary of State. However, the office remained in the White House. This change was brought about because of a shift from the role of P.L. 480 as a surplus disposal program to one of improving foreign relations.

From 1961 until 1965, the Food for Peace office acted as a coordinator between the President's office, the Departments of Agriculture, and State and the Congress. Because of the growing interest in foreign policy, President Johnson in 1965 moved the Food for Peace Director's office to the Department of State from the White House. At this time, there was a big bridge to cross in bringing together all the interest groups' views on how to use the program. Some complained that the job could not be done satisfactorily because of the bureaucratic conflict. There appeared to be a growing struggle over the programming of food for the concessional sales or credit part of the Food for Peace program. The State Department and the Agency for International Development (AID) had been the judge on the amount of food needed while the Agriculture Department was limited to programming and procurement of these staples. The Agriculture Department started to seek control of the function of determining Food for Peace needs as well as how much production should be expanded to meet these needs.⁴

⁴"Food for Peace Chief Resigns in Dispute," New York Times, 2 December 1966, p. 1.

Congress reevaluated the P.L. 480 program and Food for Peace before enacting the new legislation passed in 1966. Their reevaluation brought about the shifting of the program from surplus disposal of agricultural surpluses to that of planning future U.S. agricultural commodities to meet the food requirements of developing countries. The revised P.L. 480 Act required evidence of the developing countries of their determination to increase food production and to control expanding population.

Because of the changed emphasis, the revised P.L. 480 program not only altered the purpose but also the structure of the legislation. All sales programs were to be conducted under Title I which required the shift of long-term credit sales to be shifted from Title IV to Title I. Title III, which had previously been both barter and disposition of CCC-owned surplus commodities to carry out donations programs through U.S. registered voluntary agencies, had now been changed to only barter activity.

The barter activity under P.L. 480 also was slowed down considerably and finally ceased in 1968. To improve the balance-of-payments position of the United States, barter activities were placed under the CCC Charter Act thus permitting private barter contractors to export free market stocks of commodities. Along with the end of the barter movement under Title III came an end to Title III activity.⁵

Because of these changes, the only active Titles left are Title I and Title II. The "Food for Peace" office remains in the Department of State, but the Agriculture Department has input in the program. They are responsible for developing a program of suitable commodities to be imported and how much. This proposal then goes to the Interagency Staff

⁵U.S., Congress, House, 1968 Annual Report of the Food for Peace Program, H.Doc. 90-296, 90th Cong., 2d sess., 1968.

Committee (ISC) on P.L. 480. The ISC committee considers the following factors bearing on the P.L. 480 program such as: (1) the country's need for commodity and overall economic status, (2) the possible impact of the Title I program on U.S. dollar sales and other export programs, and (3) the effect of such a program on export markets of friendly supply countries. After considering these factors, the committee either accepts or rejects the proposal.⁶

Title II activities, Foreign Donations, are a jointly administered effort of the Agency for International Development and the U.S. Department of Agriculture. The USDA determines the types, quantities and values of the commodities and AID administers program operations. The program activities are carried out by three types of program sponsors. They are: (1) non-profit U.S. voluntary agencies such as CARE and United Nations Childrens Funds (UNICEF); (2) friendly governments operating under bilateral agreements with the United States; and (3) the World Food Program, a multilateral organization established in 1963 by the United Nations and Food and Agricultural Organization (FAO).⁷

P.L. 480 has been streamlined from four to two titles. With this reduction has also brought a smaller amount of administrative bureaucracy. However, the administrative organization for P.L. 480 is still large and quite complicated, simply because of the Act's wide-ranging goals. The procedures involved in a transaction with a foreign country also are complicated. The next section deals with these procedures and how they are usually carried out.

⁶U.S., Congress, House, 1974 Annual Report of the Food for Peace Program, H. Doc. 94-352, 94th Cong., 2d sess., 1976, p. 9.

⁷Ibid., p. 35.

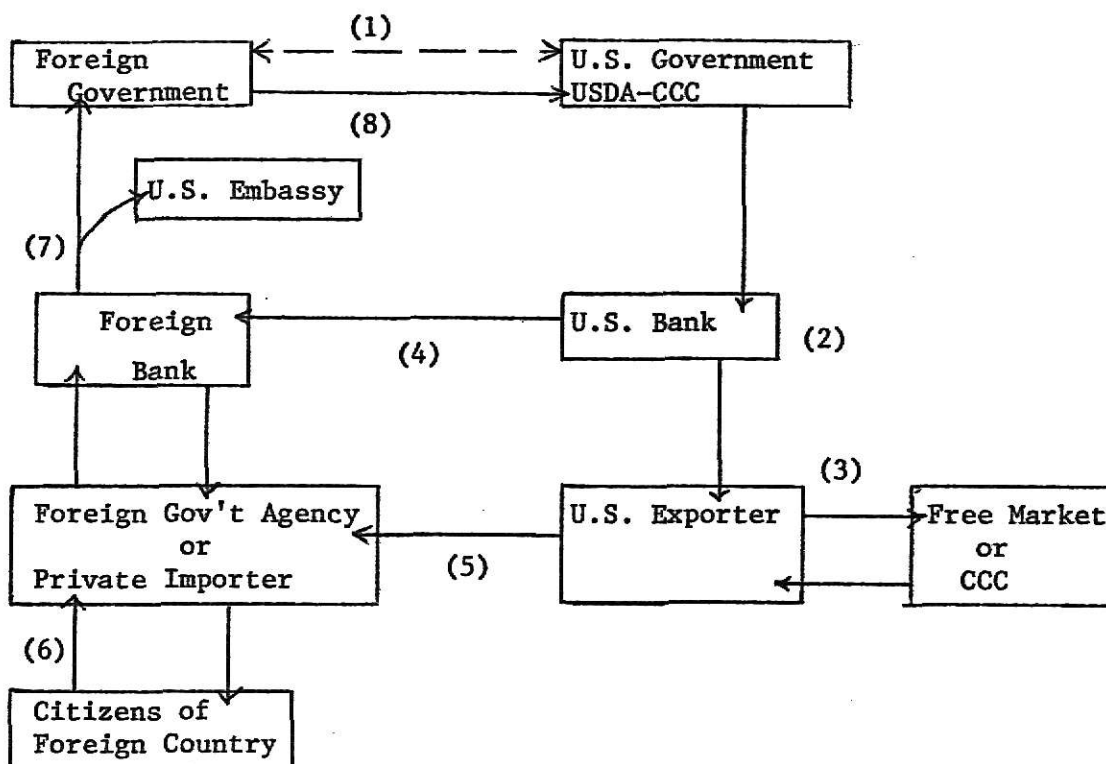
Financial Procedures under P.L. 480

Financial arrangements under P.L. 480 since 1954 have changed to meet changing conditions. When first passed, Title I was used for concessional sales because of foreign exchange shortages in recipient countries. In 1959, Title IV was added providing for long-term sales contracts. In 1967, Title IV's long-term supply segment was united with Title I sales, and so all sales agreements could be under one Title. Also, sales of commodities were switched from that of nonconvertible currencies to that of convertible currencies or long-term credit dollar sales. Therefore, the following discussion is centered on the explanation of financial procedures under Title I, however, there will be a brief part on the arrangement of commodities for Title II.

The major steps involved in the fulfillment of a commodity sales agreement under Title I are presented in the following discussion.⁸ Figure 1 illustrates these steps involved in the manner of a flow diagram.

Usually negotiation of a sales agreement is entered into at the request of a foreign government or private trade entity. The request is submitted to the American Embassy in the host country and then is transmitted to Washington along with a recommendation of U.S. Embassy officials. Also included is an explanation of the economic factors underlying the need and a list of specific commodities and quantities desired. In Washington, the request and recommendation is forwarded to the Department of Agriculture, which analyzes the submission. This proposal is then sent to the Interagency Staff Committee (ISC) on Public Law 480. The proposal

⁸The following discussion draws substantially upon the U.S. Department of Agriculture, Foreign Agriculture Economic Report #65, P.L. 480, Concessional Sales; History, Procedures, Negotiating and Implementing Agreements (Washington: U.S. Department of Agriculture, Economic Research Service, 1970).



- (1) Agreement reached between U.S. and Foreign country.
- (2) U.S. finances shipment by U.S. exporter through U.S. bank.
- (3) U.S. exporter buys grain from free market or CCC, loads it, and gives bill of lading to U.S. bank.
- (4) Bill of lading given to foreign bank who then notifies importer.
- (5) Importer receives grain and sells it to citizens of country.
- (6) Citizens pay importer for grain with local currency which is then deposited with foreign bank.
- (7) Foreign bank either credits the U.S. account with local currency or transfers local currency funds to the foreign government.
- (8) Foreign government pays U.S. government in following years.

SOURCE: USDA, P.L. 480, Concessional Sales; History, Procedures, Negotiating and Implementing Agreements, ERS, Foreign Agricultural Economic Report No. 65.

Figure 1: P.L. 480 Agreement under Title I for Long-Term Dollar Credit

is analyzed, modified, and accepted or rejected by the Committee. The Committee considers the following factors: (1) the country's needs, economic status, and foreign exchange position; (2) the possible impact on dollar sales and other export programs; (3) effect on export markets of other supplying countries; and (4) the relationship of the proposal to the foreign aid program and foreign policy of the United States. In the case of government-to-government proposals, which have been the most common, the requesting country's internal and external financial position is analyzed to determine the most suitable program.

Once agreement is reached within the United States government, the State Department consults with third countries likely to be concerned over the impact of the proposed transaction on their commercial exports. Also consideration is given to the extent to which the recipient country is undertaking self-help measures to increase per-capita production of food and improvements for storage and distribution of commodities. After this consultation, the State Department is responsible for negotiating the sales agreement with the recipient. After the sales agreement is negotiated and signed, the USDA can issue a purchase authorization (PA).

The purchase authorization is a document that provides for the financing of specific commodity sales and specifies conditions under which financing will be made available. If the sales agreement is for a relatively small amount, a PA may be issued for the full amount; if it is large, authorizations are generally spaced out over the supply period, usually a calendar or U.S. fiscal year. A public announcement is made each time a PA is issued, thereby encouraging U.S. exporters to participate in the program.

Once in receipt of the purchase authorization, the foreign government issues a subauthorization designating a private importer or agency to purchase the commodities. At the same time, the foreign government designates a bank in its own country and a United States bank to handle the transaction. It then asks the CCC to issue a letter of commitment to the United States' bank which guarantees the latter reimbursement for their letter of credit from the foreign bank. The importer, whether an agency of the foreign government or a private firm would then contract with a U.S. exporter for the commodity purchase. The Department of Agriculture reviews the price to ensure that it is in a range of export prices determined by the USDA.

The exporter may buy the commodity from regular commercial sources or from the CCC. When shipped, at least fifty percent of the tonnage has to be shipped in commercial vessels of United States registry according to the Cargo Preference Act.⁹

A bill of lading is then presented to the exporter who will take their document to the U.S. bank. After that the exporter receives payment, in dollars, at the price agreed upon in the sales contract. The U.S. bank then presents ownership documents required by the CCC to the Federal Reserve bank named in the letter of commitment. At that time, the Federal Reserve pays the U.S. bank or credits its reserve account.

The foreign bank is then notified by the U.S. bank of the transaction and transmits the bill of lading. Upon receipt of the bill of lading, the bank notifies the importer. From the beginning step to this point all types of sales agreements under Title I are handled the same way. However, depending on the sales agreement type, the procedure may differ.

⁹U.S., Congress, House, Cargo Preference Act, P.L. 83-664, 1954.

If the sale was for local currency to be used by the U.S. government in that country, the foreign bank would transfer local currency to the account of the United States. This would constitute a payment to the United States. If the agreement is for a government-to-government long-term credit dollar sale or convertible local currency credit, the importer pays local currency to his government through the designated bank. The bank transfers these funds to the recipient government's account. After that transfer, the government pays dollars in subsequent years as required by the sales agreement.

The last stages of the transaction process involves shipment, receipt, and distribution or stockpiling of the commodities. Receipt and distribution of the commodities fall within the responsibilities of the recipient government who distributes them through normal commercial channels or stockpiles them for future use.

The procedure for Title II distribution of food aid assistance is not as complicated as that of Title I, but there is a prescribed method of carrying it out. Foreign donations of food to friendly countries are administered by the Agency for International Development (AID) through approved relief agencies. Before relief agencies can participate in a foreign donation program under P.L. 480, they must meet certain requirements and be registered with the Advisory Committee on Voluntary Foreign Aid. The applicant agency must be other than political or propaganda in purpose; it must have a record or means of continuing its foreign program; it must show records that indicate financial stability and efficiency, and establish proof that contributions it receives are tax deductible.¹⁰

¹⁰ Stanley, Food for Peace, Hope and Reality of U.S. Food Aid, p. 89.

Title II grants not only provide for emergency assistance and relief, but also provide for maternal-child feeding, school feeding, food-for-work feeding and welfare programs. The food is distributed without cost to the disaster victim or may be used to pay for wages of workers on projects. Also, it is possible under Title II to authorize the sale of CCC commodities in the developing country to generate local currencies, which are then used to pay the wages of the workers.

Representatives of the voluntary agency usually prepare and negotiate details of the proposed donation in the cooperating country. These proposed plans are submitted to Washington Headquarters and also to the country AID mission for review. The country AID team evaluates and submits the proposal and any recommendations it has to the ISC. If the proposed plans are approved, the voluntary agencies distributing the food overseas must provide an adequate staff for the distribution of the food. They must be able to assure that the food will be sent to the needy people or school children for whom it was intended.¹¹

Once all necessary reviews are made, the Foreign Agricultural Service (FAS) actually acts as the contracting authority for the CCC in finalizing actions relating to foreign food donations. The CCC pays for processing, packaging, handling, and transportation costs to the port of export, as well as ocean freight costs. The voluntary agencies or the intergovernmental organization receiving food donated from CCC holdings are responsible for their program's costs in a foreign country. Costs associated with unloading at the port of entry, warehousing, and

¹¹Ibid., p. 96.

transportation to the point of use in the foreign country are usually paid by the government of the foreign country.¹²

Title II and Title I get food to developing countries, but how well is this food aid used in these countries? Clearly the United States has wanted to help people in need, but also has used this aid with hope that these countries will be developed enough to become cash customers. The following section will deal with uses of food aid under P.L. 480 and what effect these uses have had on the United States and the recipient countries.

¹²Ibid., p. 97.

SECTION III

EVALUATION

Surplus Disposal

Surplus disposal was the main objective of Public Law 480 when first passed. Agricultural productivity had been overtaking the demands put upon it. U.S. farm exports had dropped from a 1951-52 level of \$4.1 billion to a 1952-53 level of \$2.8 billion. The combination of the recovery of European agriculture, the disappearance of the war-induced demand, export prices for U.S. farm products above those of other countries, and the continued dollar shortage had reduced overseas commercial markets.¹ The basic problem of surpluses was reappearing and so was Congress' concern over it. The CCC had started to accumulate huge stockpiles of surplus products through price support operations as shown in Table 1. These stockpiles were not only costly to store, but were causes for growing criticism of the entire agricultural price support program. Also their existence was viewed by many as having a price depressing effect on the commodity markets because of the fear that these surpluses would eventually find their way into the commercial channels. Therefore, any program that could permanently remove these commodities from the market and from United States government ownership would help United States agricultural interests. The opportunity to reduce the stockpiles (thereby reducing

¹Policy for United States Agricultural Export Surplus Disposal
(Tucson: University of Arizona Agricultural Experiment Station, Tech.
Bul. #150) August, 1962., p. 33.

TABLE 1

CCC: VALUE OF COMMODITIES OWNED AND OUTSTANDING UNDER
THE PRICE SUPPORT LOAN AS OF DEC. 31, 1949-1955

<u>Year</u>	<u>Owned</u>	<u>Loaned</u>	<u>Total</u>
	--in millions of dollars--		
1949	1,726	1,721	3,446
1950	1,926	880	2,806
1951	1,206	757	1,963
1952	946	1,379	2,345
1953	2,415	3,047	5,462
1954	3,951	2,940	6,891
1955	5,604	2,584	8,188

Source: 1972 Agricultural Statistics, USDA, pp. 623-624.

storage costs) by using food to relieve hunger and improve economic development seemed to be an excellent use.²

With the passage of P.L. 480, the United States, by export disposal, seemed to have found a means of bringing farm production and utilization into adjustment. That is what the authors and supporters expected. They thought the program would eliminate surpluses and permit the government to retire from intervention in agriculture. The agreement contracts between 1954 and 1957 clearly reflected a desire to export regardless of the implications for foreign trade and foreign relations. By 1957, the earlier expectations of surplus disposal had fallen considerably. P.L. 480 was not the answer to the problem of agricultural surpluses.

As can be seen in Table 2, the CCC surpluses were not decreasing as hoped, although P.L. 480 had removed some of the surpluses. Protests started coming from competitor countries and some U.S. commercial exporters, who claimed these government sponsored programs were taking away their markets.³

These protests from competitors principally arose out of the barter title of P.L. 480. What had been happening was that the barter program had been accelerating rapidly reaching \$372 million in 1956, compared with other title operations as is shown in Table 3.

The reason for the acceleration was that the program was being abused. What had happened was that a majority of bartered commodities were sold into markets with strong economics and strong currencies such as the United Kingdom, Netherlands, Japan, and West Germany. How this worked was that a producer of a commodity eligible for barter would

²Toma, The Politics of Food for Peace, pp. 39-41.

³Policy for United States Agricultural Export Surplus Disposal, p. 53.

TABLE 2

CCC STOCKS OWNED OR OUTSTANDING UNDER PRICE SUPPORT LOAN,
AND P.L. 480 EXPORTS 1954-74

<u>Year</u>	<u>Owned</u>	<u>Loaned</u>	<u>Total</u>	<u>P.L. 480 Exports</u>
--in millions of dollars--				
1954	3,951	2,940	6,891	70
1955	5,604	2,584	8,188	767
1956	5,323	2,319	7,642	1,262
1957	4,791	1,753	6,544	1,218
1958	4,692	3,268	7,960	1,019
1959	6,408	1,701	8,109	1,050
1960	6,079	1,829	7,908	1,304
1961	5,248	2,437	7,685	1,304
1962	5,271	2,761	8,032	1,444
1963	5,023	2,928	7,951	1,509
1964	4,611	2,802	7,413	1,621
1965	4,110	2,598	6,708	1,323
1966	2,340	2,069	4,409	1,306
1967	1,005	2,344	3,360	1,230
1968	1,064	3,605	4,669	1,178
1969	1,784	3,628	5,412	1,021
1970	1,594	2,973	4,567	1,021
1971	1,118	3,186	4,304	982
1972	830	2,438	3,268	1,108
1973	394	1,266	1,660	755
1974	188	681	869	760

Source: 12 Years of Achievement under P.L. 480, Supplement to ERS-Foreign 202, p. 1; Agricultural Statistics 1972, USDA, pp. 623-24.

TABLE 3

VALUE OF U.S. FARM PRODUCTS SHIPPED UNDER P.L. 480 1954-1974

<u>Year</u>	<u>Long-Term Dollar Credit</u>	<u>Sales for For. Curr.</u>	<u>Government Donations for relief</u>	<u>Voluntary Agency's Donations</u>	<u>Barter</u>	<u>Total P.L. 480</u>
---in millions of dollars---						
1954	---	---	28	20	22	70
1955	---	263	56	186	262	767
1956	---	638	65	187	372	1,262
1957	---	760	39	175	244	1,218
1958	---	752	43	159	65	1,019
1959	---	732	32	111	175	1,051
1960	---	1,014	49	124	117	1,304
1961	1	878	93	151	181	1,304
1962	42	1,006	81	178	137	1,444
1963	52	1,161	99	160	37	1,509
1964	97	1,233	62	186	43	1,621
1965	152	899	73	180	19	1,323
1966	239	815	79	132	41	1,306
1967	194	736	108	179	13	1,230
1968	384	540	101	150	3	1,178
1969	428	337	103	153	---	1,021
1970	490	276	129	126	---	1,021
1971	518	174	138	152	---	982
1972	660	70	236	141	---	1,107
1973	542	4	118	91	---	755
1974	488	---	132	140	---	760

Source: 1974 Annual Report of Food for Peace Program, p. 47.

approach the USDA, usually through a broker, to try to arrange a deal whereby precious minerals such as diamonds and uranium would be accepted in exchange for surplus commodities. If the agreement was made, the farm products changed hands and the contractor agreed to deliver the strategic material over a period of several years. The contractor agreed to export the farm product. Having a price concession, it was far easier to sell the product in a market with a strong currency, and then use this currency to buy the strategic commodity in the producing country. Also, the contractor had the use of interest-free money because no interest was charged on this type of dealing.⁴

In May, 1957, these abuses were recognized, so interest was charged and the rules for barter were changed. As a result of the rule changes, sales were reduced to countries with strong economies and directed toward weak economies. Because of this, there was a sharp reduction in barter operations, but an expansion in regular sales to countries with sound currencies.⁵

Between 1957 and 1960, P.L. 480, instead of solving the surplus disposal problem and being terminated, was extended and change was sought to speed up the process of eliminating the surpluses. More local currency was designated for loans and grants to spur the economic development of recipient countries. To reduce the conflicts with other competitors, a system was set up whereby consultation for use of currencies would take place before Title I agreement. Also, the Title IV program was started which gave long-term credit with favorable interest rates for recipient countries expecting to create a greater demand for United States surpluses.

⁴Ibid., p. 45.

⁵Ibid., p. 46.

P.L. 480 and Recipient Countries

In 1961, through 1962, an effort was made to coordinate the P.L. 480 program with other developmental aid for low-income countries. Questions began to arise as to how effective food aid was in stimulating economic development in emerging nations. The discussion which follows centers on the effects of P.L. 480 aid in the development of recipient countries.

India

India has been the largest recipient of food aid under P.L. 480 programs. As of the end of fiscal year 1974, India had received 22 percent (\$5,016.5 million) of the total P.L. 480 exports (\$23,145.5 million). Under Title I, India received 32 percent (\$3,870.5 million of total \$12,290.2)⁶. Because India has been the largest beneficiary of P.L. 480 food aid, many studies have been done to determine the effects of P.L. 480 on that country.

B.R. Shenoy⁷ argued that P.L. 480 aid has contributed to the inflation of the Indian economy because of the way it was financed. He also argues that the domestic production was depressed because of the program which violates the self-reliance doctrine of the program.

He concluded that the manner in which the Title I imports were funded caused the inflationary problem. When P.L. 480 Title I imports arrived, two counterpart funds were created.⁸ Counterpart funds (i) are the local

⁶U.S., Congress, House, 1974 Annual Report of the Food for Peace Program, Table 2, p. 50.

⁷B.R. Shenoy, P.L. 480 Aid and India's Food Problem, (New Delhi: Affiliated East-West Press Pvt. Ltd., 1974), p. 67.

⁸These funds are referred to as counterpart funds because the Government of India receives P.L. 480 commodities in exchange for rupees; and the U.S. Government receives rupees, deposited with the Reserve Bank of India, New Delhi, in full settlement for the agricultural surpluses.

currency payments made to the U.S. Disbursing Officer (USDO)⁹ at the American Embassy for P.L. 480 Title I imports. Counterpart fund (ii) are the sales proceeds of P.L. 480 imports from sales to the public of Title I imports.

In the case of other commodity aid programs, only one counterpart fund comes into being and no cash payments are made to the U.S. The U.S. gets only long-term loan documents in exchange for the commodities, thereby nullifying the need for counterpart fund (i). The commodities being sold in India bring about the counterpart fund (ii) owned by the Government of India (GOI). The GOI pays off the loan with rupees from the sales proceeds. On the other hand, under P.L. 480, there necessarily arises two rupee receipts by two different parties and from two different sources. The USDO receives created Reserve Bank money from the GOI. And the GOI receives rupee payments from the public, the consumers of P.L. 480 imports. Since counterpart fund (i) are government-to-government payments, they are made from the budget resources of the aid-receiving country. The USDO who receives these funds uses them for U.S. expenditures in India. Because counterpart fund (i) and (ii) are each independent resources in the hands of their respective owners, the checks drawn on both enter the stream of monetary circulation. If both funds were exhausted, the money in circulation would be double the sales proceeds of the imports, thereby having an expansionary effect on the Indian economy.¹⁰

To stop the inflationary effect of P.L. 480 Title I finance, the counterpart fund (i) would have to be abolished. The 1966 amendment to

⁹USDO is generally a State Department official attached to the American Embassy who is charged with the responsibility of administering local currencies according to U.S. Treasury regulations and directions.

¹⁰Shenoy, P.L. 480 and India's Food Problem, p. 96.

P.L. 480 that called for the end of cash payments in local currencies for Title I imports did just that. Shenoy agrees that this abolished the expansionary impact of P.L. 480 aid except for the unspent rupee balances in counterpart fund (i) due to interest and amortization payments.

Shenoy also argued that P.L. 480 imports into India had been in excess of market shortages. This depressed market prices, especially wheat, replaced commercial exports, and weakened self-reliance efforts, thereby causing further shortages and more dependence on P.L. 480 exports. Shenoy pointed out that from 1953 until 1967, during heavy wheat importing into India, the wheat prices were depressed in relation to other grain prices. This caused the Indian farmer to shift their production away from wheat to other crops. But as India, in 1967, slowed the imports of wheat into their country, the wheat prices accelerated in relation to other grains and farmers responded by growing more wheat.

Shenoy argued that this price repression could have been avoided by monitoring the price trends in the major wholesale markets for assessment of the price impact of P.L. 480 imports. The wheat imports should have tapered off when wheat prices fell relative to other grain prices. And, they should have ceased when the prices of all cereals tended downwards in context of an inflationary rise in prices. This neglect of the price trends led to excess imports which repressed prices, retarded the cereal production expansion in India, and thereby undermined the P.L. 480 objective of self-reliance.

Uma K. Srivastava argued the P.L. 480 imports were not inflationary. He maintained the inflationary implications of P.L. 480 counterpart funds could not be traced to the changes in money supply. This was based on the fact that P.L. 480 aid involves an inflow of real commodities into

the economy. By having the foodgrains coming into India and sold to the public, the sales proceeds caused a monetary contraction. However, this was nullified by a flow back in the economy via U.S.-use expenditures and developmental project expenditures. Therefore, he concluded that P.L. 480 transactions had a neutral effect on the money supply. Furthermore, it was thought that the sales proceeds helped to mobilize a larger volume of monetary resources for financing development.¹¹

A study by Rath and Patvardhan concluded that P.L. 480 imports helped contain the inflationary pressures within the economy, provided substantial additional resources for investment in economic development, and raised the cereal consumption of India. The study also found that the P.L. 480 imports increased consumption primarily in urban area, allowed expanded consumption in middle-and-high income families through consumption of flour mill products. However, the imports failed to build buffer stocks because the direct sales generated financial resources for planned investment that would not have accrued if the imported commodities had gone into storage.¹²

Columbia

In 1963, a detailed study was made on the impact of P.L. 480 imports on the agricultural economy of Columbia by Theodore J. Goering and Lawrence Witt.¹³ The study considered the impact of P.L. 480 imports

¹¹Uma K. Srivastava, Impact of P.L. 480 Aid on India's Money Supply and External Debt-Service Obligations: A Look Ahead (Ames, Iowa: Iowa State University Press, December 1972), p. 22.

¹²Nilantha Rath and V.S. Patvardhan, Impact of Assistance under P.L. 480 on Indian Economy, reviewed in Uma K. Srivastava, et. al., Food Aid and International Economic Growth (Ames, Iowa: Iowa State University Press, 1975), p. 133.

¹³Theodore J. Goering and Lawrence Witt, United States Agricultural Surpluses in Columbia, 1963 reviewed in Uma K. Srivastava, et. al., Food Aid and International Economic Growth (Ames, Iowa: Iowa State University Press, 1975), pp. 124-126.

on four areas of the economy: (1) farm prices, production, and income; (2) economic development and internal resource use; (3) level of consumption of agricultural products; and (4) changes in Colombian foreign exchange expenditures. Comparing domestic prices and production in 1954-55 and 1959-60 of commodities supplied under P.L. 480 agreements with the prices and production of commodities not in the program, they concluded that production of wheat increased only slightly over the five-year period while cotton production increased more than 25 percent per year. The authors' study also showed a strong indication that the national Food Procurement Agency of Columbia used P.L. 480 wheat imports to satisfy domestic demand at reduced prices rather than undertake a costly price support program to stimulate production. At the same time, the Food Procurement Agency carried on an active price support program for barley with the apparent impact of shifting domestic production of wheat to barley.

They concluded that the use of local currency did not create undue inflationary pressures on the economy. Also they found that the availability of local currency loans probably was instrumental in stimulating expansion of the total development program in view of the conservative fiscal policy demonstrated in the past.

Their observation of market sales before and after large donation programs led them to conclude that delivery of P.L. 480 commodities resulted in expanded consumption by consumers and not displacement of regular purchases. Consumer purchases in areas with large surplus food programs did not decline in any of the markets after the programs went into effect.

The impact of P.L. 480 shipments on competing third-country trade was also examined by Goering and Witt. They found that P.L. 480 had a

negative impact on commercial trade. Canada's wheat shipments had fallen to 32 percent of the preprogram levels and Peru's share of cotton exports to Columbia also fell.

Valderrama and Moscardi concluded that P.L. 480 imports had a negative effect on the Columbian wheat producer.¹⁴ The import policies of Columbia, as well as other Andean region countries are to maintain price and wage levels. By keeping food prices low, these levels can be obtained. But, in so doing the P.L. 480 imports have caused the Columbian farmer to suffer as well as those in Peru, Bolivia, and Ecuador. They cited two principal factors relating to the P.L. 480 agreement that have discouraged domestic production. One was the desire of the government to obtain additional financing from P.L. 480 agreements and secondly, domestic wheat was different from imported wheat in that it is inferior. The P.L. 480 agreement produced additional financing because it generated a profit due to domestic prices being well above the import costs.

The government's desire to profit from this arrangement caused them to not promote research on wheat, while the inferior domestic wheat was responsible for the low prices millers paid for it. The flour mills had been established to process only imported wheat which had better milling quality. Even though the government had set official prices high enough to allow farmers a rate of return comparable to other crops, the actual prices farmers received were well below official levels. As a result, many farmers who had high opportunity costs in wheat production, abandoned it. The land area formerly used to grow wheat in Columbia is about

¹⁴Mario Valderrama and Edgardo Moscardi, "Current Policies Affecting Food Production: The Case of Wheat in the Andean Region," Proceedings of the World Food Conference 1976 (Ames, Iowa: Iowa State University Press, 1977), pp. 219-232.

a fourth of that cultivated in the 1950's. Instead of being shifted to other crops, these lands are now used for pasture purposes. Most of the farmers who do produce wheat have farms less than 10 hectares in size and produce wheat even if it is not profitable to on the larger farms.

Because of government import policies which took advantage of commodity surpluses provided under P.L. 480, Columbia discouraged their own domestic production capacity. Therefore, they have to import more wheat commercially to meet their needs.¹⁵

United Arab Republic (Egypt)

The USDA conducted studies to determine the impact of P.L. 480 on selected countries. In the study conducted on Egypt, it was concluded that P.L. 480 shipments were closely related to a shift from a 7 percent cost of living increase between 1955 and 1961 to a 5 percent decrease between 1961 and 1963. Because of sales for local currency were allowed before the 1966 amendment, the U.A.R. could overcome two major obstacles of trade: their limited foreign exchange and lack of U.S. demand for U.A.R. commodities.¹⁶

Generally, it was concluded that the U.A.R. benefited in humanitarian as well as economic aspects from the P.L. 480 assistance program. The food aid was as important as the dollar capital aid to the country in view of the critical food needs that existed.¹⁷

¹⁵Ibid.

¹⁶Haven D. Umstott, Public Law 480 and Other Economic Assistance to United Arab Republic (Egypt), ERS-Foreign 83, Economic Research Service, USDA, June 1964., p. v-vi.

¹⁷Ibid.

Turkey

The USDA study of Turkey concentrated on the evaluation of the economic impact of P.L. 480 Title I programs through 1962. Two commodity groups constituted most of the program with wheat making up 63 percent, fats and oils 25 percent, and various other commodities providing the remaining 12 percent.¹⁸

The study concluded that farm prices rose at approximately the same rate as general prices during P.L. 480 imports and that there was no evidence that P.L. 480 imports had an adverse effect on domestic production of imported products. They also concluded that P.L. 480 commodities helped prevent a major food crisis in 1954.

P.L. 480's impact on the economic development of Turkey was shown by investment in the development of domestic consumer goods industries which replaced imports of many consumer goods. The researchers observed that many of these new industries were still in their infancy, but they appeared to be able to compete effectively and should provide import substitutes in the future.

Turkey's two semiofficial agencies, the Soil Products Office (TMO) and the Meat and Fish Corporation (EBK) had a monopoly on the procurement and distribution of all imports, both concessional and commercial. These agencies were designed to promote the interests of producers in Turkey. The TMO and EBK were effective in their stabilization operations in accordance with their national policies. Because of the availability of Title I imports, these agencies helped to reduce fluctuations in domestic food prices, by reducing inflationary price increases during periods of scarcity. But since these two agencies distributed the imports

¹⁸U.S. Department of Agriculture, Food Aid and Agricultural Development, Foreign Agricultural Economic Report, ERS #51, 1969, pp. 9-21.

within the framework of national pricing policies, they were priced above the level of domestic prices. Consequently, the domestic producers were insulated against competition of lower priced imports whether they were imported under P.L. 480 or commercially.¹⁹

Other Countries

P.L. 480 imports to other countries has been used in a variety of ways to alleviate food scarcity and promote economic development. In Tunisia, P.L. 480 imports under Title II have been used for food-for-wage payments. These were relief-work projects deemed to have economic value in the agricultural field. Tunisia suffered from a shortage of water in some parts of the nation, therefore, most projects involved the conservation of water, through dams and cisterns for irrigation. Other projects undertaken were planting trees and road repair. The program consisted of a daily wage of four kilograms of American wheat plus a cash supplement provided by the Tunisian government. The wage was about one-third cash and the remainder in wheat. By November 1961, there were over 200,000 people employed full-time on various work projects in Tunisia.²⁰

The program was judged successful in Tunisia. The success was based on good local planning and good administration. As a result, other major work project programs were conducted in several other countries.

Israel, being further advanced economically, used Title I imports for different reasons than developing countries. Their production of wheat and feed grains was constrained because of the high cost of irrigation and limited arable land. The P.L. 480 imports of wheat and feed

¹⁹

Ibid.

²⁰

Policy for United States Agricultural Export Surplus Disposal,
pp. 64-65.

grains permitted for expansion of the livestock industry and agricultural processing enterprises.

The use of Title I imports by Israel to stabilize permitted the stabilization of domestic prices at levels low enough to make it possible for the government to relax rationing on dairy products, meat and poultry.²¹

Other countries have been studied to determine the impacts of P.L. 480 and most generally conclude that P.L. 480 commodities do substitute for a portion of foreign aid to many developing countries without serious adverse effects. Also concluded were that requirements for the use of surplus commodities to promote economic development without adversely disrupting the recipient economy are: (1) the availability of idle resources which can be mobilized through the use of food aid, (2) the capability of matching commodity aid with derived consumer demand, and (3) the availability of supporting capital--domestic and foreign--to finance nonfood expenses and satisfy effective nonfood demand.²²

P.L. 480 and the United States

Since 1954, the United States has extended economic assistance totaling more than 25, 548 million dollars to approximately 100 countries through the P.L. 480 program. Many nations that required massive food aid shipments in the early years of the program have become major cash customers of U.S. agricultural goods. An illustration of the success of the food aid and marketing goals of the program is that 14 developing countries, which received aid in the 1950's, have become net cash customers

²¹Ibid.

²²Uma K. Srivastava, et. al., Food Aid and International Economic Growth, p. 133.

in the 1970's. Some of the better examples are Columbia, Greece, Italy, Spain, and Japan.²³ (See Appendix)

Exports have become a key ingredient in the U.S. farm policy in the 1970's and will probably be more important in the future. The demand in the United States for agricultural products is relatively stable, and because the U.S. produces much more than can be used domestically, the foreign market becomes exceedingly important. People in the developing countries need the food the most but usually cannot pay for it. Therefore, in the past that meant most U.S. agricultural exports went to richer nations. However, U.S. foreign aid programs help promote economic growth in the developing countries which increases consumer incomes. Increased consumer incomes mean increased food purchases, which result in increased farm products imports. These imports to developing countries mean that the demand for U.S. agricultural commodities have increased. This growth in U.S. exports depend heavily upon an expanding world market for farm products, and that expansion can come from increasing consumer incomes in foreign countries in combination with population growth.²⁴

Unfortunately, from the U.S. farmer's standpoint the demand of the worlds' more prosperous nations for farm products is becoming better satisfied. Reasons for this are that production is increasing at a faster rate than population and a majority of the people in these nations have high enough incomes to be able to adequately fill their food needs. As their incomes rise, they can be expected to spend a smaller percentage of their additional income on food. Also, population growth has dropped

²³U.S. Department of Agriculture, ERS, FATUS, March, 1977, p. 42.; Janis E. Baker, "Revisions in the U.S. Food Aid Program", Paper from Environmental and Natural Resources Policy Divisions, March 20, 1976., p. 1.

²⁴"The U.S. Farmer and Foreign Aid", Reprint from War on Hunger, November, 1972, p. 1-4.

sharply in developed countries, so they account for a small fraction of the world's population growth. Currently, the high income and developed countries account for almost sixty percent of all U.S. agricultural exports, while the developing countries account for approximately one-third. Table 4 shows the opposite is true of wheat where the developed countries accounted for only a small portion of the U.S. food grain exports (wheat and rice) in fiscal year 1975-76.²⁵

The future expansion of U.S. farm product exports to high income countries will be due to increased demand resulting from slackened population growth, plus that resulting from shifts in consumer demands to higher quality foods such as meats and meat products. On the other hand most of the growth in demand for food grains will most likely be in the low income countries. In these countries, the income elasticity of demand is still high (.5 or more) compared to other countries, thereby accelerating the growth in total demand for food when per-capita income increases. The short run effect of income growth in developing countries would be to shift the total demand upwards faster than domestic food production resulting in an increase in the demand for food imports.²⁶

A recent USDA study of the changes in agricultural imports associated with changes in per capita income since 1959-61 in approximately seventy countries shows that, as a group, the growth in imports of agricultural products has kept pace with the income growth. However, growth in import demand has varied greatly in the different countries, depending on whether they are high or low income countries. In other words, this study shows that as income per capita rose 10 percent, agricultural imports:

²⁵ From Paper by Arthur B. Mackie, World Economic Growth, and Demand for U.S. Farm Products, p. 4.

²⁶ Ibid., p. 5.

TABLE 4

DESTINATION OF U.S. AGRICULTURAL EXPORTS FY 1975-76

Commodity	Developed Countries	Less Developed Countries	Centrally Planned	World
All Agricultural Production				
1975	57	37	6	100
1976	58	30	12	100
All Cereals				
1975	45	47	8	100
1976	45	35	20	100
Wheat Products				
1975	25	67	8	100
1976	27	58	15	100
Rice				
1975	15	84	1	100
1976	32	64	4	100
Feed Grain				
1975	73	18	9	100
1976	61	13	26	100
Soybeans				
1975	90	8	2	100
1976	88	8	4	100

Source: World Economic Demand for U.S. Farm Products, Paper by Arthur B. Mackie, p. 12.

a) from all countries rose by approximately 12 percent in the early 1960's and increased by 15.4 percent in 1971-73 in those low income countries with less than \$400 per capita. However, imports rose only five percent through the whole period since the early 1960's in high income countries with per capita income of more than \$700 per year.

b) from the United States rose rapidly in the early 1960's (32.9 percent) and less rapidly (19.3 percent) in 1971-73 in those countries with less than \$400 per capita. But imports by the high income countries during the early 1960's increased by ten percent but only by two percent in 1972-73 in those countries with per capita income of more than \$700 per year.²⁷ (See Table 5).

The figures in Table 5 show that, per capita agricultural imports increased more relative to per capita income increases in poorer nations and less relative to per capita income increases in the richer countries. When income rises in low income countries, the people are likely to spend a large part of their increased income on more and better food. This means higher market demand which has accounted for some of the increased demand for food imports from all exporting countries in general and the U.S. in particular.²⁸

With the United States trying to expand its agricultural export market, the area with the most potential is the developing countries of the world. If foreign countries maintain strong development programs through the use of food and foreign aid programs from developed countries, both the developing countries benefit from higher income levels and the developed countries gain through the increase of exports to these

²⁷ Ibid., p. 6.

²⁸ Ibid.

TABLE 5

AGRICULTURAL IMPORTS PER CAPITA RELATED TO LEVEL OF INCOME
1938, 1959-61, 1964, 1971-73.

Country Groups	1938	1959-61	1964	1971-73
	--Dollars per capita--			
High Income Countries				
Income	246	700	2,280	2,710
Imports from:				
All sources	15.73	48.13	79.49	92.82
United States	1.25	5.27	7.88	14.23
Low Income Countries				
Income	50	110	240	352
Imports from:				
All sources	1.48	5.08	7.90	13.91
United States	0.12	0.51	1.15	3.14
High Income Countries				
Imports from all sources				
Imports from United States			0.55	0.57
			0.77	0.21
Low Income Countries				
Imports from all sources			1.15	1.54
Imports from United States			3.29	1.93

Source: World Economic Demand for U.S. Farm Products, Paper by Arthur B. Mackie, p. 14.

countries. The P.L. 480 program has had a hand in helping further these developing countries and will probably continue to do so in the future.

Other Aspects of P.L. 480

In 1974, the P.L. 480 Act was amended by the Foreign Assistance Act by limiting to 70 percent the amount of concessional food aid that could be provided in fiscal year 1975 and thereafter to nations designated as "most seriously affected" (MSA) by the current economic crises. It also wanted special attention to be given to those countries with an annual per-capita income under \$300, as a means of increasing food production. Some MSA countries are above the \$300 per capita limit, but in general most MSAs are below the \$300 limit. As of June, 1975, the Agency for International Development (AID) had officially declared 43 countries as MSAs. AID's criteria for being an MSA is as follows: 1) Per capita GNP in 1971 of less than \$400, and 2) An estimated overall balance-of-payments deficit in 1974 or 1975 equivalent to five percent or more of imports. These criteria differ somewhat from the interpretation of the law. (See Section I, p. 12).

Currently in Congress, there is a push to raise the \$300 limit to \$520 to include more countries in the list for assistance. If raised to \$520, this would raise the number of countries available for assistance from forty-seven to sixty-nine.²⁹ The reason for this is two-fold. One, the world has undergone an inflationary period in which countries with per capita income above \$300 are hard hit by the inflation, therefore, giving nations above \$300 a chance to receive assistance to help in

²⁹World Bank Atlas, Population, Per Capita Product, and Growth Rates (Washington: World Bank, 1975), p. 7.

economic development. Secondly, the International Development Association (IDA) has raised their poverty limit criterion to \$520 from the previous \$300 GNP.

Food Taste Changes

Another aspect of P.L. 480 food aid that is important to the United States as far as possibly opening up a new area for selling agricultural commodities is that these nations may develop new food tastes. Countries, when in emergency situations, or faced with low levels of food will sometimes accept new and unusual food well enough to become cash customers. Frequently cited cases of this are Japan, Taiwan, Korea, and Spain. Japan, formerly an exclusively rice-eating nation, received large amounts of P.L. 480 wheat after the war. Now, it is one of the largest foreign commercial customers for United States wheat, purchasing 122 million bushels in fiscal year 1976 plus 117 million bushels of soybeans.³⁰

Suggestions for Policy Changes

P.L. 480 has been beneficial to both the U.S. and recipient countries, however, there have been suggestions by which to improve P.L. 480 aid.

These suggestions can be summarized as follows:

1) Food aid should be priced at lower levels than it is now so that it could be better used as a tool for economic development.

2) Recipient countries have considered food aid a lever for political pressures, therefore subjecting it to political uncertainties. This situation could be improved by channeling aid through international organizations.

3) Recipient countries should explore other avenues of development through food aid. The livestock industry, and employment generating projects are examples of areas that should be considered.³¹

³⁰ U.S. Department of Agriculture, Foreign Agricultural Service, "Spotlight on Japan, Billion Dollar Market for U.S. Farm Exports," Foreign Agriculture, August 31, 1970, p. 3.

³¹ Uma K. Srivastava, et. al., Food Aid and International Economic Growth, p. 122.

SUMMARY AND CONCLUSION

Summary

The Agricultural Trade Development and Assistance Act, commonly known as Public Law 480 was passed in 1954. What was to be an act to rid the United States of agricultural surpluses did not meet that objective. P.L. 480 was gradually changed hoping to put the main emphasis on foreign policy objectives. That came about with the passage of the Food for Peace Act in 1966 and the administrative offices moved to the Agency for International Development.

Because of the complex bureaucracy for P.L. 480 which had to deal with fulfilling both domestic and foreign policy objectives, arguments surfaced about who had control of the program. These arguments took place in the early to mid-1960's and, these struggles did not make for smooth operations in the program.

In the late 1960's, the controversy surrounding the Act began to subside. This was due to several reasons. The Viet-Nam conflict was becoming more important as the war was escalating. The agricultural surpluses began to subside thereby withdrawing some of the pressure from that segment. Also amendments to the Act had consolidated some of the programs making it easier to coordinate from the operations standpoint.

By the early 1970's questions began to surface about the depletion of world agricultural stocks and what should be done about the situation. P.L. 480 again was considered an act that could be used to further economic development in underdeveloped countries.

Currently P.L. 480 is being reviewed for extension with the expectation of making more countries eligible for food aid.

P.L. 480 aid has been evaluated by many concerned parties as to what effects it has had on the United States and recipient countries. Most studies arrive at the conclusion that the P.L. 480 program has benefited both parties, the U.S. by increasing exports and the recipient countries by relieving people from hunger and malnutrition.

A contrary view was expressed by Shenoy who indicated that India suffered from inflation because of the creation of excessive counterpart funds to pay for the food aid. Srivastava, on the other hand, argued that P.L. 480 imports into India were not inflationary but helped finance development.

A study of the program in Columbia by Valderramma and Moscardi concluded that P.L. 480 food aid depressed the domestic production of wheat in that country. Therefore, the Columbian government must import more wheat commercially to meet their domestic needs at a sizeable cost to the government.

USDA studies concluded that the inflationary impacts in six selected countries have been minimal (Columbia, Turkey, Greece, Israel, India, and Egypt). These studies also concluded that P.L. 480 aid has contributed to the development of the countries' economies. By improving the economies of these developing countries, the demand for U.S. farm products have increased more, relative to the developed countries. Since U.S. agricultural income depends on an expanding export market, it was concluded that it is important that the developing countries' economies improve. Therefore, the P.L. 480 program is essential because an effective foreign aid program seeks to increase the income in developing countries, which

will bring about an increased demand for U.S. exports, thereby improving the economic well-being of American agriculture.

Conclusion

P.L. 480 has been the largest single foreign food aid undertaking by the U.S. As with many government programs, the P.L. 480 program has shifted emphasis over time. Instead of disposing of agricultural surpluses, the emphasis has changed to that of using U.S. supplies to assist recipient nations in their economic development. Because of the new objectives of the P.L. 480 program, the four titles were streamlined into two, thus the program has been able to operate more smoothly.

From the studies reviewed, it can be concluded that P.L. 480 has been successful in most countries. When used properly, P.L. 480 food aid has helped recipient countries develop economically. This has increased their demand for U.S. agricultural products. By this increased demand, the U.S. farmer has benefitted.

However, some countries have misused the program by allowing food aid to replace their own agricultural products. Thus, their domestic production has been reduced. By becoming more dependent on imported agricultural products, the government has to spend considerable sums of money to import which otherwise could have been used on other capital expenditures.

Therefore, when P.L. 480 aid is granted or sold to recipient countries, care should be exercised by both the U.S. and the recipient country that the aid will be beneficial to that country.

APPENDIX

VALUE OF COMMODITIES UNDER P.L. 480 AND COMMERCIAL SALES TO FIVE FORMER AID RECIPIENT COUNTRIES 1955-1975

COLUMBIA

<u>Year</u>	<u>Total</u> --1,000 dollars--	<u>P.L. 480</u>	<u>Commercial</u>
1955	27,286	5,894	21,392
1956	29,314	13,759	15,555
1957	33,588	12,412	21,176
1958	25,565	10,158	15,407
1959	23,603	11,324	12,279
1960	24,764	11,955	12,809
1961	25,087	16,681	8,406
1962	23,977	14,089	9,888
1963	26,031	13,925	12,106
1964	27,225	13,923	13,302
1965	29,443	20,504	8,939
1966	29,843	18,040	11,803
1967	24,979	12,489	12,490
1968	32,777	20,309	12,468
1969	30,994	12,546	18,448
1970	38,533	21,716	16,817
1971	56,153	19,604	36,549
1972	50,817	15,220	35,597
1973	118,218	11,651	106,567
1974	137,563	9,695	127,868
1975	84,868	8,932	75,936

GREECE

<u>Year</u>	<u>Total</u> --1,000 dollars--	<u>P.L. 480</u>	<u>Commercial</u>
1955	34,057	34,057	0
1956	27,830	27,830	0
1957	29,614	25,874	3,740
1958	23,006	20,730	2,276
1959	15,782	12,189	3,593
1960	15,961	13,973	1,988
1961	33,023	21,842	11,181
1962	17,294	13,333	3,961
1963	28,636	15,516	13,120
1964	29,678	19,964	9,714
1965	34,890	23,886	11,004
1966	32,710	17,077	15,633
1967	18,882	2,040	16,842
1968	20,014	0	20,014
1969	25,328	0	25,328
1970	27,105	0	27,105
1971	19,666	0	19,666
1972	22,530	0	22,530
1973	142,139	0	142,139
1974	120,813	0	120,813
1975	141,427	0	141,427

SPAIN

<u>Year</u>	<u>Total</u> --1,000 dollars--	<u>P.L. 480</u>	<u>Commercial</u>
1955	47,397	36,264	11,133
1956	122,896	109,703	13,193
1957	84,072	75,755	8,317
1958	119,034	119,034	0
1959	82,071	82,071	0
1960	100,146	82,477	17,669
1961	126,689	67,641	59,048
1962	96,182	10,131	86,051
1963	122,347	15,227	107,120
1964	92,996	3,247	89,749
1965	156,695	9,025	147,670
1966	189,998	6,572	183,426
1967	166,975	10,396	156,579
1968	146,579	2,779	143,800
1969	144,095	0	144,095
1970	142,784	0	142,784
1971	180,304	0	180,304
1972	299,738	0	299,738
1973	461,535	0	461,535
1974	711,059	0	711,059
1975	775,928	0	775,928

ITALY

<u>Year</u>	<u>Total</u> --1,000 dollars--	<u>P.L. 480</u>	<u>Commercial</u>
1955	73,609	46,428	27,181
1956	150,299	95,725	54,574
1957	209,466	103,814	105,652
1958	136,996	53,892	83,104
1959	108,209	35,485	72,724
1960	157,897	17,416	140,481
1961	218,567	16,266	202,301
1962	176,255	16,218	160,037
1963	208,841	5,922	202,919
1964	221,747	6,678	215,069
1965	268,124	5,831	262,293
1966	241,919	1,944	239,975
1967	226,318	0	226,318
1968	231,035	0	231,035
1969	205,679	0	205,679
1970	209,708	0	209,708
1971	266,280	0	266,280
1972	338,409	0	338,409
1973	674,192	0	674,192
1974	763,155	0	763,155
1975	798,229	0	798,229

JAPAN

<u>Year</u>	<u>Total</u> --1,000 dollars--	<u>P.L. 480</u>	<u>Commercial</u>
1955	386,110	119,227	266,833
1956	391,507	127,417	264,090
1957	454,136	59,075	395,061
1958	361,116	14,693	346,423
1959	334,075	14,160	319,915
1960	485,363	20,124	465,239
1961	554,128	27,348	526,780
1962	481,362	32,431	448,931
1963	651,311	17,687	633,624
1964	719,569	11,028	708,541
1965	876,239	10,732	865,507
1966	942,071	10,067	932,004
1967	865,024	0	865,024
1968	932,581	0	932,581
1969	933,274	0	933,274
1970	1,213,817	0	1,213,817
1971	1,073,026	0	1,073,026
1972	1,427,316	0	1,427,316
1973	2,997,728	0	2,997,728
1974	3,478,906	0	3,478,906
1975	3,081,917	0	3,081,917

Source: 12 Years of Achievement under Public Law 480, Supplement to ERS-Foreign 202., pp. 66-110, and U.S. Foreign Agricultural Trade Statistical Report, Calendar years 1968-1975.

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PUBLIC LAW 480: LEGISLATIVE HISTORY,
OPERATIONS, AND EVALUATION

by

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AN ABSTRACT OF A MASTER'S REPORT

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The Agricultural Trade Development and Assistance Act (Public Law 480) was passed in 1954. P.L. 480 served two basic purposes. The first purpose was to expand U.S. trade in order to reduce large surplus stocks of agricultural commodities which were expensive to store. The second purpose was to use U.S. abundance to assist other nations. Failing to satisfactorily dispose of the excess agricultural commodities in the initial years after passage, P.L. 480 was changed to allow the use of food aid in support of foreign policy.

This report is a review of the legislation that led up to the passage of P.L. 480 and subsequent legislation which has affected the Act. A continuing buildup of agricultural surpluses in the early 1950's brought pressure to members of Congress to develop legislation to alleviate the surplus problem and at the same time serve U.S. foreign policy. The passage of P.L. 480 was an attempt to do this. When first passed, P.L. 480 placed U.S. agricultural interests most important, but this was changed in 1966. The Food for Peace Act of 1966 transformed the original Act by placing more emphasis on foreign economic development. The Foreign Assistance Act of 1973 strengthened the humanitarian aspects of the program by directing concessional aid to countries with a per-capita income under \$300. In 1977, a change is expected in the law which will raise the \$300 limit to approximately \$500.

The report discusses the operations of the P.L. 480 program. Being a complicated law, several agencies of the government are involved. The administrative organization and financial procedures for P.L. 480 are explained. A Food for Peace Office in the State Department was esta-

blished to coordinate the activities of the P.L. 480 program in 1959. Since 1959, the four titles have been brought together to the present two operating titles. Under these two titles, programs are developed for recipient countries by the Food for Peace Office.

Financial procedures under P.L. 480 are discussed. A step-by-step analysis of the financial arrangements are presented to show the implementation of a commodity sales agreement under Title I. Procedures for Title II donations are discussed also because of the difference in the two title arrangements.

Studies of the evaluation of P.L. 480 are reviewed to present views as to the beneficial or harmful effects of the program on the U.S. and recipient countries. Studies by various people have generally agreed that P.L. 480 has been beneficial to both the U.S. and recipient countries. However, studies are discussed which show that the P.L. 480 program has been harmful to India because of inflationary problems and has discouraged domestic production of wheat in Columbia.

USDA studies discussed in the report claim that the P.L. 480 program has helped development in recipient countries by reducing food price fluctuation, providing financing for development, and by slowing inflation. These studies also claim that the U.S. has benefitted from the P.L. 480 program, because as economic conditions in recipient countries improve, the demand for U.S. food products increases. Thus, the economic well-being of American agriculture is improved by enlarging exports.